

The Impact of China's Rise:

**Examining realist and liberalist explanations of Australia and the Republic of Korea
Foreign Policy from 2004-2024**

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Abstract

This paper examines the impact of the PRC's rise to a great power in the region on the foreign policies of middle power democracies, focusing on Australia and the Republic of Korea (ROK). The study addresses the research question: Which theory best explains recent changes in the foreign policies of Australia and the ROK towards the PRC? Using congruence analysis, the explanatory power of structural realism, ideational liberalism, and commercial liberalism was tested against quantitative and qualitative data (Blatter & Haverland, 2014). The findings reveal that ideational liberalism offers the most explanatory leverage for these cases. Congruence was moderate for structural realism, indicating some explanatory leverage, while congruence with commercial liberalism was lacking. These findings have implications for scholars interested in theory-testing, as the results demonstrate that domestic preferences have significant influence on foreign policy and recommends future research on these factors in foreign policy analysis.

Key words: *International Relations, China, Australia, South Korea, Balancing*

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Abbreviations

ASPI – Australian Strategic Policy Institute

AUKUS – Trilateral security partnership between the United States, United Kingdom and Australia, to provide Australia with nuclear-powered submarines.

DFAT – Department of Foreign Affairs and Trade, Australian Government

DoD – Department of Defence, Australian Government

DPRK – Democratic People’s Republic of Korea (North Korea)

KOPRA – Korean Public Opinion and Reputation Research Institute

MoFA – Ministry of Foreign Affairs, Republic of Korea

OECD – Organisation for Economic Cooperation and Development

PRC – The People’s Republic of China

QUAD – The Quadrilateral Security Dialogue. Informal alliance between the United States, India, Japan, the United States and Australia

ROK – The Republic of Korea (South Korea)

THAAD – Terminal High Altitude Area Defence system against ballistic missiles.

UN – United Nations.

WHO – World Health Organisation.

1. Introduction

In the last 10 years, it has become accepted by analysts and policymakers alike that the rise of the PRC as an economic and military power has had a significant impact on other nations in the region (Ikenberry, 2011; Wright, 2018; Sussex, 2022). Whether this impact entails a security threat, economic opportunity, or something else, however, is debated. In Australia, the idea of the ‘China threat’ has gained significant traction in both the media and political rhetoric since 2017, while others continue to argue that a closer relationship with China is in Australia’s interests (Medcalf, 2019; Curran, 2022). In the ROK, opposition to the PRC’s rise has been arguably milder than other states in the region, like Japan or India. In both Australia and the ROK though, certain recent policy choices have soured relations with China. In the ROK, the installation of US anti-missile defence system THAAD resulted in Chinese economic retaliation, affecting ROK trade and tourism (Lee, 2020; Salmon, 2020). Australian calls for a WHO investigation into the origins of Coronavirus in China led to sanctions on trade, estimated at over AU\$20 billion per year (Fillingham, 2023). Additionally, both Australia and ROK have deepened their engagement in the Indo-Pacific region, with recent foreign policy calling for a stable, free, and rules-led region (DFAT, 2017; MoFA, 2022). Many scholars have interpreted this change, and other similar decisions, including Australia’s participation in the Quadrilateral Security Dialogue and recent AUKUS deal, as responding to growing Chinese regional influence.

With this background, the question of what drivers have led to these changes in South Korean and Australian foreign policy then arises. While there is relative consensus that the rise of China has created policy waves in the region, the factors behind responses to the PRC have been understudied. This thesis therefore aims to systematically investigate the underlying factors behind changes in foreign policy in Australia and the ROK towards PRC, from 2004 – present. To do this, we start with theory. This research applies the theoretical frameworks of structural realism, ideational liberalism and commercial liberalism, selected due to the centrality of these theories in scholarly discourse around foreign policy. As will be discussed in the literature review, scholars have focused on the reactions of middle powers Australia and South Korea to the rise of China, with diverging views on the extent to which foreign policy change has been driven by security concerns, by shared or diverging values, or by economic concerns. As a result, the selection of the major theories of IR and their sub-theories is fitting.

A congruence analysis is then undertaken of these theories, applied to the cases of South Korean and Australian foreign policy, to test which theory holds the most explanatory power.

The research aim is two-fold. Firstly, providing an empirical study into causes of change in foreign policy towards China, which is surprisingly lacking in current research. This aim contributes to the research's societal relevance, as recently think-tank APSI justified criticisms of its China research by calling on the need for the incorporation of empirical data into the highly consequential China policy debate (Hanson, 2020). Secondly, it aims to test the explanatory ability of the chosen theories, to contribute to the ongoing scholarly debate between realism and liberalism, as well as between ideational and commercial liberalism. These variants of liberalism are typically used to analyse foreign relations between liberal democratic states, rather than to a non-democratic state (Doyle, 2012). The use of the theories in this way aims to expand the theories' use within academic discourse and contributes significantly to scientific relevance, as is a key aim in congruence analysis (Blatter & Haverland, 2014). With this aim in mind, the research question is as follows: *Which theory provides the best explanatory leverage in understanding recent changes in the foreign policies of Australia and the Republic of Korea (ROK) to the People's Republic of China (PRC)?*

To answer this question, Chapter 2 first summaries existing literature and research related to the topic at hand. Following that, the theoretical framework then discusses structural realism, ideational liberalism, and commercial liberalism. In Chapter 3, the research strategy and methodology will be explained. Chapter 4 then evaluates the congruence between the theories and empirical data. Chapter 5 follows with a discussion of the results, limitations and the research question will be answered. Finally, Chapter 6 offers conclusions and recommendations for future research, given the research's implications for understanding regional dynamics, as empirically led research is vital as the PRC's presence in the region develops.

2. Theoretical Framework

2.1 Literature Review

Within the context of now canonical understanding of the great power shift in the international order, scholarship has examined how Asian nations should respond to China's rise, focusing on concepts such as 'middle powers,' and how they 'balance' or 'hedge' against great powers (Ikenberry, 2018; Wright, 2018; Sussex, 2022). This section briefly explores each concept, and discusses previous research conducted on Australia and the ROK's foreign relations with the PRC.

(a) Middle Power

The most prevalent definition characterises middle power states according to their behaviour, as well as having middle-ranking economic, military and diplomatic capabilities (Ungerer, 2007). Unlike great powers, which can directly influence others through military or economic power, middle powers seek influence and leadership in foreign policy in recognisable and similar ways (Neack, 2017). These include avoidance of over-reliance on one strategic partner, diversified economic partnerships, and the diplomatic promotion of the rules-based order (Ungerer, 2007). Neack (2017) further posits that a nation's self-description as a middle power helps understand its foreign policy orientation, motivations, and behaviours. The middle power concept should assist in understanding explanations of the ROK and Australia's foreign policy and will be returned to in the discussion of findings.

(b) Balancing

Balancing is a foreign policy strategy describing when nations block or check a perceived aggressor (Sussex, 2022). Scholars have increasingly used this term to describe nations' responses to shifts in the balance of power caused by China's rise (Korolev, 2023). He & Feng (2023) describe balancing as a technique to resist change, including external balancing (military and security ties), internal balancing (increased military capabilities), and ideological balancing (emphasising common or different ideologies in foreign policy). The opposite of balancing is band-wagoning, where a nation allies with a rising power to support international change (He & Feng, 2023).

(c) Hedging

Hedging is a foreign policy strategy where smaller or middle power nations ‘hedge their bets’ on two or more great powers. He and Feng (2023) describe hedging as an insurance mechanism whereby a country invests in two nations with a negative correlation, meaning if one loses value, the other gains it. Hedging diversifies economic and security investments. Korolev (2023) argues that hedging strategies avoid taking one side at the expense of another. It is not a neutral strategy; rather, it offsets strategic risks, whether political, military, legal, or economic.

The concepts of middle power, balancing, and hedging are often discussed together. Korolev (2023) asserts that hedging turns to balancing (or band-wagoning) when a security risk becomes an imminent threat, as the threatened state is forced to seek protection by balancing with another state, or band-wagoning with the rising great power. Holbraad (1984, in Neack, 2017) argues that this is especially true for middle powers. As an example, some authors argue that Australia's self-description as a middle power in the 1990s proclaimed its commitment to the US-led world order (Neack, 2013). Regarding South Korea, Yeo (2023) writes that its foreign policy identity evolved from a ‘shrimp among whales’ to a ‘middle power,’ though how this identity shapes its foreign policy has been relatively untested.

(d) Existing Research

Scholars have grappled with Australia and the ROK’s reaction to the rise of the PRC over the last decade, resulting in a variety explanations of foreign policy choices using the concepts above. More broadly, some research into Australian foreign policy has concluded that Australia does not face a ‘crude China choice’ and does not need to choose a side between China and the United States (Medcalf, 2019; Curran, 2022). Others, however, have written about increasing Chinese pushback in Australian foreign policy (Taylor, 2020; White, 2022; Reilly, 2020). Reilly (2020) documents a rise in values in Australian foreign policy documents, indicating a desire for closer alignment with democratic powers at the expense of the China relationship. Korolev (2023) argues that Australia shifted from hedging to balancing after aggressive Chinese activity in the South China Sea.

Scholars have not focused on the ROK-PRC relationship with the same intensity as with Australia-PRC relations, however there is some scholarship on the ROK response to the

PRC rise in power. Easley (2012) compared changes in identity in South Korea and Vietnam to understand shifts in foreign policies towards the US and China. Easley contends that a decline in shared Chinese identity led to a tightened alliance with the US, indicative of a hedging strategy. He and Feng (2023) hypothesize that South Korea's foreign policy lies between hedging and band-wagging with China. They note that the ROK faces a more dangerous security threat in the DPRK than the PRC, possibly leading to a more tolerant perception of the PRC as a security threat.

While academic research has long explored the impact of China's rise in the Asia-Pacific region, including Australia and, to a lesser extent, the ROK, few studies have empirically tested these changes over time to explain what changes have occurred and why. Additionally, no recent comparative study of Australia and ROK foreign policies towards China exists, indicating a gap in the literature. This research aims to fill this gap by testing which international relations theory best explains changes in the two nations' foreign policies and to understand what factors most impactfully contribute to foreign policy making.

2.2 Theoretical Framework

To conduct research aimed to fill this gap, international relations theories are utilised. This section will briefly outline the theoretical framework that underpins and guides the research of this thesis. In the field of international relations, theory plays a vital role in making complex phenomenon more easily understandable (Keohane, 2008). While international relations theorists are infamously bad at predicting the future, the influence of theoretical understandings on policy prescriptions should not be understated. At a fundamental level, understanding how the world works is required as a basis for all policy strategies and therefore is deserving of attention (Keohane, 2008).

2.2.1 Structural Realism

Realism, a foundational international relations theory, traces its roots to the 5th century BC (Donnelly, 2009). Realism rests in part on its classical foundations, which posit that human relations are characterised by competition and fear, and that the international system is in a constant state of potential war (Hobbes, 1651; Morgenthau, 1948).

Realism has many sub-theoretical understandings. The most relevant sub-theory for this thesis is structural realism or neorealism, introduced by Kenneth Waltz in *Theory of International Politics* (Waltz, 1979). This theory is applicable due to this research's focus on states' responses, in their foreign policy, to a disruption of the balance of power in the region, caused by the PRC's rise. The theory's core assumptions include an anarchic international system with no overarching authority, states as primary actors, and state survival as the ultimate goal (Donnelly, 2009). Power in this system is hierarchical, emerging from state interactions (Mearsheimer, 2001). Waltz defines peace as a balance of power, where powerful states are tempted to use power, and weaker states fear this (Waltz, 2000). In this hierarchy, shifts in power balance shape state behaviour (Waltz, 2000). Neorealism emphasises 'systemic' causes at the international level over individual or domestic factors, making structural elements in the international system crucial for understanding state behaviour (Waltz, 1979).

Within neorealism, defensive and offensive realism emerged, advanced by Waltz and John Mearsheimer respectively. Offensive realism suggests states seek to maximise power, while defensive realism proposes that states aim to maximise security. Since neither Australia nor South Korea seek to dominate globally and are not considered great powers, defensive neorealism is more applicable (Lobell, 2017). Defensive realism argues that state survival is best achieved by maintaining the international balance of power, pursuing common interests, and minimising overt aggression (Lobell, 2017). As discussed in section 2.1, states may adopt strategies of balancing, hedging, or band-wagoning to a rising power for survival (Waltz, 2000). Structural realists assert that states are ultimately only capable of self-help, meaning they are at all times preoccupied with fears for the future. Foreign policy decisions are thus aimed at minimising the power and security gap between ones' own state and others (Waltz, 2000).

*RP1. The shift in the global balance of power caused by the rise of China has led to a build-up of **internal military capabilities** for the Republic of Korea and Australia.*

*RP2. As, according to defensive realism, states are primarily concerned with ensuring a balance of power in the international system through pursuing common interests and cooperation, China's rise will cause the ROK and Australia to **reinforce and/ or reiterate commitments to existing alliances or to seek out new ones.***

2.2.2. Liberalism

Like realism, liberalism is a core international relations theory, with various strands offering different perspectives on foreign policy (Sussex, 2022). This section will outline the key assumptions of liberalism before delving into two subvariants relevant to this research.

Emerging from enlightenment theory, liberalism critiques realism for not adequately explaining the increasing interconnection and cooperation among states (Snyder, 2004a). Liberal theorist Andrew Moravcsik identifies three basic assumptions central to liberalism. First, the state is not the sole unit of analysis in international relations. Societal actors, individuals or groups, influence politics from the bottom up, as their embedded interests inform higher level politics, based on their rational pursuit of ideal and material (economic) welfare (Moravcsik, 1997). Second, state preferences arise from these societal interests, which vary in influence. Third, in the interdependent international system post-World War II, other states' preferences also impact the behaviour and preferences of individual states (Moravcsik, 1997).

In *Taking Preferences Seriously*, Moravcsik identifies three main variants of liberal theory: ideational liberalism, commercial liberalism, and republican liberalism. This research focuses on the first two, as the third explains domestic political actors' struggles for influence and not the outward behaviour of states, which is the focus of this paper.

2.2.3. Ideational liberalism

Moravcsik defines ideational liberalism as primarily concerned with the compatibility of social preferences, often shaped by national identity, with foreign policy. These preferences influence foreign policy on key issues like national unity, legitimate political practices, and socio-economic regulation (Moravcsik, 1997). Although Moravcsik views ideational liberalism as a subvariant of liberalism, scholars often refer to the ideology of liberalism underpinning state behaviour without distinguishing it from economic or commercial liberal theory (Snyder, 2004a).

Ideational liberal theorists assume that legitimacy and democratic norms powerfully shape foreign policy. As Moravcsik claims, social preferences are expressed through democracy and political accountability. Since elected officials are accountable to rational electorates seeking to maximise their interests, democratic nations will regard one another as

non-threatening (1997). For liberals, this practice is facilitated by international law and norms, especially when institutionalised.

*ILP3. Ideational liberalism expects that public opinion is liberal and demands peaceful foreign policy, or that the government is deterred from anti-liberal policies due to suspected lack of electorate support next election. Both interpretations predict that **domestic preferences towards the PRC would need to worsen** before the ROK or Australia would adopt foreign policy that balanced against the PRC.*

Dunne and McDonald describe liberal internationalism as the belief that global institutions are effective and legitimate, with states increasingly acting collectively based on ‘shared liberal principles and ideas’ post-WWII (2013, p. 11). They further argue that the role of the state includes speaking for those silenced and advancing global justice (Dunne & McDonald, 2013). Alliances based on shared values provide trustworthy opportunities for cooperation. Thus, ideational liberalism is closely linked to how moral imperatives, human rights, and norms shape state interactions, as embedded by the electorate (Doyle, 2012; Moravcsik, 1997).

*ILP4. As foreign policy is formed ‘bottom-up’ from the preferences of the electorate, foreign policy towards China will have changed in ROK and Australia after **a change in government**.*

2.2.4. Commercial liberalism

Economic liberalism most broadly hypothesises that peace is incentivised through trade (Schneider, 2010). This assumption rests in part on the premise that wars are fought for wealth, which liberal scholars have used to justify war avoidance as due to perceived economic costs (Schneider, 2010). Commercial liberalism focuses on the role of interconnected commercial activity in shaping state relationships, rather than shared or opposing norms and values as emphasised in ideational liberalism (Moravcsik, 1997; Ikenberry, 2018). Commercial liberalism is fundamentally functionalist, as changes in the international or domestic economy alters the cost benefit analysis of international exchange, which leads to changes in foreign policy by a state, to facilitate or block said exchanges (Moravcsik, 1997, p. 528). Additionally, as states are formed of rational actors, trade is a favourable means of generating wealth as opposed to war. Similarly, Ikenberry argues the norm of openness within the international order is largely formed on the practise of states to trade for mutual gain (2011). As international

economies engage more deeply, peace and political advancement is fostered, due to mutual gains afforded to the interconnected nations, and to the flow of knowledge and technology (Ikenberry, 2018).

*CLP5. As China's economic power rises, **South Korea and Australia will have deepened their economic ties and trade relations with China**, as economic interdependence is a rational way to maintain peace and stability.*

Taking an 'outside in' approach that differs from Moravcsik's emphasis on domestic interests, key liberal theorist Keohane argues that when the international economic environment changes, so does state behaviour and policy (Keohane, 1984). Economic coercion, therefore, remains a tool by which states can shape the behaviour of other states, however this becomes more difficult if the commercial ties are more diverse, and more complex (Moravcsik, 1997).

CLP6. When supported by commercial interests, elected ROK and Australian governments can become aggressive towards non-liberals, in this case, the PRC. This is due to liberalism's assumption that when powerful domestic groups, driven by commercial interests, are harmonious with other state preferences, 'there are strong incentives for coexisting with low conflict' (Moravcsik, 1997, p. 521).

3. Research design and methodological justification

3.1 Research design selection

This research aims to test the ability of structural realism, ideational liberalism, and commercial liberalism to explain changes in South Korean and Australian foreign policies towards China. Due to the research aim to compare and test theoretical explanations, congruence analysis is selected as the research strategy. To perform congruence analysis, data is retrieved and compared to predictions generated from the three theories. The following sections will briefly justify these methodological and case choices.

3.2 Congruence Analysis

Congruence analysis (CON) involves the comparison between predictions drawn from theories with empirical evidence to test whether the theoretical understanding and what is observable is congruent, or not (Blatter & Haverland, 2014). Importantly, this type of small-N research allows a researcher to collect ‘a broad and diverse set of observations per case’ and delve in depth into the relationship between these observations and theoretical assumptions (Blatter & Haverland, 2014, p. 144). The degree of congruence between these assumptions and findings is two-fold, answering whether one theory explains the cases better than the other, and whether one theory provides explanatory insights that the others do not.

The choice of two cases of foreign policy, Australia and the ROK, was made to retain the capacity for intensive and detailed research, to develop a comprehensive understanding of how foreign policies have been impacted by the rise of the PRC. Additionally, the choice of two cases allows for reflections on the generalisability of the congruence analysis findings, as well as their explanatory leverage (Blatter & Haverland, 2014). Being a congruence analysis, it is also important to note that unlike some other forms of case study research, this paper takes a deductive approach, assessing congruence between the predictions generated from theory and the empirical findings of two cases.

As discussed within the theoretical framework, this research is conducted with the understanding that theories function to explain our social and political reality, with consequences for academics and policy makers alike (Blatter & Haverland, 2014; Allison & Zelikow, 1999). Going further than theoretical determinism, however, congruence analysis

recognises the importance of testing theory with reality through empirical data collection and analysis. This enables conclusions to be drawn both on the social reality of the cases, and of the usefulness of the theory (Blatter & Haverland, 2014).

3.3 Operationalisation

Having generated predictions from each theory tested, it is necessary to specify how the empirical analysis will be conducted. In the following sections, the indicators used to test each prediction and the sources of data are justified.

Table 1

Operationalisation

Theory	Prediction	Indicator	Source
Structural realism	RP1. Build up internal military capabilities	<ul style="list-style-type: none"> • Increase in military spending. • Increase in heavy weaponry. 	<ul style="list-style-type: none"> • SIPRI • Quality of Government (QoG) Institute database
Structural realism	RP2. New alliances	<ul style="list-style-type: none"> • Increase in formal alliances • Increase in informal alliances and partnerships 	<ul style="list-style-type: none"> • QoG database • DFAT • Newspaper articles • MoFA
Ideational liberalism	ILP3. Domestic preferences worsen towards PRC	<ul style="list-style-type: none"> • Opinion of PRC falls within ROK and Aus 	<ul style="list-style-type: none"> • Pew Research Center, Global Attitudes and Trends Survey. • The Lowy Institute • Sinophone Borderlands Project
Ideational liberalism	ILP4. Foreign policy changes	<ul style="list-style-type: none"> • Foreign policy changes post 	<ul style="list-style-type: none"> • DFAT • MoFA • DoD

	following change in government	change in government	<ul style="list-style-type: none"> • Newspaper articles
Commercial liberalism	CLP5. Stronger economic ties between ROK-PRC and Aus- PRC over time	<ul style="list-style-type: none"> • Increased imports and exports with PRC • Increased inward and outward FDI stocks 	<ul style="list-style-type: none"> • UN Comtrade • OECD data warehouse
Commercial liberalism	CLP6. Governments become aggressive when supported by commercial interests	<ul style="list-style-type: none"> • Economic flows lessen post PRC unilateral action • Governments implement foreign policy against PRC interests post unilateral PRC action 	<ul style="list-style-type: none"> • UN Comtrade • OECD data warehouse • Newspaper articles • DFAT • MoFA

3.4 Reliability and Validity

In case study research, including congruence analysis, the reliability and validity of a study is critical to ensuring good scientific research. Reliability refers to consistency and repeatability within a study. To ensure reliability, the procedures and reputation of the sources used to gather data were explained in detail. As a small n-study, replication was limited, however the same predictions and focus applied to both cases. Additionally, where international data was limited, data gathered for only one of the two cases was utilised, to confirm that the data that existed for both cases was like data that existed for only one.

Validity refers to the accuracy of the findings; internal validity is whether the research has measured what it has intended to measure. Internal validity was ensured by determining what will be measured based on theoretical assumptions, before the empirical data was gathered or analysed. External validity is low, as small-N research does not allow for high generalisability (Flyvberg, 2006). The generalisability of findings onto cases not researched in this paper is increased within congruence analysis due to the use of three theories (Blatter & Haverland, 2014).

3.5 Sources

This study uses a variety of data to assess the predictions of the three international relations theories. These sources include secondary and primary sources, including economic, socioeconomic, and military data from governmental sources and research institutes. Additionally, this data was complemented by research articles, NGO documents, newspaper articles, public statements from government officials, and primary governmental documents. Economic data was more readily available than military data, and complete data over the 2004-2024 timeframe was difficult to obtain. The findings of this research do need to be considered in light of said data restrictions. Speeches and official documents were especially vital in these instances, to identify future intentions or publicly stated reasons behind foreign policy decisions.

2004 is chosen as the starting point for data collection and analysis due to the divergence of GDP between the ROK and China and Australia around this time (World Bank, n.d.). As discussed, this paper rests on the premise that China's rise has led to changes in the foreign policies of nearby countries. Additionally, 2004 is chosen as the starting date as scholars note that the Australian 2005 Defence White Paper marked a time of change in Australian-PRC bilateral relations (De Silva, 2023). Describing China's strategic interest in Asia as growing, the Paper recommended that China's 'capability decisions remain consistent with its legitimate security needs' (Australian Defence Update, 2005, in De Silva, 2023, 22). In 2004, the ROK also began to express concerns over the PRC's rise as a possible strategic threat (Snyder, 2004b). This was prompted by the PRC Ministry of Foreign Affairs' website erasure of Korean history related to a longstanding dispute over national historical origins from the Goguryeo Kingdom 37 BC-668 AD. Snyder (2004b, p. 110) asserts that a journalist at the time warned that 'China's hegemonic ambition has been exposed'.

3.6 Case Selection

In congruence analysis, socially relevant cases are selected and compared with theories that hold academic significance within the field of research (Blatter & Haverland, 2014). As discussed within the theoretical framework, the theories were selected based on their centrality and foundational position in academic discourse and research on international relations and foreign policy. Moreover, the authors referenced throughout the theoretical framework are foundational, and coined the specific strands of theory described.

Case selection of Australia and South Korea was driven by the need for research into how nations in the Indo-Pacific have responded to the rise of China. The societal relevance of this has been explained in the introductory chapter. The foreign policies of Australia and South Korea were selected as the cases for this research for several reasons. Both nations have a strong economic relationship with China, and both are located on the periphery of the Indo-pacific region, where the rise of China has been felt strongly. They share similar GDPs; Australia at 1.69 trillion USD and ROK at 1.67 trillion USD currently (World Bank, n.d). Additionally, both nations are democratic societies and are dedicated, in their foreign policies, to a multilateral, rules-based liberal world order. To refer back to the literature review, as middle powers with similar economic and military capabilities, they should act in similar ways to achieve desirable outcomes (Ungerer, 2007). The next two sections will briefly outline information relevant to understanding South Korea and Australia's foreign policy.

The Republic of Korea (ROK)

The ROK is a notable example of development. Starting as one of the poorest economies, from 1980 to 2023, the ROK's GDP grew by an average of 5.7% annually (World Bank, n.d). The ROK has shown increasing interest in expanding its global diplomacy. Examples include President Kim Young-sam's 1994 globalisation policy, the ROK's 1996 accession to the OECD, the 'Global Korea' initiative in the late 2000s, and President Yoon Suk Yeol's recent description of the ROK as a 'global pivotal state' (Yeo, 2023). These policies illustrate continuous government support for Korea's international role.

National identity was also a factor in selecting the ROK and Australia as cases for empirical research. Although an in-depth analysis of the ROK's national identity is beyond this research's scope, Jojin (2016) describes the modern ROK's identity as linked to *seonjingung*, or

advanced nation status. *Seonjingung's* ideals have been articulated by different administrations as democratic, liberal, free, and linked to increasing democratisation and welfare (Jojin, 2016).

ROK-China relations have a long history, however relations post-1948 and 1949, their founding dates as modern states, are most relevant to this research (Griffith, 2021). During the Korean War (1950-1953) and much of the Cold War, they were adversaries. The PRC's support of the DPRK during the Cold War hindered close relations with the ROK, but relations were normalised in 1992 (Griffith, 2021). Post-diplomatic stabilisation, the importance of the PRC economic relationship for the ROK grew as both nations sought new trade partners to develop their modernisation policies (Liu, 1993). Economic disparity grew considerably, however, from a 14% GDP gap in 1991 to an 89% gap, favouring China, in 2014 (Griffith, 2021). Additionally, the PRC's significant military development is predicted to hypothetically defeat the ROK (Griffith, 2021). These developments illustrate the increasing hierarchy between the two countries. Moreover, the ROK and US share a formal military alliance since 1953, which is noteworthy as the US considers the PRC its 'only competitor' (CFR, 2017; Snyder, 2023). With this background, this paper aims to explain how the ROK has reacted to this imbalance caused by China's rise, with consideration of the US alliance, commitment to development, and middle power foreign policy strategies.

Australia

Australia, like South Korea, was previously a colony of an imperial power. Since the birth of Australian foreign policy in 1947, governments have shared common foreign policy goals: a close US alliance, active regional engagement, and support for a rules-based international order (Gyngell, 2018). Similarly to the ROK, Australia's economy saw unprecedented growth from 1991 to 2020 (Connelly & Lewis, 2010, in Fitzsimmons, 2022).

Australia's relationship with the US developed significantly with the 1951 ANZUS Treaty, a military alliance between the US, Australia, and New Zealand (Gyngell, 2017). ANZUS remains the foundation of Australia's security and defence cooperation and benefits the US by providing a trustworthy base in the Asian region (Gyngell, 2017). The recent AUKUS commitment signalled a closer military alliance, with frequent joint exercises and deeper information sharing, as outlined in the 2024 Australian National Defence Strategy (DoD, 2024).

Across the 20th century, Australia's identity shifted from a British nation to a multicultural one with interests in Asia (Keating, 1994). This emerged due to Asian migration and a shift in government strategic vision, focusing on cooperation with regional nations (Curran, 2017). This identity shift remains contested, however provides important context for diplomatic and trade ties with the US and PRC.

The PRC-Australia bilateral relationship is primarily economic, though diplomatic relations and community links also play roles (Fitzsimmons, 2022). In recent decades, Australia's economy shifted from agriculture and manufacturing to exporting raw materials and services, required during the PRC's economic transformation (Fitzsimmons, 2022). In 2007, China became Australia's largest trading partner (Australian Embassy, n.d.). The 2015 Australia-China FTA and 2022-2023 trade totalling AUD\$316.9 billion (26% of Australia's trade) highlight the relationship's importance (DFAT, 2023).

These cases were additionally selected in line with theory, as necessitated by congruence analysis (Blatter & Haverland, 2014). Foreign policy is often understood from a realist perspective, with concerns for security and survival and with the state as the primary unit of analysis (Wivel, 2017). As this research aim is to understand changes in foreign policy due to shifting power balance, which is a key focus of realist theory, realism is the most-likely case. The cases of the ROK and Australia can furthermore be classified as crucial cases, as most likely in relation to realism, the established theory in the field of foreign policy, and least likely in relation to ideational and commercial liberalism. While ideational and commercial liberalism are established theories, they are mostly used to explain cooperation and relations within the international system, rather than to explain foreign policy itself (Brawley, 2017). It is also worth noting the possibility for bias in the findings, due to the comparison of two strands of liberal theory to one of realist theory. As Blatter & Haverland (2014) write, if theories from one approach are compared, the research is likely to more find confirmation within that paradigm. This may contrast interestingly with realism being the most likely theoretical explanation.

4. Analysis

4.1 Realism

4.1.1 Internal military capabilities

RP1 expects that internal military capabilities were increased. To ascertain whether this occurred, an increase in military expenditure was one indicator within this prediction. This choice of indicator was made with the understanding that financial contribution is a significant factor in determining where resources are focused (Griffith, 2021). Figure 1.1 utilises current USD million as the measure, rather than expenditure as a percentage of GDP. This choice was made as it is more important to other nations, according to theories of foreign policy, whether a state increases their military expenditure, than whether the expenditure increases relative to their economy (Griffith, 2021). Military expenditure as a percentage of GDP, in fact, has not increased significantly in the ROK, Australia or PRC between 2004-2023, however this has little consequence on this research (World Bank, n.d.).

Australia

As visible in Figure 1.1 military expenditure in Australia increased significantly between the years 2004 and 2023. In 2004, military expenditure was around \$12,000 USD million, rising continuously to around \$32,500 USD million in 2023 (SIPRI, 2023). This amounts to an increase of approximately 270% in the last twenty years, compared with an increase of around 240% in the previous two decades, between 1984-2004 (SIPRI, 2023). RP1 is supported with empirical data for this indicator.

The second indicator for RP1 is whether an increase of heavy weaponry occurred. Other indicators for increased internal capabilities would have additionally been useful to test RP1, however publicly available military capability data is scarce. Data for this indicator was retrieved from the Quality of Government (QoG) Institute's reputable open-access datasets. Data for heavy weaponry was taken from ISS, a closed-access source (Dahlberg et al, 2024). The index used (code `bicc_hw`) considers the number of armed forces' heavy weapons in relation to the total population. Per Figure. 1.2, Australia's heavy weapon index increased from 1.288 in 2004 to 1.508 in 2021, the most recent year with data (Dahlberg et al, 2024). This indicates an increase in internal weaponry capabilities, supporting the prediction in RP1.

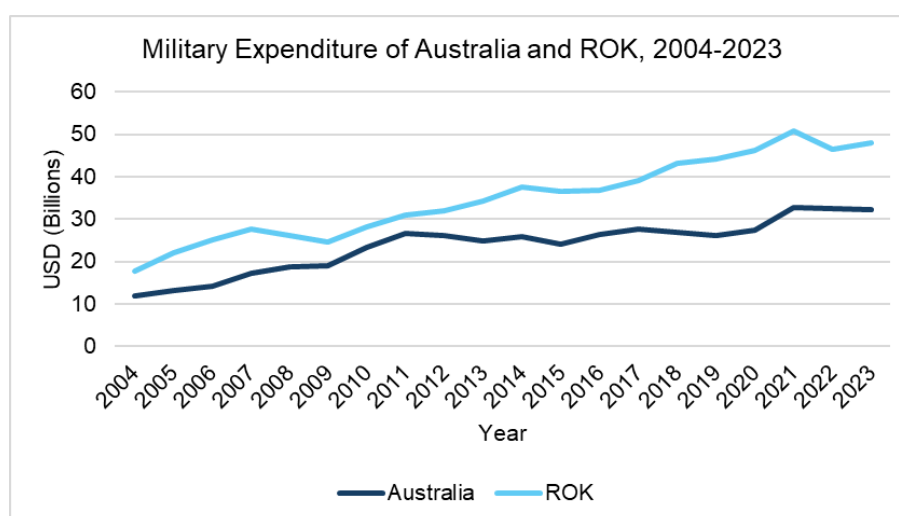
ROK

To determine whether RP1 is supported in the ROK, military expenditure was the first indicator considered. Per Figure 1.1, military expenditure increased from around \$17,800 USD million in 2004 to around \$48,000 USD million in 2023 (SIPRI, 2023). This is an increase of around 270%, like Australia. Unlike Australia, however, this is a decrease in rise from the previous 20 years; between 1984 to 2004 expenditure rose by about 375% (SIPRI, 2023). Regardless, military expenditure still rose at a considerable rate within the timeframe of this research, and thus this indicator supports RP1.

Internal military capabilities in the form of heavy weaponry, according to the QoG heavy weapons index, increased very slightly as visible in Figure 1.2. The index is measured at 2.124 in 2004, and increased to 2.184 in 2021 (Dahlberg et al, 2024). This is an increase of 2.8%, compared with Australia's increase of 17% percent. Considering the lack of significant change, the data from ROK regarding this indicator is not supportive of RP1. The realist prediction for internal military capabilities in the ROK is thus only partially supported by empirical data.

Figure 1.1

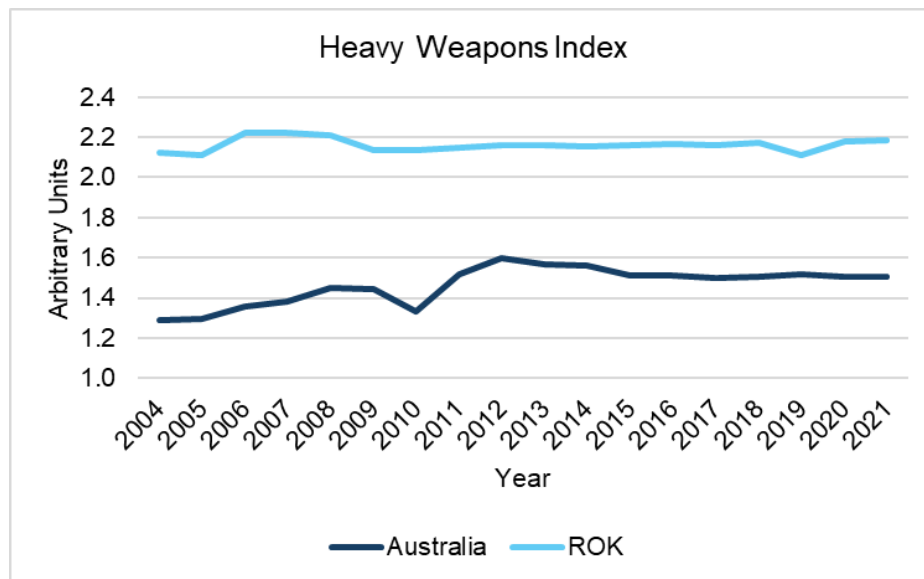
Military expenditure 2004 -2023. Australia and ROK.



Note: SIPRI (2023). *SIPRI Military Expenditure Database*. milex.sipri.org/sipri

Figure 1.2

Heavy Weapons Index 2004 – 2021. Australia and ROK. (Dahlberg et al, 2024).



Note: adapted from Dahlberg et al (2024). The QoG Basic Dataset. *QoD Institute*, doi:10.18157/qogbasjan24

4.1.2 International alliances

Australia

RP2 predicts that states concerned with ensuring a balance of power, as defensive realism posits, will reinforce and reiterate existing alliances, and seek out new ones. Within this prediction, the first indicator assesses whether the number of formal alliances increased over the researched period. Quantitative data on this was thin. The QoG dataset was utilised again, to obtain the number of formal alliances, coded as *atop_number* from 2004. Unfortunately, 2018 is the most recent year with data for this variable is the most recent date used here.

As visible in Figure 2, Australia did increase its number of formal alliances each year from 2004-2006 (Dahlberg et al, 2024). Between 2006 and 2018, there was no change in the number of formal alliances Australia was party to. This indicator is supportive of RP2, however the stability of alliances since 2006 slightly counters the assumption of RP2 that alliances would increase.

Open-source quantitative data for the informal alliances of Australia does not exist. Many scholars and news sources note, however, the importance of several informal

partnerships that Australia has partaken in in recent years (Curran & Hewitt, 2023). Australia rejoined the Quad in 2017, after withdrawing in 2008, committing again to ensuring ‘an open Indo-Pacific... free from intimidation and coercion’ (Albanese, 2017). A detailed discussion of the Quad is beyond the scope of this thesis, however how the minilateral works to balance against China is a key focus of geopolitical analysts today (De Silva, 2023; Raby, 2020). In 2021, Australia signed the AUKUS Agreement, designed to equip Australia with nuclear powered submarines, and increase military, AI, and cyber capabilities between the member states (Curran & Hewitt, 2023). Additionally, the 2022 Japan-Australia Reciprocal Agreement allows greater cooperation of defence forces and eased restrictions on military related transportation (Curran & Hewitt, 2023). While not exhaustive, a tentative conclusion is that qualitative desk research on the indicator of informal alliances supports RP2.

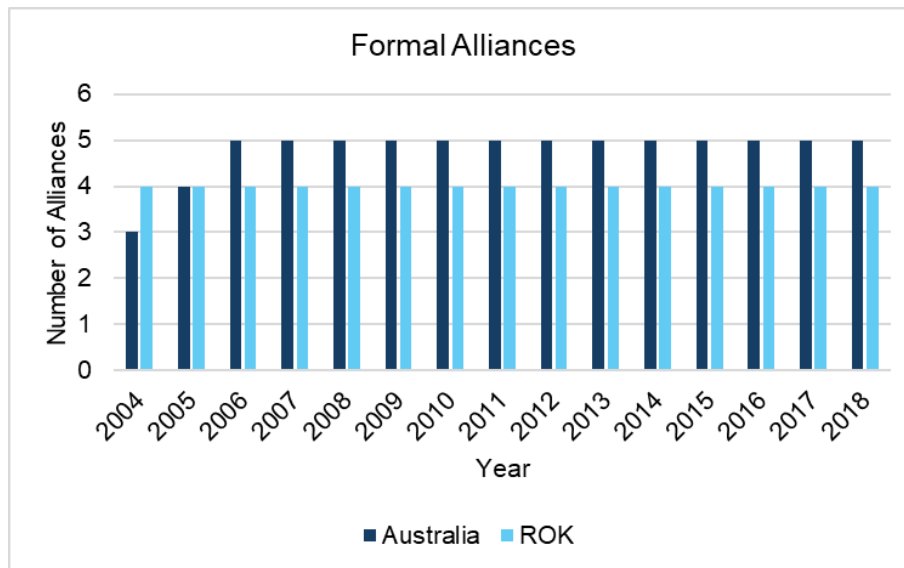
ROK

To establish whether congruence between RP2 and the empirical data exists, the first indicator for number of formal alliances, was analysed. Per Figure 2, the number of formal alliances that the ROK is engaged in did not change between 2004-2018 (Dahlberg et al, 2024). This indicator shows a lack of congruence between RP2 and the empirical data.

As with Australia, quantitative data for development or numbers of informal alliances of the ROK does not exist. As such, this next indicator is measured with qualitative desk research on informal alliances. Work and Sohn (2023) note recent efforts from the US and ROK in ‘modernising’ the United Nations Command (UNC), a multinational command in Seoul, led by the US. In 2018 the command was reinvigorated with a meeting of 18 foreign ministers and has seen greater member state involvement since. In October 2023, the UNC was used to coordinate military participation and activities, with personnel and naval from several countries (Work & Sohn, 2023). The 2022 ROK-Vietnam Strategic Partnership refers to a free, open Indo-Pacific, including within the South-China Sea, however there is no military commitment to ensuring this (MoFA, 2024). Overall, there have been few developments of ROK military alliances in recent years, indicating a lack of support for RP2.

Figure 2

Formal Alliances (number) 2004-2018. Australia and ROK.



Note: adapted from Dahlberg, et al (2024). The QoD Basic Dataset, *QoG Institute*, doi:10.18157/qogbasjan24

4.2 Ideational Liberalism

4.2.1 Domestic preferences

As ideational liberalism offers a bottom-up perspective of foreign policy making, domestic preferences are crucial in understanding foreign policy changes. As such, ILP3 predicts that public opinion in Australia and the ROK towards China, will have worsened between 2004-2023. Liberalism sees ‘the demands of individuals [domestic preferences] ... as analytically prior to politics’ (Moravscik, 1997, p. 517). Whether public opinion worsened is therefore a way to assess whether domestic preferences did become unfavourable towards the PRC, which ideational liberalism posits would need to occur before elected officials would adopt unfavourable policies towards the PRC. To establish whether this occurred, data from the Pew Research Center was used. Their Global Attitudes and Trends Survey is one the only long-running surveys that polls the public from different states on their views towards China. The Pew Research Center is a US based, non-profit, non-partisan think tank endorsed by academic institutions (Harvard University, 2024; Xie & Jin, 2021). The survey question used for this paper was asked on a Likert scale, as ‘please tell me if you have a very favourable, somewhat favourable, somewhat unfavourable, or very unfavourable opinion of...? b. China’ (Pew Research Center, 2023). The results are based on national samples, conducted online or over the phone.

The Pew Research Centre's data was included as it surveys the public in both Australia and the ROK. This meant that the same methodology was used to extract the data, making comparison of ILP3 between the two cases (Aus and ROK) more reliable. As is visible in Figure 3.1 however, some years are missing. Local quantitative, where available, and qualitative data was additionally assessed to improve the thickness of data for this prediction.

Australia

As visible in Figure 3.1, public opinion of China in Australia worsened considerably between 2008 and 2023. 2008 is the earliest year with data for Australia in this dataset. In 2008, 52% of the Australian public surveyed had a very or somewhat favourable opinion of China, and 40% had a somewhat or unfavourable view (Pew Research Center, 2023). This deteriorated steadily; in 2023 only 12% had a favourable view of China, compared to 87% who held an unfavourable view. People who didn't know or refused to answer account for the missing percentages (Pew Research Institute, 2023). Empirical data thus far is strongly supportive of ILP3.

As several years of data are missing for this variable surveyed in Australia, data from the reputable Lowy Institute is utilised to thicken the data for this indicator. The Lowy Institute has comprehensive data polling Australians on their attitudes towards China over decades. Two indicators were used from the Lowy Institute Polls. The first is the feelings towards other nations variable, which asks respondents to rate their feelings towards China with 100 as very warm and favourable, 0 as very cold and unfavourable (Lowy Institute, 2024b). According to Lowy data, Australian feelings towards China have cooled considerably since 2006, with a notable dip from 2018 onwards. Additionally, Lowy polled Australians most years from 2009 to 2024, asking whether they thought it was likely or unlikely that China will become a military threat in the next 20 years (Lowy Institute, 2024a). In 2009, only 15% thought it was very likely, compared with 25% in 2024. 26% in 2009 thought it was somewhat likely, compared with a high 46% somewhat likely response in 2024 (Lowy Institute, 2024a). This empirical data supports ILP3, indicating that domestic preferences, as shown by public opinions, have worsened considerably over time.

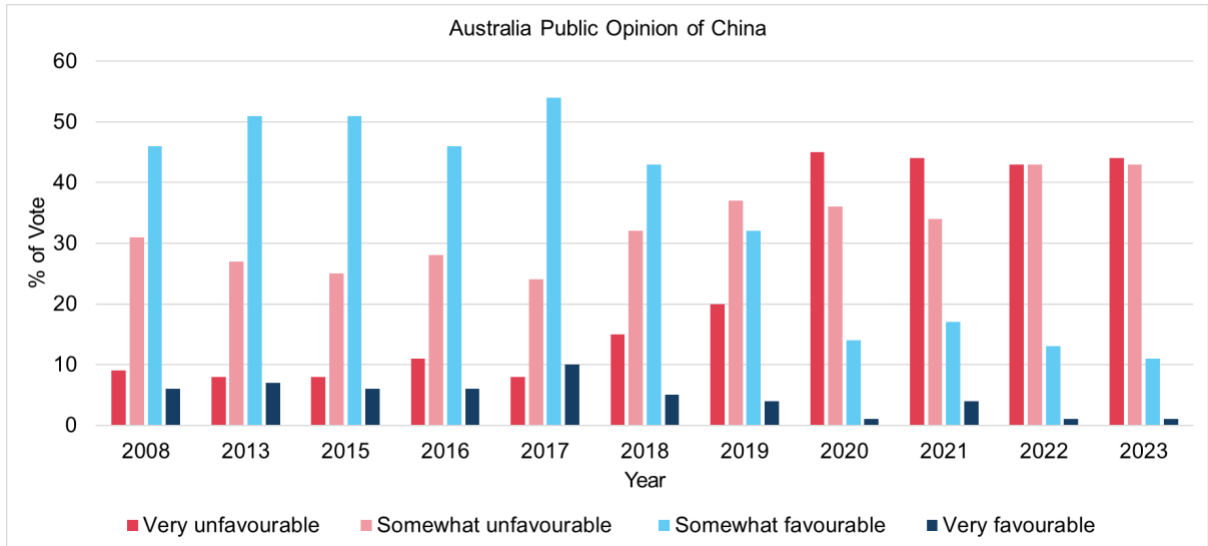
ROK

Congruence between the data and ILP3 was again analysed using public opinion poll data from the Pew Research Institute. More years had data for the ROK than Australia; the earliest date within this paper's timeframe was 2007. Per Figure 3.2 in 2007, 52% of the public surveyed overall had a very or somewhat favourable opinion of China (Pew Research Center, 2023). In 2023, this dropped to 22%, compared to a high 77% of respondents who had a very or somewhat unfavourable opinion of China (Pew Research Center, 2023). Empirical data from the ROK is so far supportive of ILP3.

Alternative data sources were also considered to determine congruence for ILP5. Little historical data exists for the public opinion of South Koreans on China, however. The Global Times, a Chinese government-owned newspaper, conducted a survey in the ROK on opinions towards China in 2024, however the data was not included in this survey due to a lack of methodological explanation and the potential for bias due to ownership (Wenting & Shumei, 2024). One survey that offers some insight into IPL5 is Sinophone Borderlands project. The project was conducted through a collaboration with Palacký University, with funding from the EU Regional Development fund, and focused on gathering global attitudes towards China (Sinophone Borderlands, 2023). Data has only been collected for 2020-2022, making its findings of little consequence to whether opinions have changed over time. What the survey does show, however, is that South Korean attitudes towards China are some of the most negative globally (Turcsányi et al, 2022). One variable that the public were questioned on in 2022 is how positively or negatively they assess the foreign policy of China, with over 70% assessing it as very negatively, negatively, or somewhat negatively (Turcsányi et al, 2022). If this empirical data is compared with early opinions of the ROK in the Pew Research Institute Data, it shows support for ILP3.

Figure 3.1

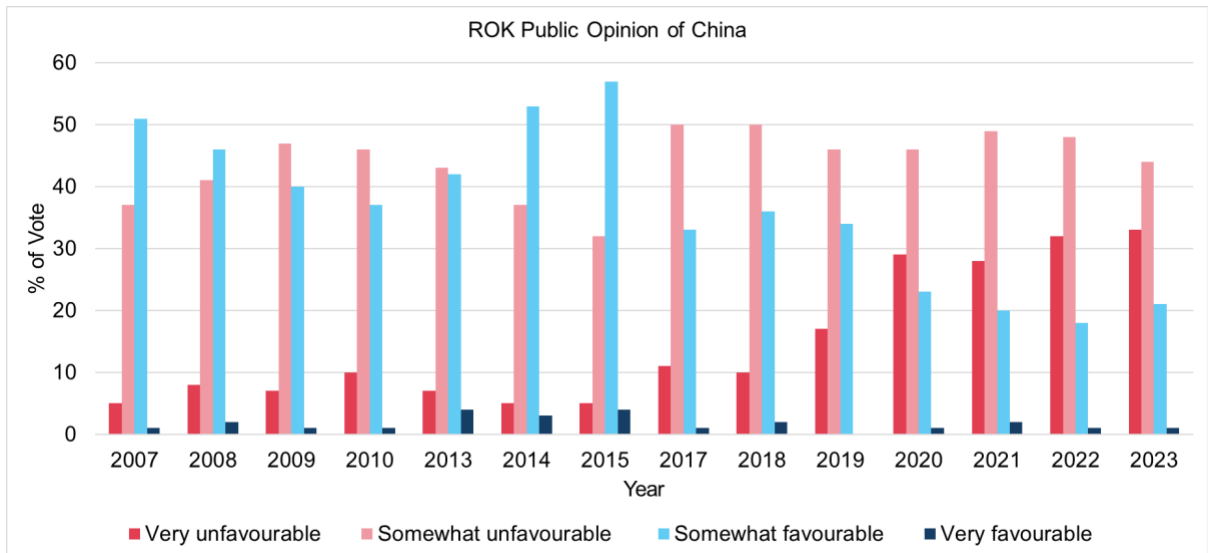
Public Opinion of China (Australia)



Note: adapted from Pew Research Center (2023, July 27). *Topline Questionnaire. Spring 2023 Global Attitudes Survey.* https://www.pewresearch.org/wp-content/uploads/sites/20/2023/07/PG_2023.07.27_Vews-of-China_TOPLINE.pdf

Figure 3.2

Public Opinion of China (ROK)



Note: adapted from Pew Research Center (2023, July 27). *Topline Questionnaire. Spring 2023 Global Attitudes Survey.* https://www.pewresearch.org/wp-content/uploads/sites/20/2023/07/PG_2023.07.27_Vews-of-China_TOPLINE.pdf

4.2.3 Elections

We move now to our second ideational liberal prediction, ILP4. As ideational liberalism focuses on the effects of domestic preferences on foreign policy, one indicator to judge whether this occurred in the cases selected is to assess whether foreign policy changed after a change in government. This prediction therefore focuses on elections as specific events, rather than the 2004-2023 timeline otherwise analysed in this paper. This indicator was selected as ideational liberalism assumes that the state should not be able to retain unpopular policies in the face of domestic opposition, and that elections signal important shifts in foreign policy (Brawley, 2017). Indeed, Brawley (2017, 13) states that elections ‘provide obvious moments of time to focus on’.

Australia

To test ILP4 in Australia, the 2022 election of PM Anthony Albanese is analysed. Australia has a two-party system, either Labour (progressive) or a Liberal (conservative) coalition. Prior to 2022, the party last changed with the 2013 election of Liberal PM Abbott. The 2022 election is the most theoretically consequential within this paper’s 2004-2023 timeline, due to the centrality of the ‘China issue’ during the election campaign (Kassam & Hsu, 2022). Liberalism posits that a visible process by which domestic preference influence state preferences and therefore foreign policy is when groups vie for policy control (Brawley, 2017). The overt contest between these rival groups, Liberal and Labour, at a time when the China issue was a focus of the public, supports the theoretical relevance of this event to test ILP4.

To test whether ILP4 is supported by qualitative data, two indicators were selected. The first is whether the diplomatic approach and rhetoric changed after a change in government, and the second is whether policy changed. To assess this, qualitative data from government speeches and documents are used, as well as newspapers at the time.

The diplomatic approach of the Liberal government to the PRC from 2013-2022 varied somewhat, however aligned with Abbott’s slogan ‘Australia is open for business’, reflecting Liberal’s pro-business ideology (SBS, 2013). The Morrison government (2018-2022) took a more hawkish approach to the PRC, with Defence Minister Dutton and Home Affairs Secretary Pezzullo accused of ‘beating the drums of war’ with China by media outlets (Karp, 2021; Kassam & Hsu, 2022). After the Labour election, diplomatic communication between the PRC

and Australia improved with a visit from PRC Premier Qiang, the highest government official to visit Australia since 2017 (Curran, 2024).-Albanese has adopted a rhetoric of ‘stabilisation’ with the PRC, which he describes as having a ‘stable and direct’ dialogue between Australia and the PRC (Albanese, 2022; Albanese 2024). Qualitative data is therefore supportive of a change in diplomatic approach between the Labour and Liberal parties, after the 2022 election, supporting the first indicator.

The second indicator for ILP4 assesses whether policy changed. The Diplomat and the AFR report that Labour expressed bipartisan support for policies interpreted as directed towards the PRC, including AUKUS, increased regional investment and ballistic missile capabilities (Kassam & Hsu, 2022; Hurst, 2022). The 2017 Foreign Policy White Paper and Indo-Pacific Strategy are the most recent official foreign policy documents, indicating continuity of foreign policy decisions made by the Liberal government (DFAT, 2017). Recently, the National Defence Strategy was published under the leadership of Labour Deputy PM Richard Marles (DoD, 2024). The NDS indicates a strong shift in defence policy, and appears to balance against China, calling PRC behaviour ‘coercive’ and ‘lacking transparency’ (DoD, 2024, p.12) The report also announced a new Strategy of Denial, designed to ‘deter conflict before it begins’ and to ‘prevent an adversary from... coercing Australia through force’ (DoD, 2024, p. 21). This indicates a shift in policy regarding the PRC, thus supporting the second indicator and ILP4.

ROK

Turning to the ROK, the 2022 election of President Yoon Suk-yeol is selected to test ILP4. This election was chosen from the timeline due to its ability to shed light onto the organisation of domestic preferences at the time, which, according to ideational liberalism, would be reflected in the rhetoric and policy choices of the elected government. Although the 2012 election of Park Geun-hye could be tested for ILP4 due to her government’s ‘trustpolitik’ China foreign policy, which differed from the previous administration, both governments were conservative (Rozman et al, 2023). The Yoon 2022 election marked a shift in government ideology, from progressive to conservative, illustrating where rival groups contest for political control, which ideational liberalism suggests impacts foreign policy making.

To test congruence with ILP4 for the first indicator, news articles and government documents were utilised. Yoon’s predecessor, Moon Jae-in, foreign policy towards China

centred largely on cultivating diplomatic relations with the DPRK, which necessitated taking a gentle line on the PRC, allied with the DPRK (Rozman et al, 2023). Yoon, however, campaigned on the need for strategic clarity in the ROK's foreign policy regarding the PRC (Yoon, 2022; Jae, 2022). Once elected, Yoon's rhetoric took a harder stance on the PRC. In April 2023, Yoon called escalating tensions in the Taiwan Strait as 'an attempt to change the status quo by force' (Yoon, 2023, in JoongAng Daily, 2023). Additionally, Yoon advised he would 'positively review joining' the Quad if the ROK was invited to join (Lee, 2022). The Yoon government's approach follows the tendency of conservative ROK governments to deepen the US relationship, at the expense of the PRC relationship (Grossman, 2023). From qualitative data assessing the Yoon government's diplomatic approach and rhetoric towards the PRC, the first indicator for ILP4 is supported.

As posturing before an election and while in power is common, whether policy regarding the PRC changed post-election is the second indicator to test congruence with ILP4 (Kassam & Hsu, 2022). The recent Indo-Pacific strategy marked the first time ROK foreign policy focused on the Indo-Pacific as a core region of strategic interest, indicating a strong shift in policy direction from partnerships with individual Asian nations. While protecting the Indo-Pacific region is often interpreted by scholars as protecting *from* the PRC, the Strategy refers to the PRC as a 'key partner for achieving peace and prosperity in the region' (Ahn, 2024; MoFA, 2022, p. 14). This changed regional policy focus supports ILP4. The National Security Strategy emphasises commitment to strengthening the US alliance and highlights increasing trilateral cooperation between the US, Japan and ROK (MoFA, 2023). Additionally, this strategy differs from the Moon administration's National Security Strategy, which advocated for 'peace first' and agreed to the 'Three No's' policy to appease the PRC, indicating support for ILP4 (MoFA, 2023, p. 5; 10; 14).

4.3 Commercial Liberalism

4.3.1 Economic ties

Australia

Commercial liberalism posits that economic interdependence maintains international peace and stability (Ikenberry, 2018). CLP5 predicts that as PRC rises, economic ties between Australia and PRC should deepen, as a rational way for Australia to ensure its prosperity and security. One indicator to assess congruence for CLP5 is whether Australian imports and exports with

the PRC increased between 2004-2023, focusing only on goods due to the lack of services trade data for the ROK.

To test this indicator, the UN Comtrade database, with comprehensive open-source trade data, allowed for the collection of data for both cases using the same methodology (United Nations, 2024). The traded goods analysed consist of all commodities, measured with the UN Harmonised Systems classification (United Nations, 2024). Data from 2012 onwards is the earliest available within this dataset; 2023 the latest. Figures 4.1 and 4.2 illustrates that import and export trade in goods with the PRC has grown significantly, however growth was not linear. The increase of exports from 76 billion USD in 2012 to 120 billion in 2023, supporting CLP5. Likewise, imports increased from 45 billion in 2012 to reach 84 billion at its height in 2022, before dropping down to 72 billion in 2023 (United Nations, 2024) Overall growth indicates convergence with CLP5.

The second indicator for CLP5 is whether inward and outward FDI stocks with the PRC increased over time, using data from the OECD data warehouse. The data available for the Australia PRC partnership is from 2009-2022. This indicator is measured as a % of total FDI from the PRC, rather than the dollar amount, to assess the significance of the investment into Australia, as it provides an idea of the proportion of total FDI received and as a metric of significance of investment from the source country (OECD, 2009). Chinese FDI in Australia increased over time from 2009 to 2022 (Figure 4.3). Chinese FDI in Australia increased from 2009 to 2022, peaking at 4.608% in 2015 and 4.593% in 2018, then dropping to 4.008% in 2022 (OECD, 2024). Per Figure 4.4, however, Australian FDI in China did not grow over time, peaking at 2.436% in 2015 before falling to 0.378% in 2022, representing a decline of 23.4% per year from 2015 (OECD, 2024). This data does not support convergence with CLP5.

ROK

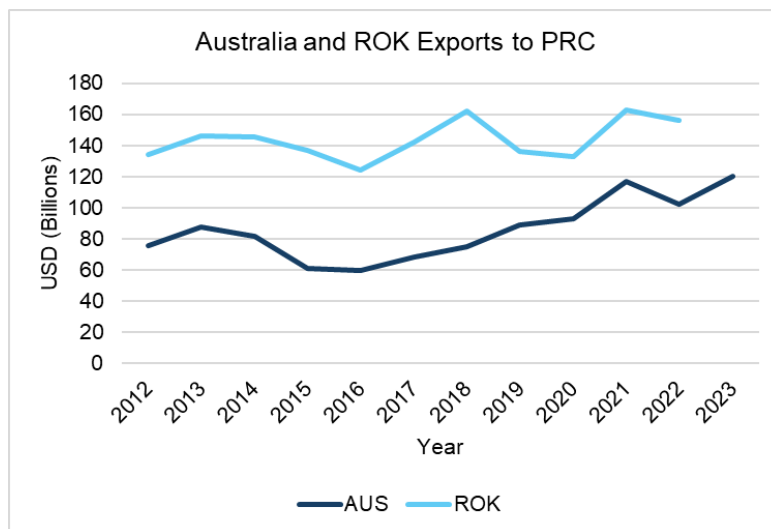
To assess congruence of CLP5 in South Korea (ROK), the UN Comtrade database was used with the same parameters as for Australia, analysing all commodities classified by the UN HS system in USD. Data for ROK was available from 2012-2022. ROK exports to the PRC in goods was considerably higher in 2012 than Australia, at around 134 billion USD. This may explain why exports increased less drastically, to around 157 billion in 2022. Figures 4.1 and 4.2 show ROK imports from the PRC rose steadily, however. Per Figure 4.2, in 2012 the ROK imported 81 billion USD worth of goods from the PRC, compared to 155 billion USD in 2022

(United Nations, 2024). These statistics are supportive of congruence with commercial liberal theory, supporting CLP5.

To test CLP5 with the second indicator, FDI partner flows between ROK and China were analysed using the OECD data warehouse, with data available from 2013-2021. In 2013, PRC investment in the ROK was 1.428% of FDI in the ROK, compared to 3.401% in 2021 (OECD, 2024). Growth was not steady; there was a decline in 2017, 2020 and 2021. Overall, the increase in inward FDI stocks, per Figure 4.3, is supportive of CLP5. ROK investment in China, however, have dropped significantly. Per Figure 4.4, investment was over 27% in 2013 and 2014 (27.586% and 27.849% respectively), declining at 8.4% annually to 16.812% in 2021 (OECD, 2024). This decline is not supportive of CLP5, indicating congruence with the data has not occurred within the timeframe.

Figure 4.1

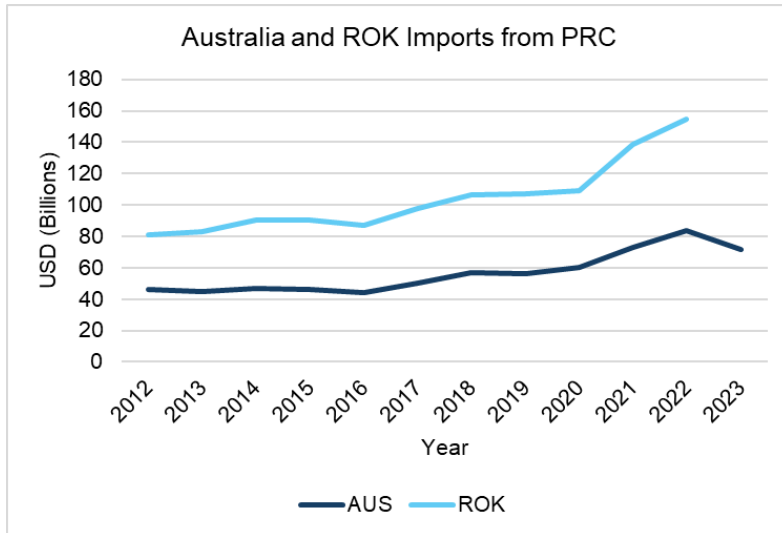
Australia and ROK exports to the PRC 2012-2023.



Note: adapted from United Nations (2024). UN Comtrade database. <https://comtradeplus.un.org/>

Figure 4.2

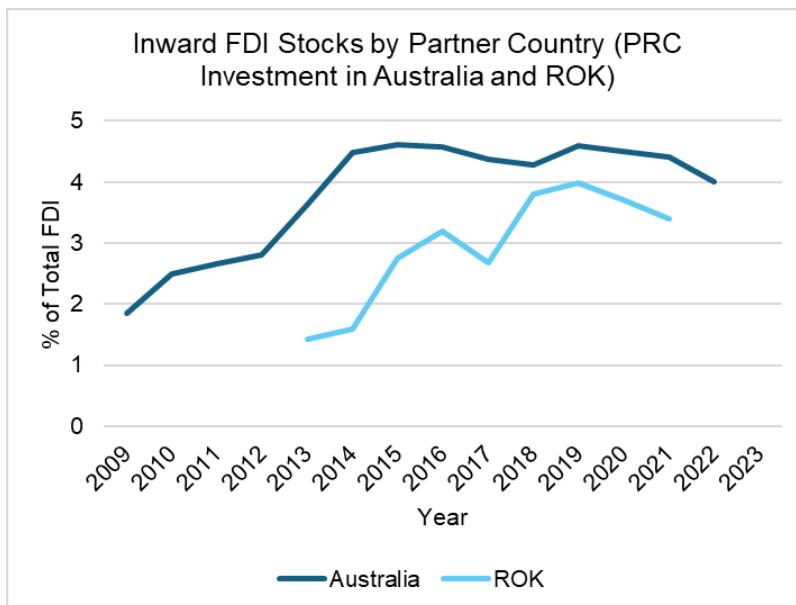
Australia and ROK imports from the PRC 2012-2023.



Note: adapted from United Nations (2024). *UN Comtrade database*. <https://comtradeplus.un.org/>

Figure 4.3

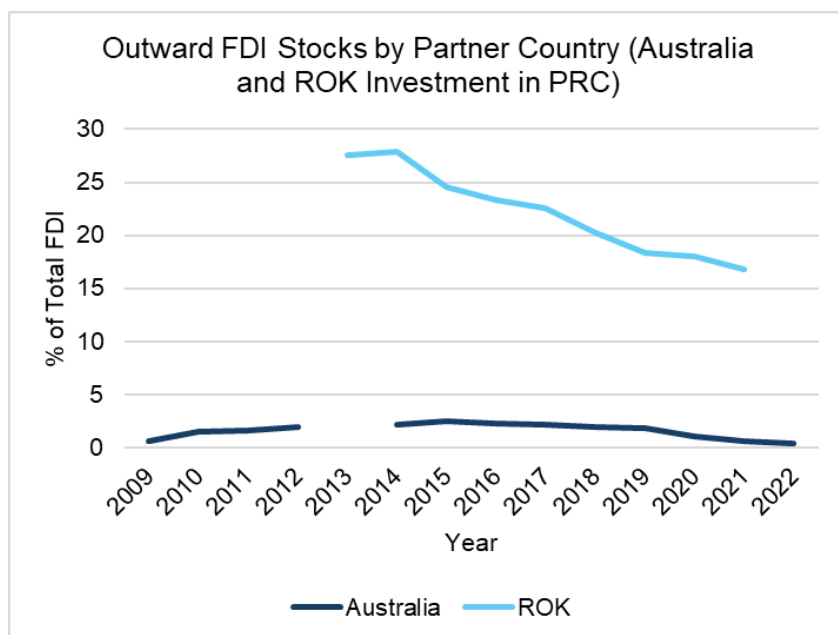
PRC investment in ROK and Aus 2009-2022.



Note: adapted from OECD. (2024). *OECD Data warehouse*. doi: 10.1787/04f8069b-en

Figure 4.4

Australia and ROK investment in PRC 2009-2022.



Note: adapted from OECD. (2024). *OECD Data warehouse*. doi: 10.1787/04f8069b-en

4.3.2 Commercial interests

CLP6 posits that, from a liberal, bottom-up perspective, commercial interests impact the foreign and trade policies over governments. If commercial interests are harmed, CLP6 predicts that elected governments will become aggressive towards the PRC. This prediction assumes that policy preferences should shift if Australia or the ROK’s position in the global economy changes, due to unilateral action taken by the PRC. Aggression is understood here as foreign policy announcements that have been interpreted as being directed to the PRC and decreases in trade or economic connection. Process tracing is employed as a technique by which to assess linkages between changes in foreign policy, and action taken by the PRC. Importantly, this prediction does not test how domestic commercial interests had influence on policy, as commercial liberalism assumes more generally that states consider domestic preferences when making policy (Brawley, 2017). Commercial liberalism does not explain the process by which this happens (Brawley, 2017).

Australia

Australia and the PRC have experienced diplomatic challenges since the 2010s (Fillingham, 2023). Key incidents include China's anti-dumping investigation into Australian barley in October 2018, leading to an 80.5% tariff in May 2020; difficulties for Australian coal ships docking in China from May 2020 until January 2023; and tariffs of 107-212% on

Australian wine in November 2020 (Walker, 2020; Fillingham, 2023; Uren, 2023). These actions were widely understood to be in retaliation to Australia's 2018 ban on Huawei and ZTE from participation in 5G networks in Australia (Uren, 2023; Fillingham, 2023). The focus dates for retaliation are thus October 2018, May 2020, and November 2020.

Despite these incidents, trade data (Figure 4.1 and 4.2) shows no drastic changes in imports and exports to the PRC, suggesting no significant diversification in economic trade as CLP6 might predict (Moravcsik, 1997). Per Figure 4.4 outward FDI stocks did decrease around this time, but had been declining since 2015 (OECD, 2024). Inward FDI stocks (Figure 4.3) also do not support CLP6, as they rose slightly from 2018-2019 before declining from 2020-2021 and more steeply from 2021-2022.

Key foreign policy announcements following PRC's economic sanctions on Australia include Australia's July 2020 rejection of PRC's of South China Sea claims at the UN, the Australia-Japan defence agreement for cooperation in the South China Sea in November 2020, the cancellation of two belt and road initiative deals in April 2021, the announcement of AUKUS and commencement of Australia-India FTA talks in September 2021 (DFAT, 2021; Fillingham, 2023). Although these announcements follow the set of sanctions imposed by the PRC, the connection to the dates above is tenuous. Thus, the empirical data is not overall supportive of CLP6.

ROK

In the ROK, PRC unilateral harming Korean commercial interests stemmed from one issue, the deployment of THAAD systems in South Korea in July 2016 (Meick & Salidjanova, 2017). THAAD is an anti-missile system designed to detect, shoot down and thus immobilise ballistic missiles in the region (Swaine, 2017). PRC foreign minister Wang Yi stated that the deployment would 'obviously undermine the strategic security interests of China' (Yi, 2016 in Swaine, 2017), and Beijing expressed 'deep concern' (PRC Ministry of Foreign Affairs, 2016). Economic sanctions taken by the PRC were largely unofficial. These included halts on regulatory approval of Korean entertainment, tech products, airlines and tourism (Meick & Salidjanova, 2017; Park, 2017; Rich, 2017). South Korean owned Lotte, operating in a range of industries, faced investigations and closures after it provided one of its sites to the ROK government for the THAAD deployment site (Meick & Salidjanova, 2017).

As most economic measures were imposed from 2017 onwards, this year is compared with trends in the data, and foreign policy announcements from the ROK. Per Figure 6.2, 2017 does not indicate any change in imports from China that would support CLP6. Exports to the PRC also rose (Figure 4.1), however did drop from 2018-2020, perhaps indicating a delayed diversification of ROK exports away from the PRC, however bounced back after a few years, indicating a lack of support for CLP6. Inward FDI stocks did hit a low in 2017, however rose again from 2018-2019 (Figure 4.3). Outward FDI stocks, Korean investment in the PRC, however, have declined rapidly since 2017 (OECD, 2024). This decline was in place from 2015, indicating limited support for the impact on PRC economic measures on the trade relationship.

Foreign policy announcements post-2017 detrimental to PRC interests are limited. In October 2017, the ROK announced that cooperation with the US and Japan would not evolve into a military alliance, and that there will be no additional deployment of THAAD (Lee, 2020). In December 2022, however, the ROK announced its Indo-Pacific Strategy (Kim, 2023). By shifting its focus to this region, scholars and news sources have reported that this could indicate a new stage in the ROK-PRC relationship (Lee, 2022; Grossman, 2023). The strategy advocates with increased security cooperation with the US and Japan, however, also refers to the PRC as ‘a key partner for achieving prosperity and peace in the region’ (MoFA 2022), which does not overtly balance against PRC interests. Based on qualitative research of government statements and newspaper articles, the data is not supportive of CLP6.

Table 2 & 3

Congruence Results

Predictions	Australia	Republic of Korea
RP1	++	+ -
RP2	++	--
ILP3	++	++
ILP4	++	++
CLP5	+ -	+ -
CLP6	--	--

	Structural realism		Ideational Liberalism		Commercial Liberalism	
Prediction	RP1	RP2	ILP3	ILP4	CLP5	CLP6
Empirical congruence	High	Moderate	High	High	Moderate	Low

5. Discussion

This chapter discusses the findings presented in Tables 2 and 3 in relation to each theory tested across the case studies. The consequences of these findings on the explanatory leverage of each theory are discussed, as well as how the findings can be interpreted within the context of concepts explored in Chapter 2. Finally, the limitations of this research are considered.

5.1 Congruence

Per Tables 2 and 3, the findings show the highest empirical congruence with ILP3 and ILP4, supporting the highest explanatory power of ideational liberalism for the cases analysed. The findings also support moderate congruence with structural realism. Commercial liberalism is the least supported in the empirical data for the cases.

Briefly, ideational liberalism expected to find strong support that domestic preferences, embedded in higher level decision making, influenced foreign policy in Australia and the ROK from 2004-2024. This was first tested by whether domestic opinions of the PRC had decreased within this timeframe, as foreign policy should be motivated to realise social views (Moravcsik, 1997). Secondly, congruence was tested with qualitative analysis of whether rhetoric and foreign policy towards the PRC changed after a change in government, as elections provide focus events by which the preferences of interest groups and individuals are made visible (Brawley, 2017). To hypothesise why congruence is highest for ideational liberalism, it's useful to return to the literature. As democratic middle powers, the literature expects Australia and the ROK to act to protect and expand international freedom (Doyle, 2012). As domestic groups are rational and have their preferences embedded in elite decision-making via political accountability and elections, liberal foreign policy should seek to balance aims, reduce threats and foster alliances (Doyle, 2012). This assumption is upheld by the empirical data for both Australia and the ROK, as public opinion of the PRC has worsened, possibly allowing more foreign policy balancing strategies against the PRC to be adopted, and foreign policy did change after key elections. One limitation to these findings is that if public opinion has worsened, ideational liberalism expects that foreign policy would shift against the interests of the PRC. In the ROK, empirical data for worsening economic relations and internal military build-up (which we would expect to see if the ROK has adopted a balancing strategy) is not overwhelmingly present. This may change in the future, given the impacts of the PRC's rise in the region are developing, which may further support ideational liberalism's explanatory

power. Strong congruence between the findings and ideational liberalism also evidences the usefulness of testing rival theories with empirical analysis of the same cases (Brawley, 2017). Structural realism directly discounts that influence from domestic preferences affects foreign policy, as it considers the external structure of the international system and concerns for defence and survival as key (Waltz, 1979).

Structural realism did have some explanatory leverage, according to moderate congruence with the empirical data. To find congruence, this research would expect that the increased strength and reach of the PRC military would be a primary concern of Australia and the ROK in their foreign policies, according to the dictates of realism (Griffith, 2021). The findings do indicate high congruence for military expenditure across the cases, however support for a build-up of heavy weaponry is moderate in the ROK. To consider these findings against He and Feng's (2023) hypothesis that the ROK sits between hedging and bandwagoning with the PRC, the strategy of hedging is most supported by the data, as the ROK-US alliance has deepened with Yoon's foreign policy, but no significant military build-up has occurred. Data on Australia does indicate high congruence with structural realism. One limitation of structural realism is the focus on structural incentives can explain the similarity between states, but not why foreign policy might differ (Wivel, 2017). One hypothesis that may explain differences in the findings for structural realism between the cases is the ROK's threat from the DPRK, as their allyship with the PRC may increase the risk of balancing strategies. This would require testing in future research.

Commercial liberalism is least supported by the findings. To find support for commercial liberalism, the data would need to indicate as the PRC's economic power increased, deeper economic ties between the cases and the PRC would form, as economic ties are a rational way to preserve peace (Schneider, 2010). The focus on cost-benefit analysis of commercial liberalism also expects that peace is likely when commercial interests, as powerful domestic interest groups, are incentivised to maintain economic connection. Accordingly, when commercial interests are harmed, the data should support that conflict is less of a burden than previously, which could lead to foreign policies that balance against the interests of the PRC. This prediction was disproved in the data, as there was no clear link between PRC action that damaged Australian and ROK commercial interests and a decline in trade or FDI flows. Links between PRC harmful action and foreign policy that balances against the PRC were also tenuous, though an in-depth process-tracing would be useful to test this further.

5.2 Limitations

The scope and size of this research does mean some limitations need to be considered when interpreting the findings. Firstly, the choice of congruence analysis meant that this research is a small-N case study. While this allowed for depth and complexity in the research, the findings may not be generalisable onto other states' foreign policy responses to the rise of the PRC. Future research could replicate the study onto other nations in the Indo-Pacific region, to further test the explanatory leverage of the selected theories. The theories naturally also face limitations; as discussed briefly, structural realism struggles to account for differences in state responses to changing balances of power (Wivel, 2017). Ideational liberalism considers that individual preferences are embedded into elite decision making and foreign policy, and yet does not explain the process by which this occurs in detail (Brawley, 2017). This research's finding that ideational liberalism offers congruence with the data does therefore not explain the process by which this occurs, other than through political accountability and participation. Commercial liberalism, from the findings, appears to overstate the importance of economic relations between countries, as the data illustrates that other factors are considered in foreign policy making, not just the attainment of peace through economic interconnectedness.

A key limitation was the unavailability of open-source data across the 2004-2024 timeframe. Oftentimes the sources used were the only reputable sources with data available. Military data especially was difficult to obtain; data that showed Australia and ROK military activity in the PRC's immediate region would have been valuable in testing structural realism but was not accessible. Additionally, more detailed data to understand domestic preferences would be valuable to test ideational liberalism further. For example, Moravcsik posits that 'foreign policy should be motivated by effort to realise social views about legitimate borders... political institutions' (1997, p. 525). Public polls for opinion of the PRC offer some insight, however detailed data over time on how the PRC's activity in disputed territory of the South China Sea or in the Taiwan Strait was perceived would provide further accuracy in testing ideational liberalism's assumptions. Additionally, as the timeframe considered was 20 years, most data was available for periods of time within this timeframe only. This has implications for the generalisability of the findings across the timeframe, however, is still useful to understand whether there has been change, why, and in which areas.

6. Conclusion

The impact of the PRC's rise on middle power states within the region has been a focus since the mid-2000s. Scholars, politicians and media outlets alike disagree on the level of hegemonic intent of the PRC, and on how states should respond in foreign policy. Middle power democracies Australia and the Republic of Korea offer data rich cases into which foreign policy responses can be analysed (Wivel, 2017). The need for empirical research into the effect of the PRC's rise on these states led to the following research question: *Which theory provides the best explanatory leverage in understanding recent changes in the foreign policies of Australia and the Republic of Korea (ROK) to the People's Republic of China (PRC)?*

To assess this, congruence analysis was performed, testing the explanatory power of structural realism, ideational liberalism and commercial liberalism. Congruence was tested by comparing theoretical predictions with quantitative and qualitative data on Australia and the ROK (Blatter & Haverland, 2014). This research found that ideational liberalism had the highest capacity to explain foreign policy changes in Australia and the ROK. All four indicators for the two predictions were supported by the data analysed on Australia and the ROK, which demonstrated that public opinion did worsen towards the PRC over time, and that the 2022 elections of Albanese in Australia and Yoon in the ROK did lead to changes in foreign policy, perhaps explaining increasing bilateral tension between the two cases and the PRC. These findings suggest that ideational liberalism's assumptions that the preferences of individuals and domestic interests do influence elite decision-making and foreign policy. Additionally, recent foreign policy announcements, including the ROK's Indo-Pacific Strategy and the NSS, and Australia's NDS, emphasise the importance of democratic liberal values, which ideational liberalism assumes drives foreign policymaking, and a maintenance of the rules-based order, as we would expect to see from middle power countries.

Structural realism, which posits that shifts in power in the region caused by the PRC's rise is a primary determinant of state behaviour, also provided explanatory leverage, albeit to a lesser extent. The strategic considerations of balancing against the PRC, by building up military capabilities, and maintaining strong security alliances, particularly with the US, was evident in the foreign policy decisions of Australia, and to some extent the ROK. Commercial liberalism, which argues that goal of peace achieved through economic interdependence drives foreign policy, found limited support in this study. While economic ties with the PRC continue

to be significant for Australia and the ROK, congruence with the predictions and data was not significant. This may align with the view that economic interests have been increasingly overshadowed by security concerns and diverging ideological views in both states, as some scholars have suggested (Needham, 2022; Medcalf, 2019). Growing apprehension over the PRC's economic coercion, as visible in unofficial sanctions of the ROK and official sanctions of Australia, may have also influenced foreign policy (McDonagh, 2024).

Overall, the findings support Moravcsik's view that 'the configuration of state preferences is matters most in world politics' (1997, p. 513). This supports domestic factors and values have a crucial role in shaping state behaviour even in foreign policy, where economic and strategic interests are central. Congruence with ideational liberalism challenges the traditional emphasis on structural factors and capabilities, from realism, and the importance of economic interdependence, from commercial liberalism, as key determinants of foreign policy. As a crucial case, the explanatory leverage of ideational liberalism over the most-likely case of congruence with realism, adds value to ongoing theoretical debate. Moravcsik claims 'in the long run, comparative theory testing should be aimed at a clearer definition of the empirical domain within which each major theory performs best' (1997, p. 541). Crucially, this research indicates that domestic preferences and interest groups should be incorporated into foreign policy analysis, an empirical domain that realism typically dominates. These insights were made possible due to comparative theory analysis.

6.1 Recommendations

Future research would be well placed to delve into the process by which factors considered by ideational liberalism influences foreign policy decisions in Australia and the ROK, given the research found that these factors influence foreign policy. Additionally, to further test the explanatory leverage of the theories selected, studies using other states within the Indo-Pacific region could be made. This additionally would assess the generalisability of the findings, which would be a useful complement to this small-N study. Given developments in the region are developing, replicating the study across different timeframes in the future may also lead to more concrete conclusions, contributing to clarity in the academic debate about the rise of the PRC, and act as a guide for policymakers.

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