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Neoclassical Realist Analysis of U.S. Indo-Pacific Policy and Its Implications for China

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Abstract

The Indo-Pacific has become a major key point of rivalry among the great powers, specifically the US and China. This rivalry is due to power distribution in the Indo-Pacific, in addition to the rise of China and its rapid naval modernization, which is giving impetus to Counter-U.S. strategies. There is a sharp contrast between the strategies of both sides. From an American perspective, the U.S. Indo-Pacific policy aims to maintain an equilibrium by regional alignments and strengthening alliances, emphasizing minilateralism, and ensuring strategic presence. But on the contrary, China has a divergent external security environment, which also significantly influences its strategic calculations and policy choices. While literature has extensively explored the development of the Indo-Pacific concept, China's counter-response, and alliance-building in the region, there is a dearth of a single explanatory framework. This paper endeavors to fill the vacuum by applying a neoclassical realist perspective to analyze how systemic pressures from the U.S. Indo-Pacific strategy are permeated through domestic variables to shape China's strategic responses. This study integrated both the systemic and domestic factors to answer critical questions about how external strategic pressures are translated into state actions, particularly regarding China's response to the U.S. Indo-Pacific strategy. The analysis unfolds that China's response is because of strategic hedging rather than robust confrontation, a combination of power competition and internal filtering.

Keywords: Grand Strategy, Indo-Pacific, Minilateralism, Great Power Competition, Neoclassical Realism.

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Introduction

A strategic contest that has become the main arena in the twenty-first century is the Indo-Pacific, the quintessence of the augmented enmity between the U.S. and China. The increasing economic, military, and political influence of China outside of East Asia, into the Indian Ocean and broader waters, has made the United States re-strategize its approach to the region as it sees China as one of the biggest challenges to the established international order (Aryal & Nair, 2025). The U.S. has to grapple with geographical constraints in the Indo-Pacific and a noteworthy alteration of the U.S. grand policy, manifesting anxieties regarding the equilibrium of power, liberty of seaway access, alliance unity, and long-term political and economic security in the area (Yoshihara, 2013). Instead of the structural redefinition based on geography, the Indo-Pacific frame is an indicator of strategic adaptation to shifts in the international system and an increase in the level of uncertainty regarding Chinese intentions.

Through the lens of China, the Indo-Pacific strategy is commonly understood as a containment-based strategy (Loke & Guo 2025). By and large, the strategic motive behind this is to curb its emergence and shift the geopolitical alignments, through macro securitization in ways that favor the US interests (Smith & Beacon, 2026), and this image has helped increase threat awareness and China's sensitivity to external and strategic pressure, and the US. Instead, Beijing has pursued a cautious and diplomatic approach that has been characterized by: Through selective resistance, strategic rejection and continuous participation (Wei & Bian 2025). This The way in which the external pressures are transformed into internal pressures is a major analytical problem due to trend. into palatable policy outcomes and the reasons for China's preference for “hedging” over escalation in Response to U.S. efforts.

Much of the available literature attempts to understand these developments either by emphasizing systemic power shifts or by focusing on available policy tools, such as alliances and minilateral arrangements. Although these techniques can help to understand the issue, they tend to presume that the alteration in the balance of power and state behaviour is relatively direct. These assumptions do not consider the role of home politics, elite thinking, and strategic considerations in foreign policy reactions. Consequently, they do not give a full explanation of variation in state behavior at similar structural conditions.

In a bid to overcome these shortcomings, this paper assumes a neoclassical realist perspective of foreign policy as the result of systemic pressures with domestic intervening variables. In this context, the U.S. Indo-Pacific policy is an external stimulus, creating strategic pressure, yet its effect on the behavior of Chinese policymakers relies on the threat perception and risk evaluation by the Chinese decision-makers, as well as the balancing of the external and internal priorities. Neoclassical realism provides a more detailed explanation of the strategic behavior within a complex and competitive regional situation by combining international and domestic levels of analysis.

Literature Review

The rise of the Indo-Pacific as the key strategic construct of the U.S. foreign policy is one of the significant changes in the geographical and conceptual structure of American grand strategy (Steff, 2025). Previous American involvement in Asia was mainly defined by the Asia-Pacific construct, which prioritized economic integration, multilateral institutions, and cooperative security arrangements (Wei & Bian, 2025). This model embraced the liberal optimism of the post-Cold War years in which economic interdependence and institutional involvement were likely to

attenuate power rivalries. The emergent China and its naval modernization, political, economic, and military power, however, questioned such assumptions and led to a critical rethink in Washington. What is largely accepted is that the notion of Indo-Pacific was subsequently adopted as a reaction to the alteration in the distribution of power and the growing discomfort with the Chinese behavior in the region that marked the departure in the course of engagement-oriented policies and competitive balancing (Hu, 2020; Heiduk and Wacker, 2020).

Several scholars point out that the Indo-Pacific strategy of the United States is based on realist assumptions regarding power, security, and rivalry, despite the liberal formulations.

As Hu (2020) observes, the Indo-Pacific approach is widely viewed, in the eyes of China, as being a containment-based approach that is meant to restrict the emergence of China and curb its strategic choices. Chinese analysts are inclined to think that U.S. moves like strengthening the alliance, military presence, and regional relations attempt to preserve American supremacy under the conditions of the changes in power relations. This image has also contributed greatly to how China has been reacting, and the increased strategic mistrust and security dilemmas in the region. The Indo-Pacific strategy is therefore not only a U.S. policy framework, but a message that would determine how China perceives the U.S. intentions (Yoshihara, 2013)

Alternative analytical perspectives have also been applied in relation to the transformation of the Asia-Pacific to Indo-Pacific. In their critical geopolitics approach, Zeng and Zhang (2021) claim that the discourse of the Indo-Pacific can be used to reinterpret regional identities and power relations in a way that encourages the U.S. strategic interests. Although this method is strong in terms of offering an understanding of discursive and normative aspects of strategy, it has little explanatory value in terms of how material power changes and domestic political influences combine to influence the behaviour of the state. Such views, therefore, do not override realist accounts about power struggles and national security issues.

The Indo-Pacific framework has a strategic rationale that can be better understood within the framework of the deepening U.S.-China competition. This is because the pattern of bilateral relationships has shifted to long-term competition, as evidenced by the growing consensus in the literature as to the changes in the international system in terms of structure. According to Ma (2020) & Feng (2025), the competition between the U.S. and China cannot be completely analyzed using a single theoretical perspective because it entails the aspects of realism, liberalism, and constructivism. Yet, they also admit that realist politics, especially issues of relative power and security, are at the forefront of explaining decision-making on both sides of policy. The Indo-Pacific strategy reflects these issues since it focuses on military readiness, the coordination of alliances, and strategic partnerships to address the influence of China (Li & Jang, 2023). The way that China views the Indo-Pacific strategy has been a significant subject of academic interest.

According to Hu (2020), the strategy is viewed by Chinese policymakers and scholars to a large extent as an outside effort to remake the regional order by compromising the core interests of China. The U.S. support to regional allies, freedom of navigation operations, and the emerging security arrangements support this perception. Consequently, Indo-Pacific is perceived by China not as a neutral and inclusive structure but as a competitive strategy and threat to its strategic environment. This reading has helped in increasing the threat perceptions and strengthening the focus by China on protecting sovereignty, territorial integrity, and dominance in the region.

Meanwhile, Chinese reactions against the Indo-Pacific strategy have not been equally confrontational. Ye (2020) is an in-depth commentary on the Chinese hedging policy and states

that Beijing has pursued a hybrid approach that integrates aspects of resistance, accommodation, and selective cooperation. China has been trying to counter threats by building its own resources, enhancing the economic relations in the region, and not engaging in actions that would draw the joint action of the states against it, while Ye has demonstrated through his analysis that there is a strategic containment in the Chinese way of doing things, despite the rising competition.

The idea of hedging has been the key to comprehending how China reacts to U.S. strategy in Indo-Pacific. The hedging approach will enable China to deal with uncertainty through planning negativity and remain flexible in its foreign relations. Ye (2020) claims that such a strategy is influenced by the external factors and domestic factors, such as economic priorities and domestic stability. Nevertheless, though this work offers a very good understanding of the behavior of China, it is not quite systematic in creating a wider theoretical framework that includes domestic intervening variables. Consequently, causal processes between systemic pressures and policy outcomes have not developed yet.

Askari and Mushtaq (2025) discuss the American Free and Open Indo-Pacific policy and its implications on China by stating that such a policy has fueled strategic competition and the lack of an area to collaborate. They draw attention to the fact that the U.S. policies to enhance alliances and facilitate regional connectivity are viewed by China as attempts to restrain its strategic autonomy. The authors underline the fact that such dynamics create mutual suspicion and lead to the high probability of miscalculation. Although their analysis is effective in identifying the strategic implications of the Indo-Pacific framework, it is still quite descriptive, and it does not fully interact with neoclassical realist explanations that provide systemic constraints with domestic political elements.

The literature has also been informed by the wider discussion on whether the Indo-Pacific is a paradigm shift or a rebranding exercise that has taken place. Moon (2023) wonders whether the regional dynamics change fundamentally with the shift between the Asia-Pacific and the Indo-Pacific, or it is just an implication of the shifted strategic priorities within an existing framework. In his argument, he believes that the Indo-Pacific concept injects new strategic linkages, but it also runs the risk of exaggerating the discontinuity and concealing the aspects of continuity in the U.S. policy. This point of view would be effective in emphasizing the evolutionary character of U.S. strategy, although it does not emphasize the degree to which the emergence of China has transformed the threat perception and strategic calculations in Washington and among U.S. allies.

The growth of alliance networks of the U.S. in terms of the Indo-Pacific strategy has further strengthened the competitive processes. Jung, Lee, and Lee (2021) examine the reaction of Asian middle powers to the U.S. attempts to increase cooperation in the alliance in the area. According to their results, despite the fact that the growing influence of China concerns many states, they also do not want to be pulled into the stiff blocks. To China, these changes are an indication to reduce the U.S. security network, which adds to a feeling of encircling and strategic pressure.

Literature Gap

Combined, the available literature shows that there is a general agreement that the U.S. Indo-Pacific policy is closely interconnected with the issue of the emergence of China and the changing power balance in the area. Scholars concur that the move has great implications for the security scenario in China and has shaped the strategic decisions of Beijing. To a great extent, though, this literature approaches systemic pressures and responses of the state at a high degree of abstraction, without fully unpacking the domestic-level variables that influence policy implementation.

Although research on hedging, perceptions of threats, and alliances is valuable, it tends to lack a single theoretical framework that can elucidate how external pressures are subjected to domestic political frameworks and perceptions of elites.

This drawback indicates a significant literary gap. Preexisting research on the Indo-Pacific strategy and Chinese responses is inclined to examine the former or the latter without causally connecting the two. This leads to a lack of information on how systemic constraints are mediated by domestic variables of leadership perceptions, strategic culture, and state capacity. To fill this gap, a theoretical model is necessary that can help connect international and domestic sides of the analysis and provide a more in-depth explanation of the U.S. strategy and the ramifications of this strategy as it is applied to China. Such restrictions have led scholars in search of theoretical methods that can be used to connect the systemic competition to the decision-making at the domestic level.

Theoretical Framework

To overcome the shortcomings of the current research on the Indo-Pacific approach and the responses by China, this study resorted to neoclassical realism as a paradigm that can help to correlate systemic pressures with the domestic-level decisions made. Neoclassical realism develops the fundamental premises of structural realism, especially the focus on an anarchic international system and dispersion of material power, without believing that systemic pressures directly cause foreign policy outcomes. Rather, neoclassical realism holds that state behavior is influenced by domestic intervening variables of elite perceptions, state institutions, strategic culture, and resource extraction capacity (Taliaferro, Lobell, and Rapsman, 2014). This theoretical method is particularly helpful in a complex strategic environment, such as the Indo-Pacific, which reflects similar systemic pressures that give rise to different responses across states and through time.

Basic works on neoclassical realism are about the fact that foreign policy outcomes are not self-explanatory without the consideration of interpretation of the external by the decision-makers. threats and opportunities. According to Taliaferro et al (2014) the leaders' perception of relative is a factor that affects communication. How states react to changes in the power, the level of threat, and the strategic factors. international system. This is especially true of U.S.-China competition, the notion of intent and credibility is a key determinant of policy options. According to The Indo-Pacific strategy in the neoclassical realist perspective, Zajączkowski (2021) argues, is an example of a genuine “containment” policy. The Indo-Pacific strategy, from the neoclassical realist perspective, as Zajączkowski (2021) puts it, is a true “containment” policy. can therefore be viewed as not only a reaction to China's material ascent, but also as a result of American elite assessments regarding China's long-term intentions and the perceived erosion of U.S. regional influence.

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Pacific reflect the same. This is echoed in recent uses of neoclassical realism to discuss the security arrangements in the Indo-Pacific in the present day. This is supported by Pacific too. Bayezit (2022) shows how elite 1922's analysis of the AUKUS agreement demonstrates how elite How coalition-building behaviour is influenced by perceptions and strategic assessments. The study proposes that AUKUS demonstrates an “offshore balancing” policy, due to China's rising power. In terms of military potential and assertiveness. Importantly, Bayezit points out that the making up

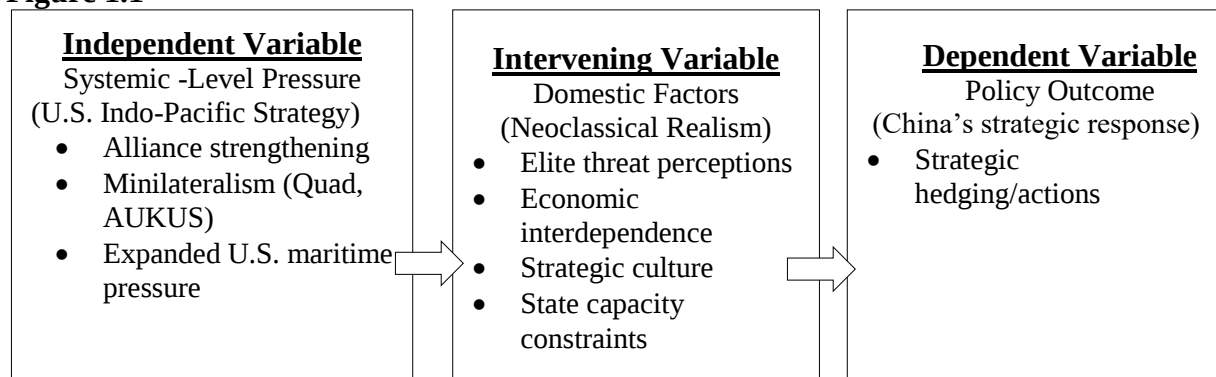
of the formation Shifts in the balance of power are just one part of the equation when explaining why AUKUS has emerged. attention to the perception of threats and assessment by the U.S. and partners' policymakers' available policy options. The following analysis is illustrative of the level of explanatory power that neoclassical realism can give. In decoding the ways in which systemic pressures are connected to specific strategic initiatives. Likewise, the neoclassical realism theory is used by Sherrill and Hough (2015) for Japanese security policy. Toward China, showing how domestic political constraints and elite debates are intervening factors. Reaction to the power change in the region. Their results indicate that despite the same, Given the various elements within a state, states use different approaches to systemic pressures, including Political consensus, institutional structures, and historical experience. This insight is straight up relevant within the Indo Pacific region, with the US allies and partners demonstrating varying degrees of alignment and autonomy. Sherrill and Hough's work is not about the USA, but rather Japan. Whether it's the United States or China, it supports the overall argument that neoclassical realism presents a more. More nuanced understanding of security policy than just a structural realism view.

Research Methodology

The study methodologically uses theory-testing process tracing in the study to investigate the way the U.S. Indo-Pacific strategy has influenced China over time in terms of strategic responses. With the help of this method, the causal process connecting the external strategic seeking, the formation of perceptions, the domestic processes of filtering, and the results of the policy can be reconstructed systematically. Through the following list, the analysis goes beyond the descriptive explanation and tests the explanatory strength of neoclassical realism in the Indo-Pacific setting. It posits that China has reacted to the U.S. Indo-Pacific approach through strategic hedging as a result of the interplay between systemic competition and national limitations. The discovery adds to the wider discussions on U.S.-Chinese competition, regional politics in the Indo-Pacific, and the theoretical applicability of neoclassical realism to explain the current politics of great powers. To place this argument in the framework of the current literature, a literature review on how scholars have conceptualized the Indo-Pacific strategy, discussed the reactions of China, and applied the realist and neoclassical realist approaches to the regional power rivalry is included below in Figure 1.1, depicting the Neoclassical Realist Causal Framework to explain China's Response to the U.S. Indo-Pacific Strategy.

The figure illustrates how systemic pressures generated by the U.S. Indo-Pacific strategy are filtered through domestic intervening variables, producing China's strategic hedging behavior.

Figure 1.1



Source: *Author's illustration*

Discussion and Analysis

The importance of neoclassical realism is further highlighted in the study of U.S. grand strategy in relation to China. The critical neoclassical realist perspective was employed to examine U.S. efforts to avoid the “Thucydides's Trap” in its relations with China's rise, as posited by Khan (2024). There are two sets of constraints affecting U.S. strategy: the systemic set, and the domestic set, Khan says, as China's ascendance and the discussion among elites about willingness to take risks, global leadership, and economic interdependence. To explain change over time, this perspective highlights the richness of (colourful) cultural heritage, along with causal mechanisms that drive the decisions that shape policy, which go beyond the simple idea of "causes. Explanations of change over time require going beyond "causes" "automatic balancing" to identify causal mechanisms that play a role in decisions on policy. While Khan's analysis does not look into the Indo-Pacific issue, that's not the only analysis to do so. On paper, it has great theoretical foundations to grasp the U.S. policymakers, think in terms of competition with China and turn the pressure from the system into strategy. The neoclassical realist analyses are well done although their use is still restricted. Despotism about Indo Pacific plan and China's reactions. Neoclassical realism studies tend to rely on case studies or individual state policies, such as AUKUS, or national security with less focus on a more comprehensive analysis of the cases. Though neoclassical realist analyses have been strong, the current applications are still scattered when it comes to the Indo Pacific strategy and China's reactions. Research using neoclassical realism tend to be case studies based, for example, on the AUKUS or the national security policy of a particular state, but they do not necessarily incorporate the cases in a wider analysis of the Indo-Pacific as a whole strategic concept. Consequently, there is no systematic analysis of the relationship between U.S. Indo-Pacific strategy, China's threat perceptions, and intervening variables at the national level in a single explanatory model of literature. This gap makes it difficult for previous research to account for the diversity of strategic actions and policies over time and place.

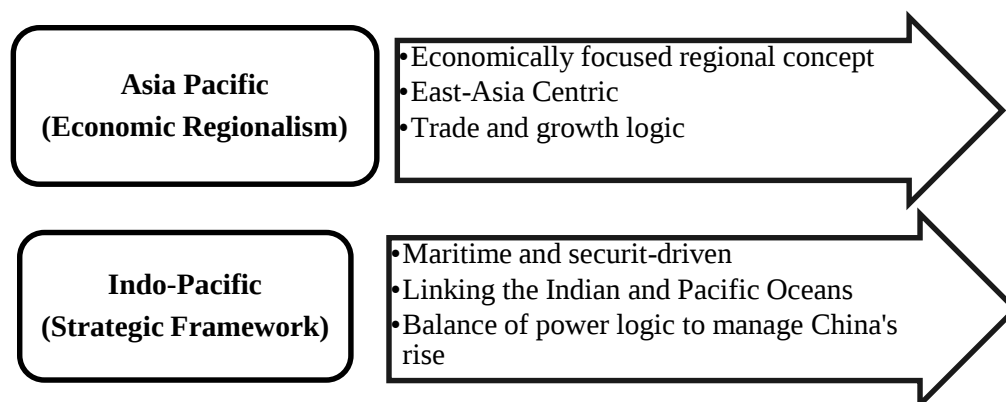
Classical theorization of neoclassical realism highlights the fact that one cannot explain the outcomes of foreign policy without regard to the manner in which the decider makes sense of external threats and opportunities. Taliaferro et al. (2014) suggest that the perception of relative power, threat level, and strategic constraint by the leaders influences the state's reaction to the change in the international system. This observation is especially true in reference to the U.S.-China rivalry, whereby beliefs in intent and credibility are at the center of policy decisions. The neoclassical realist interpretation of the Indo-Pacific strategy can therefore be interpreted as an act of reaction to the material emergence of China as well as to the evaluations of the American elite with respect to the long-term aims of China and the perceived undermining of U.S. regional power.

Further evidence to support this approach is the recent use of neoclassical realism in modern security arrangements in the Indo-Pacific. In one of the analyses of the AUKUS agreement, Bayezit (2022) illustrates that the behavior of coalition building is driven by perceptions of the elite and strategic evaluations. This paper will argue that AUKUS is an offshore balance approach based on the fear of the expanding military forces of China and its aggressive actions. Notably, Bayezit also emphasizes that the process of the creation of AUKUS cannot be described by the changes in the balance of power alone; it also demands to consider how policy makers in the United States and partners perceive threats and assess the possibilities to use them. This discussion demonstrates how neoclassical realism can be used to explain the scholar's view of causal processes between the systemic pressures and specific strategic initiatives.

In a parallel fashion, Sherrill and Haugh (2015) employ the neoclassical realism to the Japanese security policy towards China, showing the solutions of the domestic political limitation and elite discourse as mediators between responses to regional power changes. According to their findings, despite the presence of the same systemic pressures, states have different approaches, which are based on internal conditions like political consensus, institutional structure, and historical experience. This is especially relevant in the Indo Pacific context, where there are different degrees of alignment and autonomy between U.S. allies and partners. The authors of Sherrill and Haugh's work are not even Japanese, but Japanese, so their work does not explicitly address the United States or China, but it does support the larger claim that neoclassical realism can offer a more detailed consideration of the notion of security policy than structural realism alone. The neoclassical realism is even more suitable to interpret the U.S. grand strategy towards China. In the examination of the way the United States tries to prevent the so-called Thucydides Trap of dealing with the rise of China, Khan (2024) adopts a critical neoclassical realist approach. While systemic pressures like the growing Chinese power increase the likelihood of a shift in U.S. policy, deliberations within the elite about risk tolerance, leadership and global economic interdependence also play a role, Khan says. This viewpoint emphasizes the richness of causal processes that inform policymaking, beyond the idea of automatic balancing. Though the analysis by Khan does not directly concern the Indo-Pacific approach, it offers an excellent theoretical basis to comprehend the ways in which U.S. policymakers conceptualize rivalry with China and turn the systemic inclinations into strategic concepts.

Despite the merits of neoclassical realism analyses, the current usage is still in disjointed regarding the Indo-Pacific approach and the reactions of China. Research that uses neoclassical realism tends to concentrate on particular cases, e.g., the relationship between AUKUS or the national security policies of individual states, rather than incorporating those cases into a wider study of the Indo-Pacific as an overarching strategic construct. Consequently, the literature has failed to undertake a systematic review to establish a relationship between the U.S. Indo-Pacific strategy, the threat perceptions of the Chinese, and the intervening variables of the domestic variables to the same explanatory model. This gap restrains the power of the extant research to comprehensively explain change in strategic action and policy results over time and place.

Figure 1.2: *Conceptual shift from Asia-Pacific to Indo-Pacific*



Source: *Author's illustration*

Figure 1.2 illustrates the conceptual transition from the Asia-Pacific's economic and East Asia-centric regionalism to the Indo-Pacific's broader maritime and security-driven framework linking the Indian and Pacific Oceans, aimed at managing great-power competition, particularly China.

The Indo-Pacific framework broadens the geographic coverage of the strategic map to cover South Asia and the Indian Ocean, thus connecting the maritime areas that hold significant importance in terms of trade, energy movement, and military movement (Liu & Jamali, 2021). Such a reconceptualization enables the U.S. to re-summon major regional allies like Japan, India, and Australia to a larger strategic perspective with the aim of maintaining a positive balance of power. According to Heiduk and Wacker (2020), the Indo-Pacific is more than a geographical adaptation to the increasing capability of China to exercise power in various maritime fields. The framework is indicative of the issues of the freedom of navigation, regional connectivity, and the security of sea lines of communication that are increasingly seen as vulnerable to Chinese influence.

The growing trend of 'minilateralism' in the Indo-Pacific is further adding to the 'analysis' dilemma. The U.S. policy has shifted to smaller, more adaptive multilateral alliances, given the rise of minilateral agreements such as the Quadrilateral Security Dialogue and the AUKUS. The conceptualization Koga (2025) offers is that these arrangements can be viewed as some kind of tactical hedging, where such relationships are a signal of building coalitions and not alliances. In this view, minilateralism can help the states build up their deterrence and coordination capabilities without necessarily promoting bloc politics. This is in line with the neoclassical realist knowledge because it is based on strategic flexibility and elite decision making in the event of uncertainty. Minilateralism is also seen in the broader Indo-Pacific grand strategy by Tuckfield (2025) who sees agreements such as AUKUS and the Quad as sensible countermeasure to the rise of China. These mechanisms enable the United States and its allies to share capabilities, mitigate risk, and boost deterrence all without the strategic ambiguity. But the key focus of Tuckfield's analysis is not on how China sees and responds to these arrangements, but on how minilateralism is a policy tool. To this end, the implications of minilateralism on the Chinese strategic calculations have yet to be thoroughly examined.

Adding to this debate, Hassan, and Ali (2025) speak about the US Indo-Pacific posture development and the impact it has on the strategic competition with China. They claim that the growth of the minilateral and alliance-related cooperation is a sign of the larger attempt to oppose the influence of China in various aspects. Though they capture well the logic behind American efforts to do so, their analysis considers China to be more of a reactive player to external forces. This approach does not consider the forces within China that shape its responses, such as those of the leadership, its economic constraints and in-fighting over strategic jobs.

The literature on the reactions of China towards the strategy of Indo-Pacific also reveals significant shortcomings in the current theoretical frameworks. Although there are studies like Ye (2020), which include comprehensive descriptions of the hedging behavior of China, they are inclined to explain the visible results of the policy and not the decision-making process. Hedging is commonly viewed as a reasonable reaction to an uncertain situation, and the political processes at home that influence this phenomenon are not explored to the full extent. Because of this, the causal relationships between the systemic pressures and the hedging behavior are not explicitly theorized but implicit instead.

The situation is complicated by the Chinese academic attitudes, too. Stevens (2024) records the understanding of the Chinese scholars and policy analysts of the Indo-Pacific concept as an act by the U.S to redefine the regional order in a manner that excludes China. Such readings highlight the

view of a threat, strategic encirclements, and the loss of regional influence to China. Although these views are very insightful on the subject of Chinese threat perceptions, they are usually set out descriptively, and a systematic theoretical framework is not in place to elucidate how such perceptions translate into policy decisions. This makes it clear why a method that incorporates both ideational elements, perceptions and narratives, and material constraints and domestic political frameworks is necessary.

Collectively, the studies on the neoclassical realism, minilateralism, and the Chinese responses to the Indo-Pacific approach present strengths and weaknesses. Neoclassical realism also provides an effective model of how to connect systemic pressures and domestic intervening variables, and its application to AUKUS and Japanese security policy shows that it is potentially explanatory. Meanwhile, the literature on minilateralism and Indo-Pacific strategy gives (in most cases) comprehensive explanations of policy tools and strategic goals but usually ceases at the point of putting together the responses of China into a cohesive causal framework. This division curtails the capability of the existing scholarship to define the nature of competition between the U.S and China in the Indo-Pacific.

This restriction indicates an evident and justifiable gap in the research. Although the studies available examine the U.S. Indo-Pacific strategy, China's reactions, and regional multilateralism as individual phenomena, few studies have critically explained the U.S. Indo-Pacific strategy and its effect on China using a neoclassical realist framework that incorporates the systemic pressures alongside domestic-level factors. To overcome this gap, a detailed analysis must be made that takes into consideration dynamics in power transition, perceptions of threats, elite decision-making, and strategic restraint in both the United States and China.

The accruing literature on the U.S. Indo-Pacific policy and its effects on China is indicative of a better understanding that the region has become the fulcrum of great power politics (Zreik, 2025). Plausible evidence is found in the literature to indicate that the Indo-Pacific construct has been developed as a reaction to the structural alterations within the international system, specifically, the rise of China and the alleged decline in the U.S. strategic primacy. This strategic change has been demonstrated to be based on issues of balance of power, maritime security, alliance cohesion, and freedom of navigation, the main concerns of realist conceptions of international politics (Hu, 2020; Heiduk and Wacker, 2020; Machado, 2025). Simultaneously, the literature emphasizes that the Indo-Pacific strategy is not only a military or security program but a broader one that includes economic, diplomatic, and normative aspects and focuses on influencing the regional order to benefit the U.S. interests.

The study of China's reactions to the Indo-Pacific strategy has contributed even more to the knowledge of the processes in the area since it focuses on the visions of Beijing, its calculations, and the adjusting reaction. Investigations dedicated to the Chinese perceptions confirm that the Indo-Pacific is generally seen in China as a containment-based approach aimed at curtailing its emergence and restricting its power in the region (Hu, 2020; Stevens, 2024). These impressions have added to an increase in the level of threat consciousness and the emphasis that is placed by China on the need to protect its sovereignty and strategic autonomy. Notably, but more importantly, the responses of China have additionally been defined by caution and flexibility, and not necessarily a confrontation. Ye (2020) shows that China has implemented an approach of hedging, which entails both resistances to perceived encirclement and selective engagement and restraint, which can be described as an attempt to deal with the uncertainty and prevent its escalation.

Although these studies have significant empirical data, they tend to be descriptive and fail to elaborate on the reason why China prefers certain strategies instead of others when all other systemic pressures are similar. Hedging is often seen as a logical reaction to uncertainty, but the domestic political and institutional aspects of this reaction are seldom considered in detail. Therefore, the causal chain connecting the systemic competition to certain policy decisions is not developed. This weakness is seen in the study, which is mainly based on the external pressures and domestic variables that are represented by secondary or implicit factors.

The analytical gaps in the literature on the U.S. plan are also similar. Research on the transformation and goals of the Indo-Pacific strategy focuses its attention on alliance-building, strategic alliances, and regional presence as the essential elements of the U.S. policy (Askari and Mushtaq, 2025; Hassan and Ali, 2025). These publications are useful in capturing the strategic rationale of U.S. initiatives and how this impacts the order in the region. They tend to assume a fairly direct conversion of systemic pressures into policy consequences and underestimate the impact of domestic more than international debates, elite visions, and institutional constraints in influencing the formation of strategic decisions. As a consequence, the changes in the U.S. policy focus over time and within administrations are not entirely explained.

The increasing interest in minilateralism also explains why even a more cohesive method of analysis is required. The literature about the Quad and AUKUS emphasizes that the arrangements are seen as versatile tools of strategic coordination and deterrence (Koga, 2025; Tuckfield, 2025). These papers demonstrate that minilateralism can enable the United States and its partners to react to the emergence of China without necessarily turning to the official alliance and the wide-ranging multilateral institutions. Although this source offers valuable information on the tools of Indo-Pacific policy, much of it focuses on the strategic necessity of the tools, as opposed to their impact on the overall policy reactions and perception of threats to China. This makes the relationship between the U.S. minilateral initiatives and the domestic decision-making processes in China have an inadequate exploration (Tow, 2019).

Neoclassical realism provides a good model that can be used in the context of these shortcomings since it clearly connects systemic factors with intervening domestic variables. Early neoclassical realism literature highlights the fact that alterations in the global balance of power only indirectly influence foreign policy because the leadership perceives external restraint through domestic political, institutional, and ideational prisms (Taliaferro et al., 2014). This view is specifically applicable to the Indo-Pacific region, where both the United States and China are experiencing complicated internal and external demands (Alunaza & Sherin, 2022). The examples of studies involving neoclassical realism as an explanation for particular cases like AUKUS or national security policies in East Asia prove the explanatory potential of the framework (Bayezit, 2022; Sherrill & Hough, 2015). These writings demonstrate that perceptions of the elite, capacity of the state, and domestic consensus are very important in the determination of strategic outcomes.

These strengths notwithstanding, the current neoclassical realist analyses are somewhat case-specific and fragmented. They fail to give a detailed account of the Indo-Pacific approach as an integrated approach, and they fail to explore by systematic analysis its implications to China as an independent causal approach. Likewise, the literature that deals with U.S. grand strategy and the emergence of China is approached using the neoclassical realist prism, which prioritizes general theoretical arguments over the Indo-Pacific dynamics (Khan, 2024). Consequently, the literature has no unified interpretations to link U.S. strategic intentions, policy tools like minilateralism, and the reaction of China to such a reaction using well-defined causal factors.

This review, thus, finds that there is a distinct and justifiable gap in the existing literature. Although the literature focuses on analyzing the U.S. Indo-Pacific strategy, responses of China, and coalition building in the region, most of the time these factors are looked at independently. Little research has been conducted in a systematic manner to explain how the systemic pressures formed by power transition are channeled by domestic-level factors to influence the U.S. strategy and the reactions of China. Specifically, the connection between elite threat perceptions, strategic culture, and policy decisions has not been theorized. This gap should be overcome so as to come up with a more holistic idea of U.S. competition with China in the Indo-Pacific. This gap is the focus of the current research because the research aims to use a neoclassical realist approach to understand the U.S. Indo-Pacific strategy and the implications it has on China. This method combines systemic constraints and domestic intervening variables to explain the reasons why the United States has focused on definite instruments of its strategy and how China understands and reacts to these efforts more subtly.

As opposed to the approach that considers state behavior as a direct consequence of power distribution, the research focuses on how perceptions of the elite, threat evaluation, and strategic restraint can influence the policy outcome. By doing that, it provides a contribution to the current scholarship by providing a cohesive causal explanation that connects structure, agency, and policy in the Indo-Pacific.

Overall, the literature shows that the Indo-Pacific approach has turned out to be a major characteristic of modern international politics, and there are deep consequences to the regional order and great power politics. The current research gives useful information about its causes, aims, and outcomes, and the ways China has responded to it. Nonetheless, missing an integrated neoclassical realist analysis leaves the questions of how exactly the competition at the systemic level is converted into tangible policy decisions unsolved. Filling this gap, the given research offers an additional contribution to theoretical discussions and empirical insights to explain U.S.-China strategic interaction in Indo-Pacific more thoroughly.

On this basis, the current research paper goes beyond descriptive narratives by empirically investigating how the U.S. Indo-Pacific approach influences the strategic behaviour of China through observable causal processes. The analysis below uses a neoclassical realist model to determine the process through which systemic pressures are refracted by domestic intervening variables to generate behavioral policy results.

Critical Analysis:

This section uses the neoclassical realist model that has been constructed in the previous section to provide an empirical analysis of how China reacted to the U.S. Indo-Pacific strategy. Through reconstructing the causal pathway between systemic pressures and policy outcomes with the help of domestic intervening variables, it uses a theory-testing process tracing. The discussion has shown that the strategic behavior of China can be described as hedging as opposed to balancing or confrontation.

On a systemic level, the U.S. Indo-Pacific strategy has created a long-lasting strategic strain against the Chinese through a restructuring of the balance of power in the region and reinforcing the security network headed by the U.S. Key aspects are enhanced coordination of alliances with both Japan and Australia, institutionalization of minilateralism, such as the Quad and AUKUS, and an enhanced U.S. military presence in the Western Pacific and Indian Ocean. Under a structural realist

outlook, these developments are an indicator of the desire to neutralize the increasing capabilities of China and limit its exercise of freedom in major maritime spheres.

Nevertheless, systemic pressure is not a source of China's reaction. Although the classical and structural realist theories would have postulated immediate balancing of the military through confrontation, the Chinese policy has been more restrained. This difference brings out the necessity to explore the interpretation and filtering of systemic constraints at the domestic level, in line with neoclassical realist assumptions.

The first critical intervening variable of the neoclassical causal chain of realism is elite threat perception. The Indo-Pacific strategy is also mostly perceived by Chinese policymakers and strategic elites as an initiative of containment in order to restrict the rise of China and redefine the regional order. The discourse of official policy documents, the speeches of the leadership, and the Chinese scholarly discourse have always created the image of the Indo-Pacific as an externally imposed strategic system that destabilizes the Chinese security environment.

Meanwhile, the Chinese elites do not view the strategy as a threat that is real or immediate in the military. Rather, it is considered a long-term competitive threat that has to be responded to in a measured way. This image moderates the urge to escalate, as well as strengthening tactical caution. The Indo-Pacific strategy is therefore seen not as a call to direct formation, but as an indication of a long-term rivalry that should be handled with a lot of care so as to prevent an early-stage conflict. The domestic level also acts as a mediator of the Chinese reaction to systemic pressure. The fact that the global economy is economically interdependent has been one of the key factors restraining confrontation on a large scale against the United States, making it expensive and risky. The long-term economic growth, technological advancement, and social stability are the main priorities of the regime and restrict the readiness of China to act aggressively on the external strategies that might trigger organized resistance.

There is also the strategic culture of China that focuses on patience, long-term positioning, and avoidance of risks in cases of uncertainty. The arguments within the elite groups indicate that there are fears of overstretch, backlash of the coalition, and the consequences of strengthening a negative security alliance. These internal factors are effective filters on converting external threats into policy. The State also has capacity. Although China has an emerging military and economic strength, the leaders are aware of the internal weaknesses, such as unequal development, population strains, and political issues. These considerations help to justify the need to employ more adaptable approaches to maintain maneuverability as opposed to binding oneself to a confrontation.

Key Findings

Some of the main findings of the analysis are presented below:

- (Systemic pressures, elite threat perceptions, and domestic constraints combine to result in China pursuing a strategic hedging policy of resisting, adapting, and selectively engaging). China does not directly counterbalance against the United States, but builds up its military strength, develops regional economic projects and continues diplomatic dialogue to remain uncertain, with strategic flexibility and without exacerbating competition. This discovery confirms that the approach of neoclassical realism is more explanatory of China's strategic behavior than the structural realism approach because it reveals how China's domestic perceptions and constraints shape systemic pressures into actions for foreign policy.

- The preceding analysis demonstrates how each stage of the neoclassical realist causal chain contributes to understanding China's strategic response to the Indo-Pacific strategy.
- The U.S. Indo-Pacific approach has increased the systemic pressure of China through restructuring regional alignments and strengthening competitive politics. This pressure has not, however, led to automatic balancing behavior. Second, elite threat perceptions are influential and decisive in China as a mediator of external pressure.
- Although the Indo-Pacific approach is considered a containment-oriented strategy, it is not seen as an existential threat right now, so caution should be implemented instead of increasing the pressure.
- The domestic intervening variables, such as economic interdependence, regime priorities, strategic culture, and state capacity, have a considerable amount of limiting strategic choices of China. All these factors drive policymakers to risk-averse and flexible approaches.
- Lastly, the response that China can show can be described as strategic hedging, which is resistance and engagement as opposed to a confrontation. Collectively, these results show that neoclassical realism has a much better ability to explain variation in state behavior given the tendencies in similar systemic circumstances.

Conclusion

This study analyzed the U.S. Indo-Pacific strategy and its implications for China through a neoclassical realist perspective, demonstrating that systemic power competition alone cannot fully explain China's strategic behavior. The study demonstrates the effectiveness of theory-testing process tracing by revealing that China's reaction to the U.S. push toward balancing is more aptly described as 'strategic hedging,' driven by elite threat perceptions and constraints, and by strategic calculations over the long term. Conceptually, the study would help to move the neoclassical realism as a single framework of explanation to connect external systemic pressures with intervening variables at the domestic level in the Indo-Pacific region. The findings point to the importance of strategic restraint, signaling, and crisis management in managing great-power rivalry, and provide policy guidance on how U.S. Indo-Pacific actions can help generate calibrated and restrained Chinese responses. The contribution of this study on the theoretical level is evident as it reveals the explanatory capacity of the neoclassical realism in the current power politics in the Indo-Pacific.

It is empirically clear as to why China engages in strategic hedging and not direct balancing as a response to U.S. initiatives. Policy-wise, the results indicate that calibrated interaction and crisis-management systems can be more efficient than coercive containment to deal with the U.S.-China rivalry.

Conflict of Interest

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