



EDITED BY

SAADIA M.

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FOOT

≡ The Oxford Handbook *of*
**THE INTERNATIONAL
RELATIONS OF ASIA**

OXFORD HANDBOOK OF THE

**INTERNATIONAL
RELATIONS OF
ASIA**

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LIST OF ACRONYMS

A2/AD.	anti-access/area-denial
ABF.	Asian Bond Fund
ABMI.	Asian Bond Markets Initiative
ACC.	Asian Consultative Council
ACD.	Asian Cooperation Dialogue
ACFTA.	Association of Southeast Asian Nations—China Free Trade Agreement
ACIA.	ASEAN Comprehensive Investment Agreement
ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
ACU.	Asian Currency Unit
ADB	Asian Development Bank Institute
ADMM-Plus.	ASEAN Defense Ministers Meeting-Plus
AEC.	ASEAN Economic Community
AFC	Asian financial crisis
AFTA.	ASEAN Free Trade Area
AI.	Amnesty International
AICHR.	Association of Southeast Asian Nations: Intergovernmental Commission on Human Rights
AMF.	Asian Monetary Fund
AMRO.	ASEAN+3 Macroeconomic Research Office
AMU.	Asian Monetary Union
APAEC.	ASEAN Plan of Action for Energy Cooperation
APEC FMM.	Asia-Pacific Economic Cooperation Finance Ministers' Meeting
APEC.	Asia-Pacific Economic Cooperation
APT.	ASEAN Plus 3
ARF.	ASEAN Regional Forum
ARIC.	Asian Regional Integration Center
ASEAN.	Association of Southeast Asian Nations
BATNA.	Best Alternative to Negotiated Agreement
BDF.	Basic Defense Force
BIMSTEC.	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation

BITs.	bilateral investment treaties
BMD.	ballistic missile defense
BRIC.	Brazil, Russia, India, China
C ⁴ ISR	command, control, communications, computers, intelligence, surveillance, and reconnaissance
CA Union.	Central Asia Union
CACO.	Central Asian Cooperation Organization
CAEC	Central Asian Economic Cooperation
CAEC.	Central Asian Economic Cooperation
CAFTA.	China-ASEAN Free Trade Agreement
CANWFZ.	Central Asian Nuclear Weapons Free Zone
CAREC.	Central Asian Regional Economic Cooperation Initiative
CCP.	Chinese Communist Party
CEPAE / CEPEA.	Comprehensive Economic Partnership Agreement in East Asia
CEPT-AFTA.	Common Effective Preferential Tariffs for the ASEAN Free Trade Area
CERD.	Convention on the Elimination of Racial Discrimination
CES.	Common Economic Space
CICA.	Conference on Interaction and Confidence-Building Measures in Asia
CIS.	Commonwealth of Independent States
CJK.	China, Japan, and Republic of Korea
CMI.	Chiang Mai Initiative
CMIM.	Chiang Mai Initiative Multilateralization
CMIM-PL.	Chiang Mai Initiative Multilateralization Precautionary Line
CNOOC.	China National Offshore Oil Corporation
CNPC.	China National Petroleum Company
CPA.	Comprehensive Plan of Action for Indochinese Refugees
CPPCC	Chinese People's Political Consultative Conference
CSCAP.	Council for Security Cooperation in the Asia Pacific
CSIS.	Center for Strategic and International Studies
CSTO.	Collective Security Treaty Organization
CTBT.	Comprehensive Test Ban Treaty
DDF.	Dynamic Defense Force
DLP.	Democratic Liberal Party (South Korea)
DMZ.	Demilitarized Zone
DPJ.	Democratic Party of Japan
DPRI.	Defense Policy Review Initiative (US)
DPRK.	Democratic People's Republic of Korea
DSM.	Dispute Settlement Mechanism
EAEC.	East Asian Economic Caucus
EAFTA.	East Asian Free Trade Area

EANET.	Acid Deposition Monitory Network in East Asia
EAS.	East Asia Summit
EASI.	East Asia Strategy Initiative
EBRD.	European Bank for Reconstruction and Development
ECO.	Economic Cooperation Organization
EEC.	Eurasian Economic Commission
EEZ.	exclusive economic zone
EFTA.	European Free Trade Area
EMEAP.	Executives' Meeting of East Asia–Pacific Central Banks
EMS.	European Monetary System
ENDC.	Eighteen Nation Disarmament Conference
EOI.	export-oriented industrialization
ERP.D.	Economic Review and Policy Dialogue
EurAsEC.	Eurasian Economic Community
FDI.	foreign direct investment
FEMA.	Foreign Exchange Management Act
FIZs.	foreign investment zones
FMM.	Japan-ASEAN Finance Ministers' Meeting
FPA.	foreign policy analysis
FTA.	Free Trade Agreement
FTAAP.	Free Trade Area of the Asia-Pacific
G5.	Group of Five (Britain, France, Germany, Japan, United States)
G7.	Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States)
G8.	Group of Eight (G7 plus Russia)
G20.	Group of Twenty (Argentina, Australia, Brazil, Canada, China, European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States)
GATS.	General Agreement on Trade in Services
GATT.	General Agreement on Tariffs and Trade
GCC.	Gulf Cooperation Council
GDP.	gross domestic product
GEACPS.	Greater East Asia Co-Prosperity Sphere
GFC.	global financial crisis
GLCs.	government-linked companies
GNP.	gross national product
GPR.	Global Posture Review
GWOT.	Global War On Terror
H ₁ N ₁ .	Hemagglutinin Type 1 and Neuraminidase Type 1 (influenza virus: swine flu)
HEU.	highly enriched uranium

HIV/AIDS.	human immunodeficiency virus / acquired immune deficiency syndrome
HPAI.	highly pathogenic avian influenza
HRW.	Human Rights Watch
IAEA.	International Atomic Energy Agency
IBSA	India, Brazil, and South Africa.
ICC.	International Coordinating Committee for NHRIs
ICCPR.	International Covenant on Civil and Political Rights
ICESCR.	International Covenant on Economic, Social and Cultural Rights
ICIMOD	International Center for Integrated Mountain Development
IDPs.	internally displaced people
IFIs.	international financial institutions
IGOs.	intergovernmental organizations
IMF.	International Monetary Fund
IOs.	international organizations
IPCL.	International Peace Cooperation Law
IPE.	international political economy
IPNs.	international production networks
IR.	International Relations
IR/IPE.	International Relations / International Political Economy
IRT.	IR theory
ITRI.	Industrial Technology Research Institute (Taiwan)
JACEPA.	Japan-ASEAN Comprehensive Economic Partnership Agreement
JSDF.	Japan Self Defense Forces
KEDO.	Korea Energy Development Organization
KORUS.	Korea-US Free Trade Agreement
KWP.	Korea Workers' Party
LDCs.	least developed countries
LDP	Liberal Democratic Party (Japan)
LEP	Look East Policy (India)
LNG.	liquefied natural gas
LOW.	launch on warning
LUA.	launch under attack
MERCOSUR.	Mercado Comun del Sul
METI.	Ministry of Economy, Trade and Industry (Japan)
MFG.	Manila Framework Group
MGIMO.	Moscow State Institute of International Relations
MNE.	multinational enterprise
MOF.	Ministry of Finance (Japan)
MOFA.	Ministry of Foreign Affairs (Japan and China)
MoU.	memorandum of understanding

MRC.	Mekong River Commission
MSDF.	Maritime Self Defense Force
NAM.	Non-Aligned Movement
NATF.	Northeast Asian Trilateral Forum
NATO.	North Atlantic Treaty Organization
NBFIs.	nonbank financial institutions
NDA.	National Democratic Alliance (India)
NDC.	National Defense Commission
NDPG.	National Defense Program Guidelines, 2004 (Japan)
NDPO.	National Defense Program Outline, 1976 (Japan)
NEACD	Northeast Asia Cooperation Dialogue (University of California)
NEAFTA.	Northeast Asian Free Trade Agreement
NEASPEC.	Northeast Asian Sub-regional Program on Environmental Cooperation
NGO.	non-government organization
NHRIs.	national human rights institutions
NIEO.	New International Economic Order
NMI.	New Miyazawa Initiative
NOWPAP.	Action Plan for the Protection, Management and Development of Marine and Coastal Environment of the Northwest Pacific Region
NPT.	Non-Proliferation Treaty
NSG.	Nuclear Suppliers Group
NTBs.	nontariff barriers
NWFZ.	Nuclear Weapons-Free Zone
NWIRT.	non-Western IR theory
OAS.	Organization of American States
OCA.	optimum currency areas
ODA.	official developmental assistance
OECD.	Organization for Economic Cooperation and Development
OFDI.	outward foreign direct investment
OME.	other major economy countries
OMT.	Office for the Ministry for Trade (South Korea)
OPAs.	optimum currency areas
OPEC.	Organization of Petroleum Exporting Countries
OREI.	Office of Regional Economic Integration (Asian Development Bank)
OSCE.	Organization for Security and Co-operation in Europe
PATO.	Pacific Treaty Organization
PBOC.	People's Bank of China
PfP.	Partnership for Peace
PKO.	UN peacekeeping operations

PLA.	People's Liberation Army (China)
PLAN.	People's Liberation Army Navy (China)
PNE.	peaceful nuclear explosion
PSI.	Proliferation Security Initiative
PTAs.	preferential trading agreements
PTBT.	Partial Test Ban Treaty
R&D.	Research and Development
RATS.	Regional Anti-Terrorism Structure
RCEP.	Regional Comprehensive Economic Partnership
ROC.	Republic of China (Taiwan)
ROK.	Republic of Korea (South Korea)
SAARC.	South Asian Association for Regional Cooperation
SAARCFINANCE.	South Asian Association for Regional Cooperation Finance
SAPTA.	South Asian Preferential Trade Agreement
SAR.	Special Administrative Region
SARS.	severe acute respiratory syndrome
SCC.	Security Consultative Committee
SCO.	Shanghai Cooperation Organization
SCT.	single customs tariff
SDF.	Self Defense Force (Japan)
SEACEN.	South East Asian Central Banks
SEANWFZ.	Southeast Asian Nuclear Weapons Free Zone
SEANZA.	Southeast Asia, New Zealand, and Australia
SEOM.	Senior Economic Officials Meeting
SEZs.	Special Economic Zones
Sinopec.	China Petroleum & Chemical Corporation
SLOC.	sea lines of communication
SNEP.	Subterranean Nuclear Explosions Project
SOEs.	state-owned enterprises
SPT.	Six-Party Talks
SSG.	Special Agricultural Safeguard
SSM.	Special Safeguard Mechanism
TAC.	Treaty of Amity and Cooperation
TALCO.	Tajikistan Aluminum Corporation
TAPI.	Turkmenistan-Afghanistan-Pakistan-India
TCOG.	US-Japan-ROK Trilateral Coordination and Oversight Group
TCS.	Trilateral Cooperation Secretariat
TOR.	Terms of Reference
TPP.	Trans-Pacific Partnership
TPSEPA.	Trans-Pacific Strategic Economic Partnership Agreement
TSD.	Trilateral Strategic Dialogue
UDHR.	Universal Declaration of Human Rights
UNCTAD.	United Nations Conference on Trade and Development
UNEP.	UN Environment Program

UNGA.	United Nations General Assembly
UPA.	United Progressive Alliance
UPR.	Universal Periodic Review
WIR.	<i>World Investment Report</i> (United Nations Conference on Trade and Development)
WMDs.	weapons of mass destruction
WTO.	World Trade Organization
ZOPFAN.	Zone of Peace, Freedom and Neutrality

PART I

INTRODUCTION

CHAPTER 1

THE INTERNATIONAL RELATIONS OF ASIA

SAADIA M. PEKKANEN, JOHN RAVENHILL, AND
ROSEMARY FOOT

THIS *Handbook* is about the theory and practice of the *international relations* of *Asia*. It concentrates on the countries that are pivotal to understanding Asia's role in global and regional politics, as well as the processes that are responsible for the particular characteristics of the region's international relations. The *Handbook* has three main goals: it is intended as a contribution to theorizing about the international relations of Asia; as a useful resource for scholars and practitioners interested in particular themes, countries, or regional groupings important to understanding the international relations of Asia; and, in its comprehensiveness, as a vehicle for generalizing about the international relations of Asia as a whole.

To realize these goals we need first to make clear what we mean both by the analytical content of international relations (IR) and by the geographical scope of Asia. We approach the IR of Asia by offering three distinct foci to uncover the patterns that emerge from the political-economic, security, and social interactions among countries. We examine (a) the foreign relations and policies of specific countries or sets of countries; (b) the relations of countries or sets of countries both within a particular region and with the rest of the world; and (c) the institutions and networks of relations that emerge from a focus on particular, thematic, issues. By "Asia" we mean the actors and societies in the dominant, middle, and smaller countries in Northeast Asia, Southeast Asia, South Asia, and Central Asia.

We recognize, however, that regions are social constructions and that no clearly defined geographical boundaries exist between, for instance, South Asia and the Middle East. Larger powers are likely to exert influence in more than one geographical region. We inevitably give more extended treatment to some subregions and countries than others, a pattern that has long dominated IR theory more generally as well as the scholarship on the IR of Asia. In particular, we focus on the region's dominant countries, which are defined by their relative economic and political power, the central role that

they play in transitional processes, their level of connections with others in the wider region, and the influence of the norms and ideas that they promulgate. China, India, Japan, and the United States are the region's dominant powers and often are prominent in our contributors' discussions. But we do not neglect the middle and smaller powers in the region acting unilaterally or through the regional organizations and networks that embody many of the norms that act as ordering frameworks for the region.

These broad analytical and geographical foci accord well with one of our prime objectives, which is to help encourage a stronger relationship between IR theory and the study of Asian foreign relations. Like others, we believe IR theory to be incomplete as a result of its general lack of engagement with the Asian experience of global politics, and the raiding rather than absorbing of the area studies literature that experience has spawned (Johnston 2012). The gaps in existing conceptualizations reinforce the need for a work that focuses more comprehensively on the key features of international relations in the region: on the foreign economic and security policies of crucial individual countries, on regional groupings, and on thematic issues of central importance in Asia today. Although we set out to make the *Handbook* as comprehensive as possible, we readily acknowledge that it needs to be complemented by more specialized volumes on specific Asian countries and subregions if we are to bring contemporary Asia more fully into IR debates.

Against this backdrop, the contributors in the *Handbook* draw on several different analytical perspectives and scholarly traditions. While some of our scholars rely more heavily on one of the dominant theoretical approaches in the field, several others prefer an eclectic approach to theorizing that does not rely exclusively on any one theoretical paradigm (Katzenstein and Sil 2008). What stands out above all in this *Handbook* is that in applying different theoretical perspectives to particular episodes and relationships, the individual chapters strongly underline the importance of a dialogue between theory and empirical realities.

The dialogue in the Asian region has occurred in the context of some of the most dramatic transitions to be found anywhere in the world. In the period since 1945, Asia has gone through at least four major transitions, some of which not only overlap in time but are also ongoing: (a) the process of decolonization and the consequent search for state consolidation and state identity; (b) the movement from being the site of the Cold War era's two major hot wars—in Korea and Indochina—to a region that has experienced long periods of interstate peace, yet one that is increasingly marked by contentious historical legacies, territorial disputes, and military tensions; (c) the transformation from the economic devastation wrought by global and regional wars, together with later financial crises, to a situation where Asia is becoming the recognized center of gravity in the world economy; (d) the tectonic regional shifts caused by the resurgence of China, which has transformed itself from being a relatively isolated state at the beginning of Reform and Opening in late 1978 to being a state with a central role in regional and global affairs.

This chapter serves as a gateway to the *Handbook*. We focus attention below on four major questions that both frame and also draw together the findings from our

contributors. The questions are centered on the contemporary characteristics of Asia: what they are, whether they are unique to this region, how to explain them, and what they portend for future trajectories. We take up these four questions in succession below, using them also to generalize about our authors' findings. We conclude by assessing what we think are the major lacunae in the study of the IR of Asia and the most promising avenues for future research.

1.1. WHAT ARE THE CONTEMPORARY CHARACTERISTICS OF THE ASIAN REGION?

As much of the past scholarship on the region has noted, Asia is marked by its heterogeneity (e.g., see Beeson and Stubbs 2012; Shambaugh and Yahuda 2008). Nevertheless, we identify several central characteristics of contemporary Asia, seeking to synthesize what we see as the commonalities across all of the contributions in the *Handbook*. In doing so, we also reference many of the core analytical debates in IR.

First, we reinforce what has long been argued about the region: that it is *state-centered*, and the traditional *norms of state sovereignty* tend to be jealously guarded across most issue-areas. The centrality of the state thus continues to be alive and well across all Asian countries and seems long likely to remain so. Anticolonialist sentiment, in various guises, in many of the countries of the region was the origin of this centrality. Nationalism, partly related to this sentiment, is a manifestation of a perceived need to consolidate state and regime and to reinforce a particular identity. Ideational frames shape views of the economic, military security, and human security realities for all state actors.

These ideas on the role of the state continue to resonate in the traditional views about, for example, the developmental state in Japan, the concerns about legitimacy in the one-party state in China, the anxieties about internal regime security in Central Asia and parts of South and Southeast Asia, and the concentration throughout the region on delivering economic development and social stability. They also find expression in the continuing skepticism toward the concepts of human rights and human security, and in the preference for sustaining the security of the state rather than for protecting the individual. But whether in democratic, authoritarian, or hybrid regimes in the region, Asian states need to be understood in the context of polities that reflect the influence of both intrastate and substate forces. In short, even though states are pivotal, they are not the only actors, nor are they unitary ones. Several chapters note the varying degrees to which competing bureaucratic, commercial, political, and societal interests among others shape state policies and from there the region's wider interactions and realities.

Second, not all states are equal in shaping the patterns we see. As we move beyond the first decade of the twenty-first century, *economic asymmetries* in the region are growing. In particular, the Northeast Asian region—comprising China, Japan, and to

a lesser extent South Korea—increasingly dominates the economic map of the whole of Asia. Together these three countries comprise an estimated 70 percent of the regional economy and 20 percent of the global economy. There have long been calls for higher levels of trilateral economic cooperation among these dominant economic powers (Xinhua 2011); and, despite ongoing tensions over territory and other historical legacies, some nascent cooperation has been institutionalized in the form of a Trilateral Investment Agreement that has become a building block for ongoing negotiations over a trilateral free trade agreement (FTA) as well (Pekkanen 2012). Northeast Asia remains, thus far and for the foreseeable future, the epicenter for economic activity, as well as the pivotal source of economic integration.

Inevitably, perhaps, Northeast Asia's role in the global and regional economies has also led to the development and reinforcement of asymmetric economic integration patterns, reflected in particular kinds of economic networks, production processes, and related flows of capital and, to a lesser extent, people. China has emerged as the leading economic partner for almost every Northeast and Southeast Asian state. The temptation to focus on East Asia alone if the primary focus is on economic integration is, then, considerable. But we hold to our goal of expanding the geographical focus of the study of the international relations of Asia; thus, even if other countries in Central, South, and Southeast Asia are not as densely integrated into the region's political economy, they remain central to understanding the evolution of economic asymmetries in the region and command our attention. Indeed, without them, the very idea of asymmetries is misplaced. In addition, they often play important roles in the areas of both traditional and nontraditional security, including as providers of vital resources; as partners within regional institutions; and as the source of ideas about regional institutional design.

A third characteristic of the region is that while contemporary Asia is the world's most dynamic, rapidly integrating, and economically ascendant region, it is nevertheless marked by *dual forms of strategic uncertainty*. In particular, the speed of China's economic and military resurgence is a dual process that makes adaptation for both external actors and China itself much more difficult. China's own response to its growing economic and military statures as well as the reactions of global and regional players are already becoming a dominant feature in shaping the region's international relations. Japan, India, and the United States, for example, are just as uncertain about how best to adapt and accommodate the new Sino-centric realities as what may well be a fragile Chinese leadership (Foot 2006; Shirk 2007).

This fluid uncertainty is full of pitfalls but also opportunities. Barring dramatic domestic change in China, including a serious faltering in its rate of economic growth, China will continue to generate security fears across the region even as it inexorably enfolds these very same countries in economic interdependence and related institutional diplomacy (Foot 2013). One concern is that China's resurgence provides the means for it to use economic leverage to attain its preferred political and strategic preferences. Another is that China's rapid economic development has made it attentive to the need to protect the sea and land routes that transport the resources and goods that

have been vital for its economic advancement. Potential economic vulnerability in turn conditions its strategic outlook.

However, China's embeddedness in regional production networks and trade and investment more generally has generated prosperity for itself and others that all wish to protect—including, most importantly, the Chinese leadership concerned to maintain itself in power—and that would be seriously damaged were there to be military conflict. Asian states' emphasis on economic growth and development as being vital to security (regime and state) helps to underpin, though of course it does not necessarily guarantee, stable economic relations among countries in the region (as seen in the informal Chinese boycott of some Japanese goods following a flaring up of territorial disputes). We do note, however, that those Asian states that have been reluctant to embrace these ideas, such as North Korea and Myanmar in the recent past, have served only to demonstrate the costs associated with a failure to embrace economic reform and economic integration.

A fourth characteristic of the region is the *increased economic capacity for military modernization*—conventional and nuclear—which has the potential to unleash a *security dilemma*. As of 2013, China had the world's second largest defense budget, Japan had increased its defense budget after well over a decade of stasis, India was the world's largest importer of major conventional weapons, and the other top four arms importers in the world were all in Asia, namely, China, Pakistan, South Korea, and Singapore (SIPRI 2013; Reynolds 2013). It is also notable that China had displaced the UK in joining the top five global arms exporters alongside the United States, Russia, Germany, and France. New military rivalries are also increasingly reflected in the theaters now considered critical for asymmetric warfare, namely outer space and cyberspace (Pekkanen and Kallender-Umezu 2010; Moltz 2011; Segal 2011). Moreover, the Asian region is the most heavily nuclearized region in the world (Alagappa 2008; SIPRI 2013). The nuclear arsenals of China, the United States, Russia, India, and Pakistan may be perceived by some as sources of strategic stability, but they have also played a part in prompting North Korea to develop and test a nuclear device; their presence also generates frequent debates inside Japan, Taiwan, and South Korea on the merits or otherwise of taking the nuclear route.

A fifth characteristic is that we continue to see a *porous region* in several distinct senses that draw together both material and symbolic dimensions (Katzenstein 2005, 2). For example, despite talk of their decoupling, Asian countries are still economically interdependent with the rest of the world (Winn 2008, Kim, Lee, and Park 2009; S. C. 2010). As the experience during the global financial crisis of 2008 vividly illustrated when exports from many of the region's most trade-dependent economies collapsed, final demand in Western countries remains important for Asian countries' manufactures (Athukorala 2011; Ravenhill 2008). Despite initial attempts at "rebalancing," the region's largest economies still rely heavily on their exceptionally successful model of export-driven growth. Importantly, the economic success of many countries in Asia has been at the cost of the region's environment and has led to the overexploitation of its resources, with inevitable disruptions that prompt particular patterns of migration,

the transmission of diseases, and the potential for rivalry and conflict that spill across borders and regions.

The military dimension also demonstrates the porousness of the region, seen most clearly in the presence of bilateral alliances that place the United States in the thick of security relations. The presence of the United States, both a global power and one that projects itself as a Pacific power, makes the definition of the region, and the forging of any kind of an institutional architecture for security, a highly permeable and politicized cross-regional process (Foot 2012). Finally, in the human security field that ranges from the environment to human rights, there are distinct elements of transnational civic activism, involving particularly nonstate actors who continue to forge inventive links through various networks with their counterparts around the world.

A sixth characteristic is the proliferation of *informal organizational frameworks* characterized by both soft and hard degrees of legalization, specifically in the degree of precision of, obligation to, and delegation based on sets of rules (Abbott et al. 2000; Pekkanen, ed. 2014). Contrary to depictions of Asia as being underinstitutionalized or underlegalized, the region contains multiple institutions that are either being reinforced or designed to structure relationships among the regional state and nonstate actors. As our contributors discuss, these have proliferated most notably in the economic realm, reflected in the regional and cross-regional FTAs and BITs (bilateral investment treaties), for example (Ravenhill 2010). Within the human security field, where the performance of regional institutions is often considered lackluster, the varied nature of the problems leads to an emphasis on process-based and pragmatic efforts to coordinate institutionalized relationships that may lead to normative changes in the region, albeit at a slower pace than in the economic realm. Even in the demanding security realm, despite multilateral regional organizations that emphasize process over legal obligation, the development of these institutions, together with the bilateral US alliance structure, as well as the development of minilateralist bodies, has helped the collective management of strategic, economic, and political issues; they may even have helped to socialize major states to particular forms of coexistence and contractual norms conducive to more peaceful relations (Acharya 2009; Ba 2009; Johnston 2008).

The particular design of these institutions—as noted above, informal, often process-driven, but varying in the hardness of rules—reflects both historical and cultural patterns as well as the attraction of norms of sovereign statehood in the region, similar to much of the developing world (Acharya and Johnston 2007, 14). These patterns deserve attention, not just for their implications for regional governance, but also, commensurate with their economic standing and growing political influence, for Asian countries' interests in spreading their own designs of governance worldwide (Pekkanen, ed., 2014).

Finally, seventh, the systemic change represented by the ending of the Cold War has *reduced the intensity of ideological division*, and generally allowed for more inclusive economic processes. It may be unrealistic to argue for the unbridled triumph of liberal ideas, but the forces of a global economic marketplace have been let loose across all of Asia in a way that is likely to continue to knit the region together. Important prior

developments were the Sino-Soviet division in the late 1950s, China's 1978 decision to adopt Reform and Opening, and the Sino-American normalization of relations in 1979. These developments have begun to tie the economic fates of numerous countries in and out of the region together in complicated ways that, while economically beneficial and with some positive spillovers for security relations, are not always without serious tensions among key players, as our authors suggest in various ways—the United States and China; China and South Korea; Russia and South Korea; China and Japan; China and Japan in Southeast Asia; China and Russia in Central Asia; the United States and Vietnam; and more recently, Japan and the United States in Myanmar.

Nonetheless, some sources of ideological cleavage remain important. We need to be wary of projecting any kind of convergence with Western economic models, particularly in the Asian context where governments, such as that of Japan, continue to be distinguished by their more central positions and roles in the economy (Stallings 1995, 1–4; Pempel 1998). In addition, reduced ideological division among all regional actors does not necessarily mean reduced friction among them. If anything, even as the region comes together economically, alignments can fluctuate as a result of sovereignty disputes, historical animosities, or attempts to leverage economic power for political ends.

1.2. HOW UNIQUE IS THE ASIAN REGION?

All of the major geographical regions of the world have features that are unique. Nowhere else matches the range of institutional integration that one finds in Europe. The African continent has a unique sense of common identity built on strong anticolonial sentiments—yet remains deeply enmeshed in economic networks with its former colonial powers. Religious cleavages are more potent as a divisive force in the Middle East than in most other regions of the world. What, then, are the unique features of the Asian region?

Probably the most distinctive feature of the Asian region is that it poses the greatest challenge for the management of interstate relations in that it includes China and India—the two most important rising powers in the international system, the two most populous countries in the world, and both significant nuclear weapons states. Previously ascendant economic powers, most notably Japan, are having to adjust to a situation where they are no longer “Number One” within the region. Although we reject the determinism of some neorealist perspectives that view power transitions as highly likely to lead to militarized conflict between existing hegemony and rising powers (see Mearsheimer 2001, in particular), we acknowledge the significance of the challenges that power transitions generate. Reference to power transitions points to another unique feature of the Asian region, the role of the United States within it.

As the world's only current superpower, the United States inevitably is involved in all parts of the globe. The character of its involvement in Asia, however, is markedly

different from that in other regions. In particular, the so-called San Francisco System differentiates US involvement in Asia from that elsewhere in the world. Several distinctive features of the San Francisco System can be identified: the dense network of bilateral alliances (which continue more than six decades after their creation); the absence of strong region-wide, multilateral security structures; and a strong asymmetry in alliance relations (Calder 2004). And, while it is the case that the principal security organization in Europe, NATO, is also transregional, it is only in Asia that the US involvement has for many years produced competing definitions of the “region” that extend into economic dimensions as well as security (Foot 2012). Ever since the earliest attempts at regionalism in Asia, ideas of an “Asian” or an “East Asian” institution have clashed with proponents of Asia-Pacific visions. Tensions between these alternative ideas continue, seen most recently in rivalry between the US-backed Trans-Pacific Partnership (TPP), and the ASEAN-backed Regional Comprehensive Economic Partnership (RCEP), which includes Oceania but unlike Asia-Pacific Economic Cooperation (APEC) and the TPP excludes North, Central, and South American countries.

Reference to ASEAN (Association of Southeast Asian Nations) points to another unique feature of the Asian region: the presence of a subregional organization that is among the longest surviving of those linking developing economies but, more importantly for our analysis, one that demands to be in the “driving seat” in all efforts to promote regionalism and claims to be the arbiter of the legitimacy of intergovernmental collaboration in Asia. For ASEAN enthusiasts, particularly those writing from constructivist perspectives, the organization is uniquely placed to play a mediating role between Asia’s leading powers and to serve both as an intellectual broker and an agent for changing regional behavioral norms (Acharya 2009; Ba 2009). Skeptics, on the other hand, assert that ASEAN is too weak and divided an institution to play a leadership role, that major initiatives on the region, such as the Chiang Mai Initiative on currency swaps, have come from outside ASEAN, and that ASEAN’s insistence on maintaining a veto player role can obstruct deeper regional intergovernmental collaboration (Jones and Smith 2006; Ravenhill 2009a).

Asia has more territorial disputes than any other part of the world, a potential source of conflict that has become of more concern as Asian states have increasingly acquired the military capabilities to pursue territorial claims. The most notorious in recent years have been the disputes over boundaries in the East and South China seas, maritime borders that have taken on greater import with the possibility of extracting resources from the disputed areas. But other contested boundaries on land have long been the subject of conflict, such as those between India and Pakistan over Kashmir, China and Vietnam, China and India, and the two Koreas. As data collected on Asian territorial issues have shown, the region has experienced more armed conflict over territorial disputes than other regions of the world, accounting for one-third of all militarized disputes over territory in the world in the last half-century. Although some change is possible with the Philippines filing a legal case against China over their territorial dispute in the South China Sea, Asian states have generally been reluctant to take their disputes to international arbitration, a reflection perhaps of their preoccupation, noted above, with

national sovereignty. To date, subregional institutions such as ASEAN have proved ineffective in promoting the resolution of territorial disputes among their members (although there are reasons to credit them with having contributed to conflict avoidance).

The persistence of long-standing unresolved territorial disputes poses a particular challenge in a context of a nascent arms race in Asia. The region has the highest concentration of nuclear weapons in the world with three states—China, India, and Pakistan—all acknowledged nuclear powers, and North Korea widely believed to possess some nuclear weapons. Moreover, Japan, South Korea, and Taiwan all have sophisticated nuclear industries, and it is widely accepted that they have the capacity to manufacture weapons within a short period should they so desire. Although the pace of conventional weapons acquisition slowed considerably in the immediate aftermath of the Asian financial crises of 1997–98, the region’s extraordinary economic growth in the first decade of the new century supported substantially expanded defense budgets, which in turn have financed the acquisition of increasingly sophisticated weaponry, giving Asian states new capabilities to project force within and beyond their claimed territorial boundaries. These realities have had consequences for other issues as well. Although, for example, Asia has begun to take steps toward creating a few informal human rights institutions characterized by soft rules and informal structures, the preoccupations with the traditional dimensions of security partially explain why it remains the only region that still has no region-wide human rights charter or mechanism (Pekkanen, ed., 2014).

If the prevalence of territorial disputes and the nascent arms races in Asia provide grist to the realist mill, Asia’s rapid economic growth and the particular ways in which many parts of the region have been incorporated into the global economy provide reassurance to those viewing the region through traditional liberal lenses. In particular, not only is the trade-to-GDP ratio in many Asian countries among the highest in the world but cross-border production networks (or “value chains”) provide the basis for a larger part of international trade in East Asia than in any other region (Athukorala, forthcoming). Enmeshment in these networks greatly increases the costs that would follow should military conflict lead to a fracturing of ties with the global economy: it is not merely a quantitative but a qualitative change in the nature of interdependence (Ravenhill 2009b). Central and South Asia, however, remain relatively isolated from many of these manufacturing networks, with the exception of the international garment industry’s penetration of South Asia.

Asia’s record as the fastest growing region of the world economy, while it dampens the prospects for any use of force, also brings new challenges. Parts of the region are resource-poor, notably Japan and the Northeast Asian newly industrializing economies. While China is not resource poor, its extraordinary economic growth has rapidly reversed its position of being a net oil exporter into one where it has become one of the world’s largest energy importers. India has also become significantly more dependent over the last decade on imported resources. These new import dependencies have pitted China and India against the resource-poor Northeast Asian economies in an intense international competition to secure new sources of supply of raw materials. This competition is occurring in a security context in which the United States is no longer able to

play the stabilizing role that it once did (Phillips 2013); meanwhile, regional institutions have been able to do little more than facilitate information exchange in this issue area (Ravenhill 2013).

1.3. HOW DO WE EXPLAIN THESE CONTEMPORARY CHARACTERISTICS?

Various theoretical perspectives in IR offer alternative explanations for the seven characteristics identified above. Part II of this *Handbook* illustrates how different theoretical approaches vary in the weight they give to the causal and configurational patterns related to these characteristics.¹ In what follows, we outline how these different lenses adopted by our authors deal with many of the generalizations that we have derived about Asia. While we give considerable attention to the three major approaches to IR theorizing that are found within our chapters—realism, liberalism, and constructivism—we also allude to some of the insights that derive from the approaches that take these dominant theoretical frameworks more deeply into the sources of sub-state or nonstate agency in their analyses: namely, Foreign Policy Analysis (FPA), the International Society approach, and indigenously grounded, non-Western, IR theory. Nevertheless, although these focuses are informed by diverse assumptions and framing, few IR theorists interested in Asia would be surprised to find that, to varying degrees, our contributors still pay homage to the centrality of the state as an analytical causal category in Asia.

Realism, to begin, is still perhaps the dominant paradigm among IR approaches, and its proponents argue that the primacy given to power or the security of the state derives from the anarchic nature of the state-based international system. In their approach to Asia, these analysts stress the translation of increased economic power into military power; the decision by governments to engage in internal and/or external balancing in an era of strategic uncertainty and power transition; and the competitive search internationally for resources to sustain or enhance levels of relative power as manifestations of this search for power or security. For realists, the porousness of the region—meaning its exposure to and roots in global structures, flows, and processes—is primarily of interest because it points to the need for a hegemon to guarantee systemic security in exchange for acceptance of its dominance, or as a means of balancing power or threats at a time of transition. Neither do realists hesitate to note the security dilemma dynamics that are likely to accompany any region undergoing the substantial economic and strategic transformations that we have witnessed in Asia in the past two to three decades.

The centrality of the state and of sovereign statehood is emphasized, too, in the realist depiction of Asian regional security organizations. The undemanding nature of these organizations, often without legally binding commitments, and with designs

that generally set out to preserve the autonomy of the state actors that make up their memberships, is a reflection of state-centrism. Regional institutions are seen as either epiphenomenal or sites of rivalry among states. The preference in Asia to make them inclusive in their memberships shows, for writers in the realist tradition, the irrelevance of these institutions rather than their function as venues for purposeful action designed to moderate conflictual behavior.

Turning to the economic realm, economic interdependence in Asia, especially in its asymmetric form, from a realist perspective is less a source of stability and a force capable of changing the interests of states than a source of state vulnerability. Increased disparities in national economic wealth and material capabilities can operate as a source of leverage for those states that choose to exercise power in this manner. Realists would also expect Asian governments to subordinate human rights and human security concerns to the protection of the state. National unity and territorial integrity would be seen as higher priorities for states than the objectives of nontraditional security, such as human or environmental security, both topics on which those interested in the wider security agenda have tended to focus.

Constructivist and liberal interpretations depict state-centrism and concerns with state sovereignty as deriving from different—often social as well as material—sources. In these respects, they show affinities with FPA approaches that privilege perceptions, ideologies, and questions of national identity. When constructivists note the centrality of the state in Asia's international relations, they relate this to a need to consolidate the identity of the postcolonial state, or to political cultures that accord the state a primary role in protecting and enhancing the life-chances of the citizen. Writers from a constructivist perspective accord greater explanatory weight than realists do to ideas and norms of behavior, often generated at the domestic level, and deriving from historical experiences. However, these emphases can also be found in the International Society approach and in some non-Western approaches to IR theorizing, suggesting the need for greater interaction among proponents of these approaches. Thus, the ending of the Cold War is perceived as not simply a structural event, but one that derives from a shift in ideas about how the world political economy operates. One effect from this ending was to reduce the intensity of the ideological division between capitalist and Communist systems and to generate a sense that states and peoples operated within a single global political economy, rather within one or other competing structures.

The constructivist approach is also attentive to process-driven explanations rather than starting from the perception that states have an immutable concern with a narrow range of interests relating predominantly to the search for power and security. These theorists would view the military modernization that is in train in Asia less as a response to the threat environment than as a desire to take on the prerequisites of modern statehood. Porousness in the economic and security fields references the modern state's involvement in the global capitalist political economy. Regional institutions are not epiphenomenal and peripheral in their effects but potential sites of state socialization into norms and practices that are capable of sustaining regional peace and stability. However, not all of the ideas, norms, and processes that preoccupy constructivist

approaches are perceived to be benign in their effects: historical experiences and associated memories, together with the perceived need to consolidate state or regime, can generate forms of nationalism that are capable of disrupting regional stability and of reinforcing a sense of separation, state victimhood, and exceptionalism.

Theorists within the liberal tradition give more play to interests at the domestic and international levels and place less emphasis than constructivists on the capacities of processes and ideas to reshape state identities. In this respect, liberals share affinities with an FPA approach that, for example, may note the power of bureaucratic interests in the shaping of foreign policy. Unlike realists, the desire to explain interstate cooperation rather than interstate conflict is at the heart of the liberal theorists' intellectual enterprise. For some liberals, state-centric or regime-centric behavior can more readily be understood through uncovering the national or parochial preferences of individuals or interest groups, which may be mediated through political institutions before a foreign policy is arrived at. Military modernization may be less related to security dilemmas or heightened security fears, and more to the ability of the armed forces to operate effectively as an interest group on behalf of a specific set of material and social interests. A focus on regime security suggests the state's national interests are expressed through an oligarchic structure set up by a narrow elite. The state, then, is more often disaggregated for these scholars, though the approach retains a focus on a state-based order.

Neoliberal institutionalists take us more directly into the international realm. Their focus on state cooperation in international politics makes them less attentive to underlying domestic preferences and more likely to accord greater weight to the capacity of regional institutions to constrain actors because of the benefits that states derive from these bodies in such areas as the provision of information, the learning of best practice, and the resolution or moderation of conflict. They are also interested in institutional design—and see faulty design as well as national interest as a source of the weakness of Asian regional institutions. For liberal interdependence theorists, in the economic field or elsewhere, there is potentially still more at stake. Especially for the Asian region, where rapid economic development has operated as a source of legitimacy for most governments, economic interdependence is key and, because of the form it takes in parts of the region, potentially transformative. In East Asia in particular, production processes have become fragmented. Their disruption through conflict or war would affect more than interstate trade, also to include access to inputs (including foreign investment) critical to wider production processes, and involvement in distribution networks and marketing channels. The overall negative impact would be serious for governments concerned with sustaining high rates of growth and building strong states (Ravenhill 2009b).

These dominant paradigms, and their variants, offer us much to digest when we seek to understand the IR of Asia and the region's most notable characteristics, but the partiality of the three major approaches leads a number of the contributors in this volume to suggest that none are sufficient on their own, and that the way forward is to accept the need for eclectic theorizing (Katzenstein and Sil 2008). This subset of our analysts reject the increased parsimony that most of the dominant approaches offer,

preferring to recognize instead the complexity of the current regional and global order. The post–Cold War era is marked by increased disparities in national economic wealth and material capabilities, but it is notable too for the extent to which states and peoples have become more deeply interdependent, and these twin outcomes have to be reconciled and negotiated. Political actors are often subject to informal and formal, global and regional, institutional and governance arrangements that are designed to address the collective challenges that no one state can address on its own and which therefore constrain the exercise of power, even asymmetric power, as it has emerged in the Asian region.

As others before us have noted succinctly, there are “deep sources of conflict and mistrust generated by the anarchic and competitive structures of world politics,” but also the “stability and cooperation” that comes from both interdependence and contemporary forms of mutual vulnerability (Ikenberry 2012, 72). From this eclectic reading of world politics, our analysts’ contributions reflect a world that remains Westphalian in many respects, but is also both pluralist as well as cosmopolitan in its characteristics (Hurrell 2007, 9). This leads many of our authors to emphasize, for example, the strategies of reassurance that many Asian states are adopting toward the emerging regional powers, and the use of economic, political, and institutional tools to attempt to bring about the distant goal of security and economic communities. Yet many Asian states also hedge and couple this behavior with forms of deterrence—that is, sustaining the presence of a major security partner through alliances or less formal means, building military and economic power to prevent overreliance on one major state to the neglect of others, and the use of institutions to bind and constrain power.

This eclectic approach adds at least two important dimensions to theorizing about the IR of Asia. It identifies the interpenetration of the domestic and global spheres where both operate as sources of actor behavior. It also demonstrates the hybrid quality of the global system, which portends that both competition and cooperation will persist over the long term in a fluctuating combination. As the next section on the prospects for the region indicates, this understanding suggests that Asia faces not an inevitable prospect of peaceful transition and settlement, but a series of difficult negotiations across the full range of policy areas.

1.4. FUTURE PROSPECTS

We have identified seven characteristics of the contemporary IR of Asia: (1) state-centrism, with embedded norms favoring state sovereignty; (2) a distinctive form of economic integration, albeit one that is taking place in the context of growing economic asymmetries; (3) dual forms of strategic uncertainty, with all actors, including China itself, facing difficulties in adjusting to an increasingly Sino-centric region and world; (4) growing economic capacity for military modernization, with attendant security dilemmas; (5) continued porousness across economic, traditional

security, and human security fields; (6) the informal organization of regional institutions with varying degrees of legalization, which continue to be concentrated in the economic realm; and (7) reduced ideological intensity with the post–Cold War move to economic liberalization. In this section, we briefly consider the implications of these characteristics for the future of IR both within Asia itself and between Asia and the rest of the world, with the caveat that we operate in a disciplinary field in which unexpected endogenous or exogenous shocks can transform the nature of expected outcomes.

- Asian states are going to be the principal shapers of regional and global processes in the remainder of the first half of the twenty-first century. Their preponderance will be of special significance in the economic realm, and the way it is currently governed. But economic power may also be increasingly translated into military leverage and political influence. As single countries, China and India will be key players in the global balance of material and social power, China probably more so than India.
- Within the region, states rather than societal interests or international institutions will continue to be the dominant shapers of outcomes. Although nonstate actors—both those motivated by private profit and those embedded in transnational movements and networks like NGOs and civil society groups—are important players in shaping the material and symbolic dimensions of Asia, they will continue to be subordinate players in a state-dominated system. Moreover, we doubt that the current asymmetry—in which Asian states are more willing to accept legally binding obligations at both the global and regional levels in the economic sphere than in the security and human security spheres—will change in the foreseeable future. A continuing preoccupation with sovereignty and noninterference in the domestic affairs of neighboring countries, as well as the challenging nature of the problems themselves, will continue to make “soft law” central to the design of regional institutions especially in both the traditional and nontraditional security arenas.
- Middle powers will continue to have opportunities to play the role of intellectual broker and will attempt to bind larger powers in organizational frameworks and normative mandates. However, the dominant states of the region are likely to remain resistant to the idea that the voluntary binding of their power enhances both their levels of legitimacy and influence.² The perception of these major states that their interests can best be pursued through national measures will inevitably limit the influence of smaller and middle powers and constrain the agendas of both global and regional organizations. Actors external to the “region,” particularly the United States, will continue to have an important influence especially where other states in the region perceive the need to balance against an increasingly dominant China.
- Asian states are showing some signs of being caught in a security dilemma; rapid economic growth is fuelling nascent arms races. There are increasing concerns about access to scarce raw materials, and in the absence of regional treaties to resolve territorial disputes or to limit the acquisition of weaponry, these arms

rices are likely to continue. For states with higher levels of technological sophistication, such as Japan, China, and India, these arms acquisitions are spilling over into new theaters of warfare such as outer space and cyberspace.

- Economic development and performance is a widely shared norm across this diverse region and will remain so. Regional production networks and trade and investment more generally have generated prosperity for many of the region's states, and this prosperity would be seriously damaged were there to be military conflict. Given their domestic realities, Asian governments will constantly be faced with the need to navigate the contestation between the merits of autonomy versus the benefits that derive from these and other forms of interdependence.

1.5. WHAT ELSE DO WE NEED TO KNOW ABOUT THE IR OF ASIA?

Based on what has been covered in this *Handbook*, and with a view once again to reinforcing the dialogue between theory and practice, we outline next six suggested avenues for further deepening the research on the IR of Asia.

- Beyond the predominant “state-centric” approaches, we need a better understanding of the sources and categories of state behavior, with a focus not just on systemic processes, structural features, or socialization patterns, but also on the domestic dynamics of foreign policy-making, including the role of domestic interests, elite perceptions, and historical traditions. Even in countries that have received a great deal of scholarly attention, we still know remarkably little about the interplay of domestic interests, ideas, and identities in foreign policy-making.
- While we acknowledge that state sovereignty matters to the states and peoples of Asia, we believe that it is a historically contingent social norm subject to modification over time. We need better specification of the outer boundaries of that modification across Asian state and nonstate actors, and how those boundaries affect patterns of integration and governance at the global and regional levels.
- We need a better way of mapping how and in what ways rising powers in Asia will affect patterns of regional and global governance in the near future. This requires attention to how they attempt to wield influence in both regional and global institutions, how they design indigenous institutions, their sources of authority and legitimacy, and the extent to which their policy ideas are generating acceptance or resistance.
- We need clearer understanding of the linkages between economics and security, and the conditions under which the deepening economic regionalization and regionalism that we witness in Asia is likely to dampen the security dilemmas

rising in the region, and the prospects for conflict. While interstate war has been absent since 1979, and both the frequency and intensity of outright military conflicts and crises have certainly lessened, Asia cannot be characterized as peaceful.³ Aside from the fact that there are a host of territorial and historical disputes that continue to mar relationships in the region, we also need to begin exploring how and in what ways economic asymmetries themselves produce forms of dependency that provide sources of leverage that are shaping the new geopolitics of the region.

- Human security issues remain relatively unexplored and deserve far more attention given the massive and disruptive social changes that have arisen as a result of rapid economic growth, and the emphasis on often violent means of state and regime consolidation. The fact that these efforts at consolidation are often reinforced by both domestic and international dynamics also deserves far closer attention.
- Our understanding of the international relations of Asia would be enriched by the incorporation of more area expertise on individual countries and the region as a whole. It would also be enriched by greater incorporation of Asian historical experiences and attentiveness to the intellectual traditions and practices of the Asian world. In particular we need more work on lesser known Asia, especially the smaller countries of Central, South, and Southeast Asia, and their intraregional and extraregional relationships that also have, in interacting with the dominant players, the capacity to shape the patterns of the IR of Asia as a whole.

NOTES

1. This chapter does not reference the secondary literature on IR theory, as Part II, taken as a whole, provides an extensive survey of that literature. It should also be noted that this volume does not include analyses drawn either from the Marxist or postmodern traditions, given that these traditions have had relatively little purchase among scholars working on the IR of Asia.
2. Ikenberry has consistently made the argument that a powerful United States in the twentieth century accepted the need to bind its own power in order to enhance its broader international goals. See in particular (2001).
3. Goldstein and Mansfield (2012, esp. 10) also note that the military “peace” has not necessarily meant enduring security for countries in the region.

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PART II

THEORETICAL
APPROACHES

CHAPTER 2

REALISM AND ASIA

MICHAEL MASTANDUNO

POLITICAL realism arguably remains the dominant paradigm in the study of international relations and the subject of seemingly endless debate among its many supporters and critics (Keohane 1986a; Frankel 1996; Vasquez 1998; Lebow 1994; Moravcsik and Legro 1999; Lobell, Ripsman, and Taliaferro 2009). Realism means different things to different scholars; a recent article identified no less than thirteen versions of this prominent school of thought (Onea 2012, 156). What scholars term “realism” is simultaneously a philosophy or worldview, a guide to practical action, and a set of theories, arguments, and propositions designed to understand and explain international relations and foreign policy.

Despite the variety of approaches within the realist school, they exhibit a number of commonalities. Realists typically focus on the cyclical as opposed to progressive aspects of politics. They believe that the fundamental patterns of international relations—the struggle for power, alliance formation, conflict and war, scarcity and economic competition—endure despite changes over time in ideologies, institutions, or technology. Political liberals might point to the abolition of slavery and the diminution of great power wars as signs of enlightened human progress. Political realists might point instead to the brutal similarities, despite the passage of some 2,500 years, between how the powerful Athenians treated the weaker Melians in ancient Greece and how the stronger Serbians treated the unarmed Bosnians of Srebrenica in the modern Europe of the 1990s. Although realists recognize the potential for cooperation and peaceful relations among states, they tend to be pessimistic regarding the human condition and political behavior. Realists emphasize the fallibility rather than perfectibility of human beings or, as Robert Gilpin once put it, political realists “never had much hope for the human species to begin with” (Gilpin 1996, 3).

Realism is also a guide to action. What is commonly referred to as “realpolitik” involves the purposeful pursuit of state interests. For realists, power and interests go hand in hand in driving state policy. Principles and ideals are of secondary importance. Henry Kissinger’s diplomacy is often viewed as an exemplar of realpolitik: notwithstanding America’s principled opposition to Communism, Kissinger led the US

government to make peace with China as part of a strategy for containing the Soviet Union in a post-Vietnam era in which American power had diminished significantly. As policy advocates, realists are neither invariably pacifists nor warmongers. They emphasize prudent statecraft and fear the unintended consequences of international activism or a crusading foreign policy. Realists counsel state leaders not merely to appease expansionist states, but also to avoid the temptation to expand one's own commitments beyond the reasonable assessment of state power.

In terms of explanation, there is no single theory of realism that can be tested, confirmed, or refuted (Kapstein and Mastanduno 1999). From a basic set of assumptions numerous realist theories and propositions may be generated. An exhaustive review is beyond the scope of this chapter, but it is important to recognize major divisions within realism. Classical realists draw on a variety of causal factors in explaining foreign policy and international relations (Thucydides 1954; Morgenthau 1978; Gilpin 1981). They invoke material factors such as relative power and interests and nonmaterial factors such as the importance of fear, honor, and prestige to explain state behavior. Classical realism is also sensitive to the roles that domestic politics and state intentions play in world politics. Structural or neorealism favors theoretical parsimony (Waltz 1979). It begins with a simple set of systemic (e.g., anarchy) and material (e.g., distribution of capabilities) variables to infer conclusions about the broad patterns of international relations over time. Structural or neorealists do not claim they are able to explain the particular foreign policies of particular states. For roughly two decades following the publication of Waltz's seminal work, *The Theory of International Politics*, neorealism came to define the realist approach in scholarly terms (Keohane 1986a; Wohlforth 2011). More recently, so-called neoclassical realists have sought to recover the classical realist focus on foreign policy while still paying attention to the systemic variables at the core of neorealism (Lobell 2009; Schweller 2006).

This chapter draws on the rich insights of classical and neoclassical realism to shed light on the international politics of contemporary Asia. Unlike neorealism, the general principles of which are intended to apply more or less equally to all states, classical and neoclassical realist analyses link general propositions with the specific circumstances of particular countries or regions (Rose 1998; Onea 2012). Classical and neoclassical realism offer greater analytical leverage than neorealism on key international relations issues including the dynamics of international change, the relationship between economics and security, the interplay between state capabilities, intentions, and threats, and the role of hegemony in managing political relationships.

As a critical region in contemporary world politics, Asia is a worthy empirical laboratory for the insights of realism and other prominent schools of thought (Beeson 2006; Alagappa 2003). The world's two most populous countries, China and India, reside in this region. Asia possesses the second (China) and third (Japan) largest national economies in the world, and the Asian regional economy is sufficiently dynamic and technologically advanced for some analysts to point to the twenty-first century as the "century of Asia" in the world economy (see Part III of this volume for further discussion). Asia is home to several current or emerging great powers including China, Japan, India,

Russia, and potentially Indonesia. India, Pakistan, China, Russia, and North Korea all possess nuclear capabilities (see Yuan's chapter). Regional flashpoints—along the North Korea–South Korea border, in the Taiwan Strait, in the South China Sea, and in the disputed Kashmir region between India and Pakistan—hold open the potential for political and military conflict (see Fravel's chapter in particular). Finally, the rise of China, and its relationship with the United States, are remaking regional as well as global politics and economics and are critical to the future of world order (Foot and Walter 2011). In light of the stakes and circumstances, it is not surprising that since the end of the Cold War IR scholars have debated whether Asia is likely to become either “ripe for rivalry” or a regional zone of peace and prosperity (Friedberg 1993; Ikenberry and Mastanduno 2003; Tellis and Wills 2006).

The primary focus of this chapter is Northeast Asia. Realism emphasizes great power dynamics, and relations among China, the United States, Japan, and Korea are especially critical to regional stability. Other subregions—South, Southeast, and Central Asia—are also consequential for Asian prosperity and security. Since Asian subregions are politically and economically interdependent, we must draw out those connections even if the primary focus is Northeast Asia. In South Asia, India is a rising power and its economic and security policies necessarily affect the strategic calculations of China and the United States (see chapter 21). Southeast Asian countries have security ties to the United States, complicated historical relationships with China and Japan, and are positioning themselves to preserve security and autonomy in the face of possible great power rivalry (see Goh's chapter). Central Asian states affect great power calculations due to their energy resources and proximity to the central front in the war on terrorism (see chapters 13 and 25).

The next section of this chapter describes the core assumptions of realism and some behavioral expectations that follow. The subsequent section spells out five realist propositions that help us to understand the international politics of contemporary Asia. These propositions concern the role of hegemony in managing Asian regional order; the rise of China and the potential for a dangerous power transition; the foreign policy response of Asian states to the interplay of capabilities and threats; the role nationalism and historical memory play in exacerbating conflict; and the interplay of economic and security relations. A final section develops concluding thoughts on the prospects for stability and conflict in this region.

2.1. REALISM: ASSUMPTIONS AND EXPECTATIONS

Political realists would likely agree on four core assumptions (Gilpin 1996; Mastanduno and Kapstein 1999). First, the key actors in political life are groups, or territorially defined entities. Realists focus on group behavior while recognizing that the defining

features of groups change over time. In Thucydides's day, city-states were the key group actors, and in some premodern societies tribes may have been the most important political groups. In the modern international system the key group has been the territorial state. Groups develop a sense of identity and solidarity based on shared values or experiences. Nationalism describes the sense of identity that defines and separates nation-states from each other and has served since the peace of Westphalia in 1648 as an important source of interstate conflict.

Second, realists assume that state behavior is best understood in rational and instrumental terms. Realists, according to Robert Keohane, believe that "world politics can be analyzed *as if* states were unitary rational actors, carefully calculating the costs of alternative courses of action and seeking to maximize their expected utility" (Keohane 1986b, 165). State leaders must be sensitive to the opportunities and constraints offered to them by the international setting. Their behavior is conditioned, though not determined, by their own relative size and power, by geography and technology, and by the intentions and attitudes of their neighbors. Realists do not believe states always act rationally. State leaders often miss or ignore the signals offered by the international environment. They may underreact or overextend, based on the vagaries of domestic politics, misperception, or hubris (Jervis 1976; Snyder 1991; Kupchan 1994).

Third, realists assume that power and interests are mutually reinforcing and are the key variables that drive state behavior and international outcomes. The growth of state power enables a more expansive view of state interests, while decreases in relative power call for the scaling back of interests. The most powerful states in the international system possess interests beyond their national security and well-being; at the extreme, they seek to remake the world in their own image and according to their own values (Jervis 2009). Powerful states frequently justify their behavior in terms of broad, collectively valued principles, for example, the promotion of peace or free trade, but for realists such proclamations are a cover for the pursuit of self-interest motivated by relative power (Carr 1939).

Fourth, realists assume that the international environment is inherently competitive. States compete militarily, economically, and even culturally. They compete for material goods such as territory, natural resources, and markets, and also for positional goods such as prestige and status (Schweller 1999; Wohlforth 2009). States pursue benefits through cooperation in absolute terms, but are necessarily concerned with relative gains—that is, the extent to which cooperative ventures benefit disproportionately potential adversaries (Baldwin 1993).

These four assumptions lead to a variety of realist expectations about international politics. Realists expect states to pursue self-interest at the expense of collective interest. They expect states to protect their sovereignty and territorial integrity and to guard their capacity for independent action. Because state leaders fear being dominated by stronger states, realists expect states to balance power either internally by building military capacity or externally by forming alliances. Because over the long run economic power is the foundation for military power, realists expect political calculations to drive international economic relations (Gilpin 1975).

2.2. REALISM AND ASIA: FIVE PROPOSITIONS

Like any analytical construct, realism by itself is neither right nor wrong. Realism *per se* cannot be proved or disproved. It can, however, be more or less useful. In this section I develop five propositions, drawn from realist assumptions, with potential to illuminate the international politics of contemporary Asia.

2.2.1. Realist Proposition 1: Regional Order in Asia after the Cold War Requires a Political Foundation

For realists, international orders, whether regional or global, do not emerge spontaneously. Absent a political foundation, there is no invisible hand to assure that relations among states are peaceful and prosperous and governed by a common set of rules (Bull 1995). Security orders may be based on the workings of a stable balance of power, on a concert of great powers, or on the hegemony of a single state (Ikenberry 2001). Realists typically view hegemony as a necessary foundation for international economic order because only dominant powers have both the means and motivation to underwrite this order (Mastanduno 2009; Gilpin 2000).

During the Cold War, global and regional orders were constructed upon the bipolar balance of power between the United States and the Soviet Union. Realists writing in the early 1990s expressed concern that the end of the Cold War, the collapse of the Soviet Union, and the anticipated disengagement of the United States would lead regional stability in Europe and Asia to give way to uncertainty and possible conflict (Mearsheimer 1990; Friedberg 1993–94). Aaron Friedberg argued that the countries of Asia were particularly vulnerable to rivalry and conflict due to the coexistence of a variety of regime types, long-standing historical resentments, unresolved territorial and border disputes, and weak regional institutions.

Realists agree that order in post-Cold War Asia requires some type of stabilizing mechanism. They disagree, however, on what that mechanism should be and what the implications are for US foreign policy. So-called offshore balancers argue that it is too costly and risky for the United States to continue to assume primary responsibility for assuring stability in Asia (Layne 1997). They believe a US withdrawal would force the natural emergence of a stable regional balance of power as countries such as Japan and India react and adjust to the rise of China and the absence of the United States. So-called global engagers believe that absent the United States, an Asian balance of power is likely to be unstable and characterized by arms racing, security dilemmas, and the risk of conflict over festering political and territorial disputes. Global engagers prescribe an active US role to deflect conflicts and provide stability to both regional security and economic relations (Art 2003).

It was not clear at the beginning of the 1990s which path, if either, the United States might take. By the middle of the decade, however, the United States had committed to a strategy of “deep engagement” for Asia (Nye 1995). US officials announced that they would maintain the presence of the US Navy and the forward deployment of US troops in Japan and South Korea for an indefinite duration. They reinforced America’s post-war “hub and spoke” approach to Asian security by strengthening bilateral alliances with Japan, Australia, and South Korea. They added new spokes by developing nascent partnerships with China and India. US officials gave priority to bilateralism but also supported regional institutions, particularly those such as APEC that defined the region as “Asia-Pacific” and therefore included the United States. America also sought to spread its preferred liberal economic model both before and after the Asian financial crisis of 1997–98. This strategy of deep engagement, which remains in place today, has been based on a calculation of US national interest and conditioned by US relative power. Deep engagement serves American security interests by checking both Chinese and Japanese power, serves economic interests by facilitating US trade and investment, and serves ideological interests by providing the opportunity to spread the American brand of democracy and private-led capitalism.

US deep engagement has contributed positively to regional order as well (Mastanduno 2003, 153–56). Beginning in the 1990s, the United States has in effect served as a political referee, maintaining special though asymmetrical partnerships with both Japan and China and working to keep these potential regional rivals at bay. The US-Japan alliance has provided security to Japan and has discouraged it from becoming an independent military power that would alarm China. For China, the US-Japan alliance ideally serves as the cork in the bottle, restraining Japanese militarism; for Japan, it serves as a balancing strategy in the face of a rapidly growing and potentially hostile neighbor (see Hughes’s chapter in particular on this latter point). The US presence also provides assurance to smaller states in the region that have profitable economic relations with China yet retain concerns about its growing power and regional influence. Finally, during the 1990s the United States played a key role in helping to defuse regional security crises over the North Korean nuclear program, between China and Taiwan, and between India and Pakistan over the Kashmir region.

The terror attacks of September 11, 2001, complicated US strategy in Asia. The Bush administration’s obsessive focus on the war on terror and interventions in Afghanistan and Iraq meant that America’s priority in regional attention shifted to the Middle East and the Persian Gulf. In most Asian capitals the United States was viewed as a distracted power that was losing its ability to decisively shape events within the region (Mahbubani 2007). Leading US officials such as Defense Secretary Robert Gates sought to allay those concerns by describing the United States as a “resident” power in Asia and contending that “for those who worry that Iraq and Afghanistan have distracted the United States from Asia and developments in the region, I would counter that we have never been more engaged with more countries” (Gates 2008). By 2011, the Obama administration made the point all the more forcefully by proclaiming that as the war on terror subsided, the United States would “pivot” back to Asia and in particular East

Asia (Clinton 2011). This renewal of US interest, however, seemed driven as much by balance-of-power calculations in the face of a rising China as by any US desire to maintain or expand regional hegemony.

In the absence of an active US role, would East Asia over the past two decades have been a more conflict-prone region, along the lines feared by Friedberg in 1993? This counterfactual question is difficult to answer, depending in part on the faith an analyst is willing to place in other possible sources of regional stability such as the balance of power absent the United States, regional institutions (Acharya 2003), or even the pacifying security effects of regional economic interdependence (Wan 2003). The natural experiment of a US withdrawal into an offshore balance posture has yet to occur, and in light of US concerns over China's rise, is unlikely to happen soon.

2.2.2. Realist Proposition 2: The Rise of China Creates a Potentially Dangerous Power Transition

Realists consider great power transition—the rise of one or more great powers relative to others—as among the most dangerous situations in world politics. Power transitions are inevitable due to the law of uneven development, or the tendency for some states to grow their economic and military power much faster than others (Gilpin 1981). Power transitions are dangerous because great powers structure global governance, or the international rules of the game, to reflect their own particular values and interests. Since any given order reflects the values and interest of the state or states that created it, rising powers naturally will want to reshape international order to suit their own needs, while declining powers will try to defend the order that has served them so well. In Gilpin's formulations, the trouble begins when the distribution of material capabilities is no longer commensurate with the distribution of prestige or authority among major players in the system.

Realists recognize that power transitions do not inevitably lead to war. The existing great power(s) may decline gracefully, finding ways to accommodate or appease the rising powers, as Great Britain did with regard to the United States during the first half of the twentieth century (Rock 1989; Friedberg 1988). The Soviet Union ultimately chose peaceful decline as a means to end the Cold War, in light of the incalculable costs of war between nuclear-armed superpowers. Although peaceful change is possible, realists fear that rising and declining states might choose to fight rather than cede control of the international rules of the game, or might somehow stumble into war as a result of misperception, miscalculation, or the complicated pull of alliance commitments.

For realists, contemporary US-China relations are essentially a story of power transition. International observers and IR theorists are preoccupied by whether China will continue to grow at a spectacular pace, and whether and when the size of its economy will catch up to that of the United States. In April 2011, the IMF predicted provocatively that in purchasing power parity terms, China's economy would overtake that of the United States in 2016. *The Economist* subsequently estimated that in real terms

the crossover point could come as early as 2020 (*Economist* 2011). There is an obvious realist geopolitical concern lurking behind this spectacle of an economic footrace—if Chinese rapid economic growth continues, how quickly and efficiently will it translate economic capabilities into military capacity, expanded interests, and geopolitical influence, thereby challenging US regional and global dominance and triggering the dangerous phase of a power transition?

Liberals and realists recognize that China is rising, but differ with regard to the implications for international order. Liberals emphasize that China is rising *within* the existing order, implying that it accepts the existing rules of the game and, as long as it continues to prosper, has little incentive to pose a revisionist challenge (Ikenberry 2008). Liberals also foresee the potential for economic interdependence and China's integration into the world economy eventually to transform China internally into a more democratic state with peaceful foreign policy intentions toward other democracies. One logical consequence is a future US-China condominium, or a "G2" in which these dominant powers share influence and jointly manage international politics and the world economy.

Realists find this scenario attractive but improbable. They assume that as China's power grows, its interests will expand and it will not necessarily view the existing order as benign and supportive, much less optimal (Mearsheimer 2006). Because interests are a function of relative power, realists stress that it is impossible to know China's intentions with any degree of confidence; in fact, China itself cannot know its own future intentions because the leaders of China in ten or fifteen years will likely be in charge of a country in a very different relative power position than that experienced by the leaders of today (Legro 2007). In the event China continues to rise, realists expect it to develop and promote its own conception of interests more forcefully.

It is not difficult for realists to imagine serious conflicts of interest between a rising China and a still powerful America in relative decline. The political systems of the two countries are incompatible. The United States finds China's human rights practices repugnant, while China finds US lectures on the subject hypocritical and an affront to Chinese sovereignty. From China's perspective, the United States takes unfair advantage of its privileged reserve currency position to run fiscal deficits that threaten the stability of the world economy; from the US perspective, China exploits its self-identified status as a developing country to flout global rules and norms on intellectual property protection and state-led industrial policy (see chapter 9). Most importantly, the United States treats and arms Taiwan as an ally it is committed to protect, while China considers Taiwan an integral part of its sovereign territory and national identity.

Realists worry that even if China does not aspire to mount a global hegemonic challenge, it will still desire, as would any great power, a sphere of influence in its immediate regional neighborhood. In this regard realists expect China to act no differently than America did during its rise to power. The United States claimed exclusive hierarchical authority over Central and South America, declaring its intentions as early as the 1820s with the proclamation of the Monroe Doctrine. The postwar Soviet Union associated its great power status with the right to control a buffer zone of friendly states in

Eastern Europe; even today, the much-weaker Russia holds sway in what it terms its near abroad. Realists do not expect China to act any differently.

A sphere of influence in China's neighborhood would reach across Asian subregions, impinging on the interests of Japan and Korea in the east, India in the south, and Indonesia, Thailand and Malaysia among others in the southeast. The most pressing problem for realists is that the United States, as a global power with hegemonic interests in key parts of the world, is already entrenched as a resident power in China's regional neighborhoods. America's global strategy, in effect, precludes China from acting as a normal great power. For China to act as a normal great power would necessitate a fundamental change in America's grand strategy, and in a region that many American strategists consider the most vital to US security and economic interests. Although some type of accommodation is certainly possible, realists fear that the risks of brinkmanship, crisis management, and miscalculation could lead to conflict as each side tests the resolve and conception of vital interests of the other. Aside from Taiwan, the most dangerous flashpoints are the East and South China seas, where China takes an expansive view of its territorial waters, one that the US Navy and US allies do not recognize, and defends it with increasing assertiveness.

Realists are thus pessimistic, though not necessarily fatalistic, about the likely geopolitical consequences of China's rise (Friedberg 2011). It is worth noting that the realist vision, unlike its liberal counterpart, does not change materially if we posit a future China that is democratic rather than authoritarian. For realists interests and power matter more than regime type: as competing great powers the United States and China will inevitably have conflicting interests even if each is ruled by a democratic regime.

2.2.3. Realist Proposition 3: States in Asia Will Balance in Response to Some Combination of Power and Threat

A core expectation of realism is that the international system creates incentives for states to balance power (Levy 2003). Balancing may be internal (i.e., building up military capability) or external (i.e., forming alliances). Realists expect multipolar systems to be characterized more by external balancing and bipolar systems more by internal balancing. Unipolar systems are unusual; they imply the failure of balancing since one state has risen to preponderance. Realists foresee that other countries will eventually balance against the United States in the post-Cold War unipolar setting, and as a transitional step expect those countries to engage in "soft balancing" or efforts to thwart or frustrate the activities of an otherwise unconstrained great power (Posen 2011; Walt 2009).

Classical and neorealists diverge over whether states balance in response to material capabilities (neorealists) or in response to both capabilities and threats (classical realists). Classical realists expect variation in state balancing behavior to be driven not only by the military capabilities of potential adversaries but also by whether or not those potential adversaries are geographically proximate and the extent to which they

display aggressive intentions (Walt 1987). Intentions are crucial; in the classical realist formulation of the security dilemma, to arm oneself against a neighbor with peaceful intentions may provoke that neighbor to become more aggressive, while the failure to arm oneself against a neighbor with aggressive intentions puts one in security danger. The dilemma is that states must decide how to react against their neighbors without fully knowing their neighbors' true intentions. Aggressive states have incentives to hide their true intentions, and over time intentions may change in ways unanticipated by the actors involved. Morgenthau argued that the "fate of nations" rested on the always difficult assessment of others' foreign policy intentions (Morgenthau 1978).

To the countries of Asia, China is geographically proximate and, because it is growing rapidly, *potentially* threatening. Since the extent to which China appears threatening will affect the calculations and reactions of its neighbors, China has strong incentives to try to shape how it is perceived in the region. This basic logic of threat and intention helps us to understand both Chinese foreign policy and the Asian security environment after the Cold War.

An important turning point in recent Chinese foreign policy took place in the wake of the Taiwan Strait Crisis of 1995–96. In that crisis China sought to intimidate Taiwan during an election campaign in order to discourage the Taiwanese support for what China perceived as the pro-independence sentiments of President Lee Teng-hui. The Chinese military conducted amphibious assault exercises and a series of missile tests in the waters surrounding Taiwan to emphasize its concern over Taiwan's path. Some of the missiles landed within thirty-five miles of Taiwanese ports, disrupting commercial ship traffic and causing changes in the flight paths of transpacific jets. China's coercive tactics ultimately backfired. The United States responded by moving an aircraft carrier group into the Strait as a show of support for Taiwan (though not necessarily for Taiwanese independence). The Taiwanese people increased their support for President Lee, and China's neighbors, alarmed by the show of force, perceived China rather than Taiwan as a source of regional instability (Ross 2000).

Chinese leaders drew an important lesson and following the crisis adopted a grand strategy of global and regional reassurance (Goldstein 2005; see also chapters 9 and 20 in this volume). They reasoned that achieving China's priority goals of economic growth and development required continued integration into the global economy and an accommodating, as opposed to hostile, international security environment. "Peaceful rise" (since 2004 the leadership has used the phrase "peaceful development") is the slogan that captured China's grand strategic intention. Chinese leaders wished to convey that their country had embarked on a long-term development path that would lead it to great power status yet without threatening its neighbors or disrupting international order. As part of the reassurance strategy Chinese leaders exercised self-restraint, for example by signing on to international agreements banning the testing of nuclear weapons and by resisting the temptation to beggar its neighbors by depreciating the yuan during the 1997–98 Asian financial crisis. China reversed its traditional suspicion of multilateralism and embraced it globally and regionally, joining the WTO in 2001 and taking the diplomatic lead in the Six-Party Talks after

2003 designed to contain North Korean nuclear ambitions. The peaceful rise strategy received unexpected assistance after September 11, 2001; the dramatic attacks on US soil turned US attention for a decade away from East Asia and the geopolitical implications of China's rise as it pursued terrorists and so-called rogue states across the Middle East and Southwest Asia.

China's strategy succeeded until the late 2000s. Its reassuring diplomacy helped to offset the natural uneasiness felt by its neighbors as Chinese economic and military power grew rapidly. The global financial crisis of 2008, however, signaled another turning point. Financial problems within the United States, the self-appointed leader of the global economic order, precipitated a profound crisis that brought its own economy and the overall order to the brink of collapse. China, now a formidable economic power with an alternative economic model, was where the world looked to help. China's leadership responded with a massive stimulus package that helped to sustain global demand and its own rapid economic growth in the face of depressed export markets. In foreign policy, however, China began to display greater self-confidence and assertiveness (Christensen 2011). It reinforced its controversial territorial claims in the South and East China seas and warned its ASEAN neighbors not to coordinate with outside powers—such as the United States—in managing their territorial disputes with China. The Chinese navy and coast guard harassed Japanese and Korean vessels, and China publicly rebuked the United States and South Korea for holding naval exercises in international waters near China. Peaceful rise and the reassurance strategy seemed to give way to a Chinese self-perception of inevitable rise and presumptive great power status.

Analysts continue to debate the extent to which these Chinese initiatives were driven by a newfound confidence abroad or by insecurity and an effort to placate nationalist sentiment at home (Ross 2012). Whatever China's motive, the regional response to China's new assertiveness would not surprise classical realists. States in East and Southeast Asia, despite close economic ties to China, sought closer security relationships with the United States. Australia agreed to allow the United States to base several thousand marines on Australian territory, the first long-term expansion of the US military presence in the Pacific since the end of the Vietnam War (Calmes 2011). Singapore offered to station US warships and the Philippines, which had evicted US forces from America's largest Pacific base two decades earlier, initiated talks aimed at enabling US ships and ground forces once again to use bases on Philippine soil. The United States and its former enemy, Vietnam, staged joint naval exercises in July 2011 and later that year a US Navy vessel called in at Vietnam's Cam Ranh Bay naval base for the first time in over thirty years (Whitlock 2012; Hookway 2011). India's response proved somewhat more ambivalent. On one hand, it welcomed the chance to strengthen cooperation with the United States on nuclear and weapons transfer issues; on the other, it was reluctant to tilt too closely to the United States and alienate China with whom it shares disputed borders and status as a BRIC (Brazil, Russia, India, and China) country and anticolonial power.

The United States, itself alarmed by China's growing regional assertiveness, was all too willing to accommodate these closer security ties. America's own security

calculations evolved as it witnessed the growth of Chinese power and apparent shift in China's intentions. For roughly two decades after the end of the Cold War, US policy was premised on the liberal idea that if China developed within the confines of an American-centered international order, it would eventually become a responsible stakeholder, that is, a supporter of that order and America's special role within it. In the aftermath of the financial crisis, however, US policymakers were not so sure. While certainly not abandoning cooperation, they began to emphasize the more competitive aspects of the US-China relationship while reasserting US economic and security interests in East Asia. Chinese officials protested that through its closer alliance networks America was seeking to encircle and contain China, and highly placed observers from the two countries warned of a growing sense of distrust in the bilateral relationship (Lieberthal and Wang 2012).

For classical realists, power, interests, and intentions are woven into the same geopolitical cloth. As China's power and self-confidence increased it slid away from its strategy of reassurance and began to assert its interests more forcefully. Its behavior changed the calculations of neighboring states that were watching Chinese power grow and seeking clues regarding its foreign policy intentions. Neighboring states sought to strengthen protection from a global power whose own calculations of capabilities and interests made it willing to oblige.

2.2.4. Realist Proposition 4: Nationalist Sentiment and Enduring Historical Rivalry Heighten the Potential for Conflict in Asia

Political liberals—and their neoconservative counterparts on the right of the US political spectrum—see democracy as the key driving idea of the modern world. They believe that democratic states are more peaceful and less threatening than nondemocracies. For realists, nationalism is the key idea of the modern world. Nationalism inspires peoples to resist domination and helps to explain why European colonial empires could not endure and why during the Cold War the American and Soviet superpowers could not impose their wills on Vietnam and Afghanistan respectively. By creating a sense of solidarity among an in-group in opposition to other nationalist out-groups, nationalism is also a source of conflict in the modern international system. Groups employ nationalism to construct narratives about themselves and their neighbors that can justify irredentist claims, the taking and retaking of territories and the use of force to settle historical grievances (Van Evera 1994). By focusing on national identities as a source of conflict, classical realists share more in common with constructivists (see Leheny's chapter) than with structural realists, for whom systemic incentives are more important than nationalism as causes of war.

Asia is characterized by the unfortunate combination of states with strong nationalist sentiment and unresolved historical grievances. Classical realists view this

combination as heightening the potential for conflict by complicating diplomacy and dispute resolution efforts and by providing opportunistic governments with tools to mobilize support among their populations.

East Asia's nationalist predicament becomes clear when compared with the situation in contemporary Europe. The modern history of Europe until 1945 is a story of nationalist-inspired conflicts epitomized by the Franco-German problem that prompted three major wars and the destabilizing peace of Versailles between 1870 and 1945 (Calleo 1980). Following World War II, the problem was resolved remarkably as the two former enemies became bound together as economic partners and military allies in the face of a common threat and in pursuit of a trans-European project. Nationalist sentiment dissipated as that European project progressed and today war between these formerly combative neighbors is virtually unthinkable. Allegiance to the nation-state exists in contemporary Europe but is now more diffuse and competes with supranationalist sentiment—the idea of Europe—embedded in the highly developed regional institutions of the European Union.

Contemporary Asia stands in sharp contrast. Although talk of Asian values and the Asian way achieved some popularity during the 1990s, there is no Asian institutional project with the scope and depth of the European Union and no pan-Asian identity that competes with national identities for public allegiance. China, Japan, Korea, Vietnam, and India possess especially strong national identities that have been reinforced by conflicts with neighboring states. Although its rise to great power status has been overshadowed by that of China, India maintains a strong sense of national purpose and pride in its democratic tradition (see chapter 21). Indian leaders are inclined neither to defer to China nor to cultivate a pan-Asian identity. Vietnamese national identity was shaped by centuries of Chinese oppression long before the French or Americans took up that role. Japan is a relatively homogeneous nation whose Meiji-era slogan “rich nation, strong army” captured the idea of developing institutions based on national identity to catch up to the West, insulate the nation from Western imperialism, and attain its own great power status (Samuels 1994 and see chapter 19). China has a long and proud history as the dominant national player in Asia, and more recently both Chinese and Korean identities have been shaped by the trauma of Japan's aggression and occupation during the 1930s and World War II.

Equally important, unlike European states, the nation-states of Asia have not managed to come to terms with their collective brutal history. French and German leaders have walked hand in hand across World War II battlefields vowing “never again.” In Asia, the experiences of imperialism, occupation, and war perpetrated in the decades before and after World War II remain festering grievances that re-emerge in modern diplomacy as if they occurred last year rather than seventy-five years ago. These historical tensions are omnipresent in Japanese, Chinese, and Korean relations. Japan and Korea have no alliance relationship despite the fact that each has shaped its national security strategy around a close bilateral relationship with the United States (Cha 1999 and chapter 38). China and Japan are regional rivals who experience diplomatic crisis whenever Japan releases new textbooks that, in China's eyes, whitewash Japan's

imperial past or whenever high Japanese government officials visit the controversial Yasukuni Shrine, a monument to Japan's war dead that also houses the remains of Japanese convicted of war crimes. Japan feels it has apologized sufficiently for past crimes; China and South Korea find those apologies insincere (Lind 2008). Japan complains that China's government manipulates popular anti-Japanese sentiment to deflect attention from its repressive practices at home (Christensen 1999).

Nationalism and historical animosity by themselves will not lead Asian states to war. But they make diplomacy more difficult and raise the stakes when Asian states encounter territorial disputes or conflicts over trade or natural resources. Absent any fundamental reconciliation, the best that can be hoped for is the management of these tensions through diplomacy that is responsive to national sensitivities (e.g., Japanese prime ministers declining opportunities to visit Yasukuni). In the worst case, nationalism fueled by historical memories becomes part of a toxic mix that includes a regional power transition and the use of stereotypes to mobilize nationalist sentiment behind beleaguered governments (Calder 2006).

2.2.5. Realist Proposition 5: Economic Cooperation Is Difficult in an Uncertain Security Environment

For classical realists, economic and security relations go hand in hand at both the state and systemic levels of analysis (Mastanduno 1998 and chapter 29 in this volume). State leaders in a world of anarchy view economic relations as instruments of state power. At the extreme, they may organize their economic relationships directly and purposely to serve grand strategic objectives (Hirschman 1945). At the systemic level, realists expect security allies to conduct cooperative economic relations, and security adversaries to be cautious about trading with the enemy and at the extreme to practice economic warfare against each other (Gowa 1994; Mastanduno 1992).

Many states, of course, are neither explicit allies nor adversaries in relation to their neighbors. Realists expect that as the security environment among states becomes less certain and more threatening, economic cooperation will become more difficult. Threats to the ability of the state to conduct an autonomous foreign policy and the possibility of war, however remote, always play into the calculations of state leaders (Kirshner 1999). In a low-threat environment, state leaders will look to promote economic cooperation in order to reap the absolute gains from economic exchange. As threats or security uncertainty increase, state leaders become more wary about relative gains, or the possibility that, although both parties gain, a potential adversary may gain disproportionately from economic exchange and over time pose a more formidable security threat than it otherwise would have (Grieco 1990). In short, realists expect security concerns to shape economic interactions for better or worse.

In this context Asia offers a puzzle for realist analysis. The rise of China, its military expansion, and its assertion of territorial claims has created a more uncertain security environment and, at least for some states, a more threatening one. At the same time,

economic indicators point to deepening integration, a region coming together rather than pulling apart (Tellis and Wills 2006; Pempel 2005; see also Part IIIB in this volume). Over the past two decades intraregional trade as a share of total trade for East Asian countries has grown significantly. Financial and monetary cooperation has deepened since the Asian financial crisis of 1997–98. Since the end of the Cold War Asian states have increased participation in bilateral and regional economic cooperation initiatives. China and Japan are potential regional rivals with strained security ties, yet their bilateral economic relationship has strengthened rather than worsened. China-Japan relations overall are commonly characterized as “cold politics and hot economics.” India and China remain geopolitical and regional rivals, yet as of 2008 China became India’s leading trading partner and in 2011 the two held their first Strategic Economic Dialogue. Similarly, the US-China relationship is one of rising security tensions accompanied by deepening interdependence in trade, investment, and finance.

The US regional role offers one solution to the realist puzzle of security and economics moving in opposite directions. The United States provides security assurances directly to some states and indirectly to the region, helping to make East Asia safe for economic interdependence. The US presence is an insurance policy that mitigates security uncertainty. A US withdrawal would alter the pattern of regional economic activity; economic integration would lessen or change direction as neighboring states organized to balance Chinese power. It is also plausible that at least some states would bandwagon with China, exchanging their security autonomy in Hirschman-like fashion for the prosperity that results from greater dependence on the region’s dominant economy. It is not surprising that states, particularly in East and Southeast Asia, have preferred to hedge and have it both ways—strong security relations with the United States as insurance against Chinese expansion and the economic benefits of interdependence with both China and the United States.

Since the end of the Cold War the United States and China have struck a grand bargain serving their mutual security and economic interests (Mastanduno 2012). For China, economic interdependence with the West and the United States has enabled it to pursue an export-led growth strategy resulting in sustained high levels of economic growth and development. A benign security environment, one in which China neither threatens the existing order nor is threatened by it, facilitates and is reinforced by economic interdependence. From the US perspective, China’s willingness to retain massive amounts of US dollars has enabled America to have both guns and butter simultaneously—to run sizable deficits without inflation or the need to make painful adjustments at home. Deep economic engagement with China has also held out the anticipated US security benefit of a democratic China with a peaceful foreign policy. This grand bargain has been shaken by the financial crisis of 2008 and its aftermath, which have led both countries to rethink their economic strategies and the extent to which their interests are served by China lending and exporting to the United States, and the United States borrowing and importing from China, on a massive scale (Cohen 2006). An interesting test of the realist expectation that a colder US-China security relationship will lead to a colder economic relationship will play out in the years ahead.

2.3. CONCLUSION

This chapter has explored the contribution of classical realist analysis to our understanding of post-Cold War Asia. Classical realism offers insights into why the security environment in Asia has remained relatively stable (proposition 1), and why it may deteriorate in the years ahead (propositions 2, 3, and 4). It also calls attention to the puzzling combination of growing regional economic interdependence in an increasingly uncertain security environment, and provides some ideas on how one might resolve that puzzle (proposition 5).

The analysis of this chapter suggests that two variables will be most significant in determining the course of security relations in Asia in the near future. The first is the role of the United States. In light of China's remarkable rise, if the United States remains engaged in Asia it is likely to discourage Chinese expansion, provide reassurance to China's neighbors, and maintain an environment conducive to continued economic interdependence. A US withdrawal from the region would increase uncertainty as a more powerful China might be tempted to pursue its territorial ambitions while neighboring states faced the dilemma of whether to balance against China or bandwagon with it in both security and economic terms. The second key variable concerns Chinese foreign policy. After a recent bout of foreign policy assertiveness that has alarmed its neighbors, China has the option to return to its grand strategy of reassurance, essentially as it did following the Taiwan crisis of 1995–96. Alternatively, Chinese leaders might calculate that the United States is a declining power that must retrench global commitments for economic reasons, leaving China the opportunity to dominate East and Southeast Asia. The most prominent fear of classical realists is conflict triggered by miscalculation. For example, the United States could fail to signal clearly its determination to defend its current interests in Asia, leaving China to misperceive that it has a regional free hand. Alternatively, China might signal by words and deeds a greater regional assertiveness than it intends, leading the United States to overreact and trigger an action-reaction cycle of conflict between the world's dominant power and perceived rising challenger.

Realists place less weight analytically and less confidence politically on two other possible sources of regional stability. Regional institutions such as ASEAN, the ASEAN Regional Forum, or APEC are only as strong as the great power interests behind them; realists would expect these institutions to play a minor role in any effort to arrest a deteriorating security environment. Similarly, realists appreciate that regional economic interdependence may help to reinforce peaceful security relations. But, as the case of World War I, in which Britain and Germany were deeply interdependent economically yet nevertheless went to war, demonstrates, the fear of disrupting positive economic linkages would not hold back determined nation-states from playing out a competition for regional mastery by diplomacy if possible and by military means if necessary.

Over the longer term, regional security will be determined primarily by whether China continues to rise and if so, how the United States reacts. We should bear in mind that a collapse in Chinese growth or significant disruption in Chinese politics would also have profound and detrimental effects on Asian regional security. Assuming that China's rise continues, classical realists hold out the hope for peaceful change—that two dominant powers might find an accommodation that serves their respective interests while mitigating the potential for serious conflict. The great concern of classical realism, to paraphrase Thucydides, is the rise of Chinese power and the fear it causes in the United States and others in the region.

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CHAPTER 3

THE LIBERAL VIEW OF THE INTERNATIONAL RELATIONS OF ASIA

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THE liberal view of international relations rests on three foundational pillars; they address how domestic politics, institutions, and economic relations affect international relations. The first—and most basic—notes that the incidence of cooperation and conflict, peace and war, cannot be read from either the static distribution of power or changes in it. We have to understand national preferences: what countries seek in their relations with others (Moravcsik 1997). Nor, as realists have done, can interests simply be imputed, such as in generic claims that states seek power or balance against threats. Full understanding of national preferences demands theorizing and investigating how underlying social preferences are mediated by political institutions to generate foreign policy. The liberal view of international politics is thus a bottom-up rather than top-down approach; it takes as its starting point the convergence and divergence of the politically defined foreign policy interests of the relevant parties.

The second pillar of the liberal view considers that cooperation is possible in international politics, that it can be institutionalized, and that institutions matter in sustaining cooperation and resolving disputes (Keohane 1984). Institutions are not just an epiphenomenal superstructure, as crude realism might contend. Rather, they can constrain actors. They do so not through a mythic supranational capacity to command—liberals no less than realists understand the anarchic elements of the international order—but rather they have consequences because they yield efficiencies and benefits: in the negotiation process; in securing mutual policy adjustments; in providing information; in implementation; in dispute resolution. Moreover, a growing body of empirical evidence suggests that institutions not only facilitate functional cooperation, but they also have the broader effect of moderating conflict (Russett and Oneal 2001; Mansfield and Pevehouse 2003). States, particularly major powers, may choose to forgo the benefits of institutionalized cooperation in favor of more ad hoc arrangements, bilateralism,

or unilateralism. States also can—and do—renege on their obligations. But the choice to forgo the benefits of institutions comes at considerable cost, including to national reputations.

The third pillar of the liberal view of international politics concerns the consequences of interdependence, including but not limited to economic interdependence. Firms, banks, NGOs, social and religious organizations, and individuals cross—and exchange funds, goods, and services across—borders because it is in their interest to do so. There are gains from trade in terms of economic interdependence. In principle, states possess the capacity to restrict cross-border movement or to pursue bellicose foreign policies that expose cross-border economic relationships to risk, but they must consider the international and domestic political and economic costs of doing so.

This outline of the liberal research program is couched in the language of cost and benefit because the approach is typically conflated with normative positions that advocate for international institutions or free trade, or with an idealism in international politics. However, as will be discussed, this is neither an exclusive nor defensible connection: peace and cooperation are a function of national preferences and political institutions, which may diverge as well as converge. Institutions may provide benefits, but they have to be negotiated among parties, and their depth, scope, and moderating effects will depend on the outcome of those negotiations. And while economic interdependence generates net benefits to countries, it also carries sovereignty and adjustment costs and can be manipulated to political ends. The liberal tradition, no less than the realist one, has its somber side, but it identifies different risks and opportunities from those emphasized by its realist counterpart (Haggard 2014).

This chapter applies these arguments to an understanding of the international relations of Asia. The first section outlines a simple model of cooperation that is rooted in the convergence and divergence of interests. Although Asia has become increasingly economically open and democratic, it is by no means a community of democracies. Asia remains politically and economically heterogeneous in ways that are significant to prospects for order and peace; a review of empirical indicators of differences in economic and political development, economic policies and foreign policy alignments in Asia suggests a number of constraints on cooperation in the region. Regardless of these constraints, however, Asia's diversity has not stymied regional cooperation: to the contrary, institutions have proliferated.

In the presence of heterogeneity, however, there is a trade-off between the widening of cooperation and institutions through inclusion of new members and deepening through more robust commitments. The Asian pattern of community building—the so-called ASEAN Way—has opted for inclusion over depth. This choice has influenced how decisions are made, the nature of commitments, and the extent of delegation to regional bodies. The regional institutional order is more fragmented than in Europe—characterized by multiple organizations with overlapping memberships—but also shallower, with fewer binding and enforceable commitments among the parties. However, the trend toward institutionalization and even legalization is clear, and

a number of strategies have been pursued to finesse the region's diversity, including smaller convergence clubs.

The last section considers the well-known economic integration of the region and its political consequences (see in particular Part IIIB). In his contribution to this volume (chapter 2), Michael Mastanduno offers the realist hypothesis that "economic cooperation is difficult in an uncertain security environment." The liberal counter is that an uncertain security environment is costly when economic integration is deep. Not all countries in the region have been economically integrated with their neighbors: North Korea and Burma provide examples. Moreover, constraint—even powerful constraint—is not the equivalent of a guarantee that conflict will be avoided. However, the moderating effect of economic interdependence on conflict remains a sustained—and testable (Goldsmith 2007)—hypothesis arising out of the liberal approach.

In sum, the liberal view generates a mixed set of expectations for the future of international relations in Asia (Haggard 2014). Overall, the diversity of the region has not precluded increasing cooperation and institutionalization, but it has affected its form. Rather than the European pattern of relatively homogeneous countries converging around a common set of institutions, we find a more fragmented and overlapping institutional structure, knit together by an increasingly complex economic division of labor that nonetheless acts as a constraint on foreign policies. However, some authoritarian or semiauthoritarian regimes and closed economies participate less regularly in regional institutions and cross-border exchanges and have been the source of significant tensions and even overt conflicts. The realists emphasize the uncertainties associated with changing power dynamics, most notably the rise of China. The liberal framework, by contrast, also perceives uncertainties in the region but places much greater weight on domestic political and economic change in the region, including but by no means limited to China. In contrast to the great power focus of the realist canon, middle and even small countries—North Korea, Pakistan, Iran—can also pose large political challenges.

3.1. PREFERENCES AND COOPERATION: THE CHALLENGE OF HETEROGENEITY

If realists are interested in the conditions that give rise to conflict, and particularly overt conflict, the liberal intellectual tradition places greater emphasis on the flip side of the coin: the conditions under which cooperation emerges. Political scientists tend to model cooperation as a mutual adjustment of policies (Keohane 1984; Hawkins et al. 2006; Epstein and O'Halloran 2008). Economists consider centralized provision of public goods financed by contributions from the members (for example, Alesina, Angeloni, and Etro 2005). Yet in both approaches, countries cooperate because of mutual gains. Nations create and join institutions because they provide public goods from which their members benefit.

Yet at the same time, cooperation and membership in institutions entail *sovereignty costs*, as countries adjust existing policies in order to reap gains from cooperation. Cooperation, including institutionalized cooperation, is thus more likely to occur among countries with similar or contiguous preferences. Countries with similar preferences can cooperate or create institutions without having to move policies far from their stand-alone ideals. Those who want either more cooperation than others in the group (“high-demanders”) or less (“low-demanders”) pay high sovereignty costs from cooperation. High-demanders threaten incumbents with further policy adjustments if they are granted any decision-making influence after entry into existing or new institutions or agreements. The admission of low-demanders, by contrast, poses the opposite problem of diluting the gains of the organization. These conflicts between high- and low-demanders have been a perennial feature of the politics of regional institutions, including in Asia: are organizations doing too little or too much?

Table 3.1 follows Hix (2010) in outlining several components of the region’s heterogeneity. It focuses on three overlapping groups of countries that have already institutionalized cooperation to some extent: the Association of Southeast Asian Nations (ASEAN); the more inclusive East Asian Summit; and the yet more inclusive APEC, which comprises not only Asian countries but a handful of Latin American ones as well. ASEAN is significant because of its historical influence on regional norms. APEC by contrast reflects the most expansive conception of the Asia-Pacific, although it omits India, a rising power that is a member of the EAS (see also chapter 34). The table compares the Europe of the EU with these three Asian groupings using indicators designed to capture differences in economic and political development; economic policy; and international alignments. The table reports mean values on the indicators and their standard deviation as an indicator of heterogeneity.

Europe is very much richer on average than any of the Asian groupings, although in terms of level of development, the incorporation of the Southern and Eastern European countries has resulted in a more diverse union. However, the differences between developed and developing countries are even more evident in all of the Asian groupings. This diversity has been a consistent source of political differences within the region over the policy commitments governments can be expected to take on. Noteworthy examples include expectations with respect to the liberalization of trade and commitments with respect to the reduction of greenhouse gas emissions. Nor have these issues arisen with respect to small developing countries only; they have become significant points of contention with India and China as well.

If we look at domestic political structures we see even greater variation. The EU is made up entirely of democracies (indeed, it is a prerequisite for membership). The evolution of a supranational political structure in Europe rests in no small measure on this underlying political convergence. EU institutions have also taken a democratic form, including a European Parliament, and have even granted standing to individuals, for example with respect to human rights issues before the European Court of Justice (compare with Asia, chapter 30).

Table 3.1 Preference Heterogeneity in the Asia-Pacific

	Europe mean	Europe standard deviation	ASEAN mean	ASEAN standard deviation	EAS mean	EAS standard deviation	APEC mean	APEC standard deviation
Economic and Political Development								
GDP per capita	31,189	20,704	10,472	15,188	17,894	18,736	20,364	18,033
Polity IV	9.6	0.7	0.7	6.3	3.5	6.7	5.9	5.5
Economic Policy and Preferences								
Economic Freedom: Overall Index	67.70	6.33	58.98	13.59	63.45	14.66	69.32	13.06
Trade and Investment Freedom	81.91	5.87	58.24	12.10	60.38	14.04	66.62	13.34
International Alignments								
UNGA voting with US	0.23	0.06	-0.59	0.07	-0.39	0.36	-0.27	0.42

Sources: GDP per capita, World Bank 2010; Polity IV (-10 least Democratic to +10 most Democratic), Marshall and Cole 2011; Economic Freedom (0 least free to 100 most free), Heritage Foundation 2011; UN voting scores (-1 never votes with the US to +1 always votes with the US), Gartzke 2011.

Notes: EU Countries: Germany, France, UK, Italy, Spain, Poland, Romania, Netherlands, Greece, Portugal, Belgium, Czech Republic, Hungary, Sweden, Austria, Bulgaria, Denmark, Slovakia, Finland, Ireland, Lithuania, Latvia, Slovenia, Estonia, Cyprus, Luxembourg, Malta. ASEAN Countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam. EAS Countries (after 2010): Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, South Korea, Thailand, Vietnam, United States, Russia. APEC Countries: Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Mexico, Malaysia, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, United States, Vietnam.

APEC has a mean score on regime type that is just below the standard threshold for democratic rule (6 on the Polity scale from -10 to $+10$). This fact alone is a striking indicator of the extent of political change in the region. But the standard deviation of regime type in APEC is roughly equal to the mean. In ASEAN, the extraordinary political diversity yields a mean score of approximately zero, squarely in authoritarian territory. If we turn our gaze further west, to South and particularly Central Asia, political diversity becomes even more marked. Iran and the former Soviet Central Asian republics are authoritarian or semiauthoritarian in form. Pakistan has oscillated between authoritarian and democratic rule throughout its entire history and at this point in time, Afghanistan can only be described as a failed state.

Differences in regime type, and the social coalitions that support regimes of different types (Solingen 1998), not only raise questions about the prospects for cooperation and the formation of international institutions. Political differences of this sort and magnitude also raise the more fundamental issue of the prospects for peace. One of the more robust findings in the liberal tradition of international politics is the hypothesis of a democratic peace. Democracies do not fight one another. However, they do go to war against authoritarian adversaries, suggesting that regional heterogeneity in regime type increases the risk of conflict (for example, Russett and Oneal 2001). Although the empirical findings with respect to transitional regimes are more mixed (Narang and Nelson 2009; Lind 2011 on Asia), liberalizing polities and new democracies may also be particularly vulnerable to nationalist appeals and bellicose foreign policies (Mansfield and Snyder 2005).

The concerns about the effects of regime type on the prospects for peace have been raised regarding Chinese foreign policy and are of obvious relevance to any understanding of North Korea and Iran as well. Moreover, the concern that liberalization will drive nationalist or antiforeign sentiment has explicitly been raised with respect to China (Shirk 2007) and is a leitmotif of US concern with respect to Pakistan as well.

Indicators of economic policy and preferences yield some surprises, reflecting the substantial reforms that have taken place across the region in the postwar period. An aggregate measure of “economic freedom” constructed by the Heritage Foundation and *Wall Street Journal* has a strong libertarian foundation, capturing property rights, freedom of movement for labor, capital, and goods—including trade and investment—as well as measures of the fiscal burden and price stability. Because of the presence of advanced industrial states and countries such as Hong Kong and Singapore, the mean value of this indicator for the pan-Pacific APEC grouping is not that much different from Europe, where larger governments and labor market policies depress scores. However, when we isolate two dimensions of the index dealing with economic openness—trade and investment freedom—we see that Europe has a much higher mean score and reveals much lower variance than any of the Asian groupings (see chapters 14 and 17). Although economic reforms have dramatically shifted the political economy of the region, differences in foreign economic policy have placed limits on encompassing economic agreements, such as the proposal for a Free Trade Area of the Asia-Pacific (FTAAP).

Finally, it is important to underscore that the liberal approach to world politics does not ignore the international relations of states; it differs from realism primarily in its greater attention to their preferences. The affinity score reported in table 3.1 captures the extent to which the countries in the region vote with the United States in the UN General Assembly, a simple proxy of foreign policy alignment. The theoretical range for any country is from -1 (never voting with the United States) to $+1$ (always voting with the United States); the scores are simply averaged across the regional memberships. In all three of the Asian regional groupings, the affinity score with the United States is negative although once again portraying high variance. Cooperation and institutional development in the region still face the headwinds of an array of foreign policy differences, including among the major powers.

In sum, the liberal view of international politics traces the ultimate source of cooperation, the formation of institutions and their design to convergence of preferences and even of domestic institutions among countries. Europe is by no means homogeneous, but on almost all salient dimensions identified, the diversity of Asia is greater: with respect to level of development and economic model. These differences have placed limits on the ability to converge around common approaches to the liberalization of trade and investment or the development of common regulatory standards.

The region is also characterized by highly diverse political structures, ranging from authoritarian cases such as North Korea and China through intermediate regimes, such as Singapore and Malaysia, to new democracies and well-established ones. These political differences not only circumscribe the extent to which governments are willing to cooperate and delegate to international institutions but also raise more fundamental questions about the prospects for peace.

3.2. INTERNATIONAL INSTITUTIONS IN THE ASIA-PACIFIC

Despite these types of differences, a central claim of the liberal approach to international relations is that cooperation among heterogeneous states is still possible, that it can be institutionalized, and that institutions matter in sustaining cooperation and reducing conflict. The first two of these claims may seem anodyne, but it is important to remember that pessimism about institutional development in the Asia-Pacific has been a leitmotif of the literature on the region for years. The explanations for the stylized fact of underinstitutionalization range from factors favored by constructivists—culture (Acharya 2000, 2009), historical animosities and nationalism (Rozman 2004; Shin and Sneider 2007)—to those deriving from the realist canon, such as the legacies of the Cold War (Ikenberry and Moon 2008; Aggarwal and Koo 2008) and geostrategic rivalries among the major powers (Grieco 1997; Green and Gill 2009). Liberal arguments have even been turned against themselves. Despite claims that economic interdependence

should generate demands for institutional deepening, Katzenstein (2005) has pointed out that market integration and dense cross-border production networks in Asia may have mitigated pressures for the creation of regional multilateral institutions.

Despite this pessimism, institutions have in fact mushroomed in the Asia-Pacific since the end of the Cold War (see chapters 34 and 36). Gorbachev's Vladivostock speech of 1986 and the gradual embrace of multilateralism on the part of China since the mid-1990s (Goldstein 2005) had a profound impact on the prospects for building regional institutions that cut across Cold War divides. We can now identify a number of major institutional complexes centered in East Asia, setting aside for the moment the proliferation of free trade agreements (FTAs), to which I return in the next section: the ASEAN proper, including the ASEAN Free Trade Area (AFTA) and the ASEAN Economic Community (AEC); the ASEAN+3 (APT) and associated institutions such as the Chiang Mai Initiative (CMI); the Trilateral Summits among China, Japan and Korea that spun out of the ASEAN+3 processes; the East Asian Summit; and the Asia-Pacific Economic Cooperation (APEC). Following a somewhat different institutional trajectory from these East Asian and Asia-Pacific groupings are the Shanghai Cooperation Organization, which includes China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, and the South Asian Association for Regional Cooperation (SAARC), which now has eight members.¹

The last claim outlined above—that institutions matter for enhancing cooperation and limiting conflict—is more contentious. Despite the proliferation of formal organizations, these institutions appear “shallow” or “thin,” and in several senses (Kahler 2001; Haggard 2013a; Pekkanen 2013):

- Institutions operate on the basis of consensus decision-making procedures that push toward modest “lowest common denominator” agreements.
- Commitments are nonbinding, voluntary, and in some cases simply imprecise. As a result, they are not credible, and it is difficult for adjudication and third-party enforcement to evolve.
- The extent of delegation to standing international secretariats or bureaucracies is limited.
- As a result, the apparently dense institutional environment is partly informal, does not always constrain actors in a meaningful way, and does not provide the foundation for a more rule-governed or peaceful regional order.

In this section, I draw on a wide-ranging literature on the design of international institutions (Goldstein et al. 2000; Koremenos, Lipson, and Snidal 2003; Epstein and O'Halloran 2008; Vaubel 2006; Bradley and Kelly 2008; Pekkanen 2013) to assess these claims and demonstrate their limitations. Preference heterogeneity and consensus decision-making have limited the nature of commitments and the extent of delegation, but they have also accommodated the interests of a wider array of parties. I also consider some dynamic aspects of the institutional landscape, including convergence clubs and the prospects for “organizational cascades”; circumstances in which

competing institutions generate pressures for more cooperation. Moreover, I underline a new strand of the “commercial peace” literature that highlights the role that overlapping institutional memberships appear to play in dampening conflict.

3.2.1. Decision-Making Rules, Commitments, and Delegation

As I noted above, there is a clear trade-off between the breadth of interests represented in regional institutions and their ability to forge substantive agreements, in short between widening and deepening. The large institutional complexes that we identified above have generally opted for more inclusive and diverse memberships, and this has of necessity affected decision-making rules.

The most inclusive intergovernmental voting rule is a requirement for unanimity or consensus; such consensus is often considered a defining feature of the “ASEAN Way,” and one that has gradually been extended to other institutions in the region. Former ASEAN secretary-general Severino (2006, 34) points out that this conception of ASEAN decision-making misrepresents what actually happens in the organization:

Consensus on a proposal is reached when enough members support it—six, seven, eight or nine, no document specifies how many—even when one or more have misgivings about it, but do not feel strongly enough about the issue to block action on it. Not all need to agree explicitly. A consensus is blocked only when one or more members perceive the proposal to be sufficiently injurious to their national interests for them to oppose it outright.

Despite this important nuance, it is clear that until some adjustments in the ASEAN Charter (2007), the “ASEAN Way” was strongly intergovernmental and emphasized consensus decision-making. Acharya (2009) shows how these rules reflected very particular concerns about sovereignty costs among newly independent countries. But these procedures also reflected substantial heterogeneity within ASEAN itself, a problem that only became more acute with the accession of Vietnam, Laos, Cambodia, and Burma, as table 3.1 shows clearly (Ravenhill 2007; Jones and Smith 2007).

Yet the depth of cooperation was not simply bounded by consensus decision-making; commitments in some organizations have also tended to be nonbinding and imprecise (Pekkanen 2013). Under the so-called Kuching Consensus (1990), for example, ASEAN agreed to the formation of APEC only if the organization would not engage in formal negotiations that would lead to binding commitments on its members. The Bogor Declaration (1994) and the Osaka Action Agenda (1995) sought to finesse these constraints by permitting voluntary action toward the goal of “free and open trade and investment.” But countries simply offered what they were already doing as commitments.

There is limited evidence of an effort to move beyond consensus decision-making. The most interesting effort in this direction is the case of the multilateralization of the Chiang Mai Initiative, a financial cooperation scheme that involves weighted

voting: China, Japan, and Korea have preponderant influence (Grimes 2009 and chapter 15 in this volume; Henning 2009). However, such weighted voting schemes are still decidedly intergovernmental and there have been no moves toward direct voter input through the creation of regional parliaments. The potential for a more active NGO role in international institutions is similarly bounded. If there is a democratic deficit in Europe, there is a yawning chasm in Asia (Hix 2010). The persistence of authoritarian rule in a number of significant countries in the region, including but by no means limited to China, is likely to block the evolution of direct voter or NGO representation at the multilateral level.

The combination of consensus decision-making rules, imprecise commitments, and informality has naturally limited the extent of delegation in the region. The secretariats of the various institutional complexes I have outlined above are generally weak. East Asian institutions have undertaken considerable delegation for the purposes of “research, advice and agenda-setting,” but it is precisely for this reason that regional institutions such as APEC are frequently derided as mere talk shops. Moreover, even high-powered advisory bodies often do little more than recreate the heterogeneity among the principals. The most famous regional example of this sort was the well-known disagreements among APEC’s Eminent Persons Group over the concept of “open regionalism.”²

Consensus decision-making and imprecise rules have also limited dispute settlement procedures. ASEAN’s Protocol on the Enhanced Dispute Settlement Mechanism (DSM, 2004), for example, appeared to advance a more binding DSM process. But closer inspection reveals that the Senior Economic Officials Meeting (SEOM)—a key intergovernmental body—plays a central role in the process, and decision-making on that body has tended to be consensual. Not surprisingly, the process has received little use. Although there have been marginal steps to strengthen monitoring and surveillance through so-called peer review, such procedures are a long way from more formal legalization.

3.2.2. Finessing Preference Heterogeneity: Convergence Clubs, Institutional Cascades, and the Institutional Commercial Peace

In sum, while institutions have proliferated in the region, intensive cooperation in the major institutional complexes has been limited by consensus decision-making structures, nonbinding and imprecise commitments, and the limited willingness to delegate to regional bodies. Given this stylized fact, isn’t it correct—as realists have concluded—to discount the effects of institutions on the future of the regional order?

The answer is no, and for three reasons: the formation of convergence clubs; the effects of competing institutions on cooperation; and the broader effects that institutional memberships appear to have, quite apart from the functional cooperation they are designed to effect.

First, one solution to the preference heterogeneity and lowest-common-denominator problems is to step out of organizations with wider memberships and forge overlapping

agreements among countries whose preferences are more closely aligned (also see chapter 39). Such convergence clubs would be characterized not only by higher levels of cooperation but more robust institutional arrangements as well. Just such a process of institutional proliferation—and fragmentation—has occurred not only in the well-documented explosion of free trade agreements in the region (Dent 2006; Aggarwal and Urata 2006; Hufbauer and Schott 2007; Ravenhill 2009) but in the growth of functional institutions as well (Pekkanen 2013).³

Given weak multilateral disciplines on the formation of FTAs, such clubs need not converge on higher levels of cooperation. For example, Japan has had ongoing difficulties committing to FTAs because of political constraints with respect to agriculture and has pursued more limited “economic cooperation agreements.” China seems content to exploit its market position to create its own hub-and-spoke system of agreements, most notably with ASEAN. Nor is it plausible that institutions that are incapable of generating common agendas and institutions in the first place will be able easily to reconcile or incorporate these divergent clubs once they have formed.

However, against this more cynical story is a second possibility of wider significance: that the competing institutions that have emerged in the region might in fact press countries toward deeper cooperation (Baldwin 1997; Suominen 2009). This might occur as the benefits of membership lead states to greater cooperation or if the formation of the convergence club lowers the welfare of nonmembers through discrimination. In 2011, a group of nine countries coalesced around a potential FTA with an open accession clause, the Trans-Pacific Strategic Economic Partnership or TPP, and began negotiations on a range of issues that would make it the deepest multilateral agreement in the region.⁴ In line with the cascade model of competing institutions, the TPP quickly attracted interest on the part of major countries that were outside the initial negotiations, including Mexico, Canada, and Japan. A similar process could be traced with respect to India’s growing interest in institutions such as the EAS that were initially confined to East and Southeast Asia.

Finally, it is important to emphasize that the loose forms of cooperation that have evolved in the region have the offsetting benefit of accommodating broad and heterogeneous memberships. Ironically, this has long been the justification for the “ASEAN Way” (Acharya 2009). But in the last decade, the “commercial institutional peace” hypothesis has gained empirical support (Mansfield and Pevehouse 2003; Bearce 2003). By deepening economic integration—which I take up in the next section—by increasing information, and by providing opportunities for high-level leaders to meet, regional commercial institutions may have the broader effect of reducing overt conflict (Bearce 2003).

In addition, the major powers in the region—including China—are also linked through multilateral institutions that extend beyond the region but nonetheless have at least some of the constraining effects outlined here (Foot and Walter 2011). Indeed, part of the grand strategy of the United States has long been to seek such institutional incorporation as a means of inducing compliance with existing norms—as in the WTO—and as a means of increasing transparency and socializing entrants to existing norms.

As Erik Voeten (2010) shows in an important empirical paper, despite the fact that regional dispute settlement and judicial process are relatively weak, Asian states are in fact no less likely than countries from other regions to use international dispute settlement and judicial processes. Asian institutions—whatever their restraining effect—are not the only piece of the institutionalist story.

3.3. THE COMMERCIAL PEACE: ECONOMIC INTERDEPENDENCE AND COOPERATION IN THE ASIA-PACIFIC

Realists live largely in a world of states, and tend to discount the effects of economic integration. However, most—although not all (Barbieri 1996)—empirical studies find an inverse relationship between interdependence and war (Russett and Oneal 2001 for a summary). As with the democratic peace, the reasons for the commercial peace are subject to dispute. But if anything, the evolving literature has only expanded the list of mechanisms through which economic interdependence might constrain overt conflict. Gartzke, Li, and Boehmer (2001) pointed out that in addition to the simple opportunity costs of forgoing trade, interdependence may also allow states credibly to signal their resolve, thus deterring conflict, because of the costliness of breaking commercial ties. Initial work testing the commercial peace focused on trade, but the findings have now been deepened by attention to financial flows as well. Indeed, because of the rapidity with which financial markets move, financial flows may be an even greater constraint on governments than trade flows. At a deeper, sociological level interdependence can moderate foreign policy behavior and even preferences through the creation of interest groups with stakes in existing political-economic relationships (Solingen 1998).

Just like arguments about preferences and institutions, these economic accounts need to be approached with appropriate caution. One fear is that economic developments could generate a new hierarchy or even hegemony in the region. During the 1980s, concern centered on the prospect that Japan would come to sit at the center of a hierarchically organized East Asian bloc, with adverse implications for both the United States and other countries in the region. Quite similar arguments have resurfaced around the tremendous pull exerted by the China market. Growing intra-Asian integration and a new center of economic gravity in China could produce the dreaded bandwagoning that realists fear, as weaker, dependent trading partners accommodate China's economic and strategic interests. Such developments could culminate in a regional economy and institutions in which the United States and other countries outside the region would face discrimination or even exclusion.

Even if these larger structural patterns were not to arise, deepening economic integration with China could nonetheless provide it with the basis for leverage.

Developments across the Taiwan Strait are the most obvious concern in this regard—a process of quiet absorption—but they extend to China’s relationship with South Korea and Southeast and Central Asia as well.

The “flying geese” history of the regional division in fact masks a much more cross-cutting pattern of economic relationships, as can be seen by the timing and nature of countries’ incorporation into the regional division of labor. Japan reached the advanced country frontier in the middle of the postwar era through self-conscious policies of technological catch-up, a large domestic market, and exports targeted initially at the United States. Japan’s export-oriented success was followed by a second tier of newly industrializing countries (NICs)—Taiwan, Singapore, Hong Kong, and Korea—which began their turn toward export-oriented industrialization in the 1960s, moving into sectors that Japan had shed and also relying not only on the US market but on Japanese and American foreign investment as well. A third group of later industrializers including the major Southeast Asian countries of Malaysia, Thailand, the Philippines, and Indonesia began to emulate the first generation of NICs in the 1970s, and proved even more dependent on insertion into the networks created by Japanese, American, European, Korean, Taiwanese, and other overseas Chinese multinational corporations. They too heavily exported to the United States.

The fourth group to enter included China and Southeast Asia’s late-late developers, particularly Vietnam. China was large enough that it could have deepened its inward-looking, dirigiste strategy. Since the late 1980s the trend toward a deeper incorporation into international trade and investment networks is unambiguous. While the US market is pivotal to this strategy, as with its predecessors, China is even more profoundly enmeshed with actors outside of the region because of the growing significance of two-way capital flows. On the one hand, China’s export-oriented success is largely dependent on the operations of foreign firms. On the other hand, the large trade surpluses China runs have made it a significant creditor to the United States and other deficit countries. Although there is ongoing debate about the leverage these financial ties might yield to China, the consensus is that China is as constrained by the sheer magnitude of its Treasury holdings as the United States is, with precious little way that it could manipulate or even extricate itself from its codependence without catastrophic losses of its own (Drezner 2009).

In short, realists cannot have it both ways; if you argue that China’s growing economic weight provides it leverage vis-à-vis its smaller trading partners, you must also acknowledge the constraints that China faces from its reliance on foreign markets for capital, technology, and key commodities—such as oil and grain—that go to the very heart of the socialist social compact. Asia is becoming more integrated with itself, but is hardly economically self-contained, nor do Asian countries want it to be. As a matter of both market outcomes and strategic choice, most major Asian trading states rely as heavily on the United States and Europe as they do on other Asian countries, including China. At the micro level, the growing density of cross-border production networks (CPNs), as Ravenhill’s chapter 18 in this volume shows, makes it difficult to imagine the emergence of closed or discriminatory regional institutions or an enduring capacity for China to manipulate investment and trade relations for strategic ends.

3.4. CONCLUSION: THE DYNAMIC NATURE OF PREFERENCES

The liberal approach advanced here has only implicitly been pitted against its realist rival; by way of conclusion, it is worth bringing some of the differences into sharper focus. Balance-of-power approaches to the region have highlighted shifting capabilities and multipolarity as sources of concern. But this family of approaches remains divided on both what to expect from different power configurations and even what the balance of power in the region is. The central challenge to realism from the liberal approach is in its failure to provide a convincing theory of actors' preferences or intentions. For realists, preferences are derived from capabilities and international structure. For liberals, this view of the world is puzzling on its face. How could we possibly believe that the rise of the United States, Meiji Japan, Nazi Germany, the Soviet Union and post-Mao China would have the same effects on world order in any but the most banal or general way? The predictions derived from models considering both polarity and power transitions hinge crucially on whether rising powers are "revisionist" and in what particular way (Chan 2008).

In bringing these issues of domestic politics to the surface the liberal approach to international politics is by no means a tale of sweetness and light (Haggard 2014). Asia remains a highly heterogeneous region, and in ways that not only place limits on the extent of cooperation but suggest continuing risk of conflict and even war. Whether we believe the greatest risks arise from differences in regime type—as the democratic peace literature has argued—or in coalitional dynamics, as the important work of Etel Solingen (1998) has argued, there are clearly important dyads in the region that remain at risk. These are by no means limited to the major powers, such as China's relationships with the United States and Japan, but include the India-Pakistan relationship and the tensions that Iran and North Korea—middling powers at best—generate with their neighbors. While realists fret about shifts in the balance of power, liberals worry about the path of domestic politics, and not only in China but also in smaller authoritarian regimes that threaten the peace.

Against the risks associated with the region's diversity stand two offsetting tendencies: institutions and economic interdependence. Regional heterogeneity has affected patterns of cooperation in the region, to be sure. Institutions are governed by consensus intergovernmental decision-making. Binding commitments have been limited and monitoring and adjudicative functions correspondingly weak. Furthermore, there is no evidence of a willingness to delegate more substantial authority to secretariats or other monitoring and dispute settlement bodies.

Yet despite this diversity, important—indeed epochal—changes have occurred in the foreign and domestic policies of Russia, China, and India over the last three decades. These domestic changes have resulted in a much greater commitment to multilateral institutions than was previously imaginable. The stylized fact of an

underinstitutionalized Asia is no longer tenable. We now have not only competing, and overlapping, institutions but increased participation by major regional actors in global multilateral institutions as well. We see the formation of convergence clubs and the possibility of institutional cascades that push toward deeper forms of cooperation.

Finally, there are sound theoretical and empirical reasons to believe that economic integration has a restraining effect on the foreign policy behavior of states. Economic integration creates its own conflicts, and states will attempt to manipulate these ties to their advantage. And this strand of liberal theory—like the democratic peace—has its somber side, noting the weak economic integration of countries like North Korea, Burma, and a number of the Central Asian states. But the trajectory of national policies across the region suggests that there is little risk that Asia might retreat into a closed economic bloc. Economic integration is increasing in Asia, but that includes a substantial widening of relations as reform spreads and South Asia is drawn into the regional dynamic.

These developments underscore a crucial analytic point. Unlike the static imputed preferences of the realist world, preferences in the liberal view are by no means fixed or given by changing power position alone. As interests evolve, the prospects for cooperation may brighten or dim. Given these theoretical assumptions, it is incumbent on democracies to fashion foreign policies that do not generate the backlash coalitions that liberals most fear. Any understanding of these dynamics can only derive from combining the insights of international relations, comparative politics, and economics. This combination is perhaps the core theoretical contribution of the liberal approach.

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NOTES

1. Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka.
2. The differences centered on the American representative’s preference for a more standard FTA rather than the concept of “open regionalism,” under which concessions offered

under the APEC process would be extended unilaterally beyond the region on an MFN basis.

3. As of this writing the United States has signed the North American Free Trade Agreement and the Central American Free Trade Agreement, as well as bilateral agreements with Australia, Singapore, and Korea. China has signed an FTA with ASEAN as well as eight bilateral agreements, with another five under negotiation. In addition to an “economic partnership agreement” with ASEAN, Japan has signed eleven bilateral agreements in the region—including one with India—with two more (Korea and Australia) under negotiation. Even India, long known for its cautious trade policy, was negotiating agreements with ASEAN.
4. Initially created by the most liberal states in the region—Singapore, Chile, and New Zealand—the framework agreement of November 2011 was signed by Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the United States.

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CHAPTER 4

CONSTRUCTIVISM AND INTERNATIONAL RELATIONS IN ASIA

DAVID LEHENY

As a theory of international relations, constructivism arose as a critique of existing approaches. Scholars began working in this new vein in the 1980s and 1990s, taking aim at the rationalist arguments of liberals and realists who have long argued that patterns of international relations could best be explained by examining actors' material interests. These rationalist perspectives differ as to the sources of these interests—usually the structure of the international system, frameworks of domestic politics, or international institutions affecting market activity—but largely view actors as having stable identities and interests that are independent of other actors, even if their strategies for pursuing them involve expectations of others' likely behavior. In contrast, constructivism posits that social reality is constructed out of the meanings that people give to things. For a number of important issues it may not be enough to know how strong or weak some states are, or how they will economically benefit or lose from certain sets of agreements and international arrangements. We may need to understand how people come to believe what they believe, and how they think about things like justice, rights, accountability, progress, fairness, and responsibility. These beliefs may be influenced by sources as different as religious texts, educational curricula, the work of activists and officials, television programs, museums, and, of course, the news media. That is, the social world is one that humans themselves make, and what we believe about the goodness of our own nations, the clarity of our own histories, or the validity of religions can affect people's behavior, and that of states, just as surely as might the demand for power or for wealth.

Perhaps because of the approach's critical underpinnings, constructivists have been not just a diverse but also a querulous lot. In a recent overview, Hurd (2008) traces the key propositions of constructivism and, furthermore, several of its core internal debates. These range from the terminological and conceptual disagreements that mark

any field of scholarship to much more fundamental discord over epistemology, logic, and even ontology. For some, constructivism should provide a capable alternative to realism and liberalism, offering different kinds of generalizable causal analyses—albeit ones that privilege identity and meaning over structurally determined interests—of the stuff of international politics. For others, constructivism should provide a foundational critique not only of traditional theories but also of their positivist roots, those that presuppose the autonomy of researchers from the social and political environment they profess to analyze. While constructivists may agree on the idea that international politics is social and cultural, developed in part out of the meanings that people give to things, there is no unified constructivist approach to how scholars should go about studying it.

The constructivist turn in international relations theory has raised particular problems for the study of Asia, leading to emergence of the region as an almost unsettlingly tempting target for constructivist research. In part because the core of English-language scholarship has long been a North American and European affair (see chapter 7 for further discussion), with key case studies deriving from long traditions in Western international relations, it is not surprising that the constructivist critique would be taken up with gusto in debates regarding Asia. Berger (2003) has argued that many of the key tensions in the region—over matters such as historical memory, legacies of colonialism, and different claims about civilization—boil down to questions concerning ideas and identities, rather than to the kinds of materialist factors on which conventional realist or liberal theories would typically rely. A consequence of this argument is that the combined use of constructivist conceptual frames and material from Asia is likely only to grow in value in coming years. Nevertheless, I argue in this chapter that scholars now face the challenge of drawing from constructivist debates while focusing on research problems rather than broad paradigmatic debates. At the same time, crucially they must avoid some of the normative temptations of constructivist theory, accepting the need to problematize rather than reify concepts of Asia and Asian states.

In coming years constructivism on its own is unlikely to sustain its major challenges to conventional IR theory, but elements from its theoretical insights can be useful in the investigation of Asian international relations if they are matched with a critical eye to the production of ideas and identities in the region. This involves taking theory seriously not only as a tool researchers use to explain the world but also as a way of interrogating assumptions we have as we embark on research projects. Theory matters, in part by signaling what it is we are supposed to notice and what it is that states and leaders are supposed to do. Asia provides a number of rich areas within which to rethink politics by considering the social production of meaning, provided that we do not allow our normative commitments to developments in and ideas about Asia to overwhelm the need to think critically about them.

I will begin by briefly introducing central ideas in constructivist analysis before turning to a set of examples of constructivist research on the Asia-Pacific, focusing especially on national security, political economy, history, transnational social

movements, and institutions. My goal, however, is not to suggest that constructivism is superior to other paradigms such as realism and liberalism. Instead, I only point out that constructivist analyses have encouraged the examination of certain types of issues in East Asian politics that may be both very important and, in some circumstances, illuminated differently by constructivists than they might be by other scholars. I conclude by addressing some of the challenges that constructivists face, which include not only their use of certain standards for proof that differ from those preferred by most political scientists, but also the ways in which constructivist arguments can be exploited for political purposes.

A caveat is necessary. Constructivism is an exceptionally broad intellectual movement, one that shares features with other perspectives, such as the English School and its focus on international society (Reus-Smit 2002; see also Buzan's chapter in this volume), and it boasts a wide array of proponents around the world. My concerns about its place are shaped in part by my own location in American academia, where scholars working in the tradition are normally members of departments of political science. As the discipline in the United States has moved toward increasing emphasis on a specific notion of intellectual rigor—namely, the precision with which independent and dependent variables can be denoted and measured—scholarship on topics such as identity or culture has faced increasing challenges. My sense is that this tension has led many US-based scholars associated with constructivist arguments in the past to undertake more recent research differently, emphasizing additional causal mechanisms rather than fundamental critiques of existing paradigms. With regard to research into Asia's international relations, I argue in part that a focus on paradigmatic critique ensures that these studies exist in a universe parallel to that of major international relations debates, with the key insights of constructivist scholarship having little to no impact on the field. This concern is, I believe, less pressing in European, Australian, and Asian universities, where scholarship on the region often interacts in productive ways with broader disciplines and fields. Rather than focus my argument on the relatively open environments that I know only peripherally, I emphasize the challenges in one particular though significant intellectual arena.

4.1. CONSTRUCTIVISM IN INTERNATIONAL RELATIONS THEORY

For most of the past half-century, the key theories of international politics were based on the idea that the relevant or important actions of states—fighting or not fighting wars, cooperating economically or not—could be understood most effectively by considering the structures of politics, like the international state system or global commodity and financial markets. For a realist, the crucial issue is state security, particularly emphasizing a state's strength relative to other states; patterns of war and

peace, alliance and enmity, could most easily be understood with reference to material power (and see chapter 2). In this view, the United States and China, as the largest global powers, are likely to be rivals rather than friends simply because their size and power make them threats to each other.

For the liberal, the key question might concern economic interests, and particularly how they play out in domestic politics (see chapter 3). Different groups of Americans might have very different ideas about policy toward China, depending on whether they benefit from trade and investment with China or whether they are hurt by it. An investor in a manufacturing business, for example, might want to make sure her company can operate a factory in China due to low costs and access to the Chinese market, whereas a factory worker might be worried primarily about losing his job to a Chinese competitor. In this view, policies might best be understood by looking at the political clout of these competing domestic interests, and who has access to big decisions in Washington. The realist might see the world as a billiards table, with individual countries bumping up against one another, while the liberal might see it as a series of repeated soccer championships, with winners from national contests battling against one another and those results affecting subsequent local matches. Both of these approaches have, in a sense, assumed that human behavior flows out of interests, and that these interests are best understood by looking at one's place in a larger structure. People (or states) behave in certain ways because it is rational to do so: in the threatening environment that realists see, it makes sense to build up as much power as possible; or in the arena of economic opportunity and risk that liberals perceive, you want the rules, agreements, and institutions that provide predictability about the behavior of others and make you richer rather than poorer.

But if we think about the issues that have engaged policymakers, journalists, observers, and activists in Asia over the past two decades, it is clear that much of it might be missed with these lenses. We might think, for example, about the debates over war-time history that have erupted between Japan and its neighbors, including China and Korea. We might consider the ethnic and religious tensions that have shaken up the region, from Indonesia through China and into Central Asia. We might think about the roles of transnational nongovernmental organizations promoting women's rights or environmental protection and their effects on the region's governments (see Part V for further discussion). And we might even think about the boundaries of the region, particularly as marked by regional organization: who is in Asia (or in Europe) and what does such a classification mean for analysts and participants alike?

Although rooted in earlier historical and political theory (see Wendt 1999; Kratochwil and Ruggie 1986), constructivism became a prominent framework only in the 1990s, compelling changes in complex intellectual and political environments alike. The Cold War itself had ended, and with it the peculiar bipolar structure—the United States versus the Soviet Union—that had animated much of the realist research regarding interests, alliances, and deterrence prevalent during the 1970s and 1980s. This is not to say that the end of the Cold War should have dealt a death blow to realism, as some of its opponents suggested, but rather to note that the international political

environment of the 1990s looked very different than it had just ten years earlier. Rather than examining the logical consequences of submarine-based nuclear weapons or, alternatively, missile defense for the likelihood of nuclear war between the two superpowers, many of the most prominent international relations theorists to emerge in the 1990s turned their gaze toward issues like the spread of global environmental policies, international movements against racial discrimination, and bans on chemical weapons or land mines. For these researchers, focus on the material interests of actors provided little guidance, as did easy reference to ideas and ideology without considering instead how certain ideas—for example, that racism is wrong and states ought not practice it—emerged. We needed to consider the social environment in which these ideas took root and were attached as legitimate concerns to certain kinds of actors.

This meant that the researchers turned instead to the view that the international system is something more than a billiards table on which states bump into one another or a political and intellectual soccer championship in which actors with preexisting interests compete iteratively with one another. It is, in this view, a social system, one in which rules, ordering principles, and legitimate practices are constructed by actors and their interaction. Constructivism might therefore be understood not as a theory of politics that can be tested or falsified but rather as “a framework for thinking about the nature of social life and social interaction, but [which] makes no claims about their specific content” (Finnemore and Sikkink 2001, 393). In this sense, as Finnemore and Sikkink go on to note, constructivism might be viewed as comparable to a broad rational choice perspective: itself not a theory of politics but similarly a framework for approaching the substance of social life even if it is silent about what that content has to be.

Given this orientation, constructivist studies have taken a number of different forms, including variance in terms of the tools as well as the goals of analysis. But much of this has sat uneasily with dominant strands of international relations scholarship, particularly as practiced at major American universities, where rational choice accounts and statistical methods have become dominant elements, if sometimes ill at ease with one another. For example, a number of sociologists writing from the “world polity” approach have used large-*N* statistical studies to examine the global spread of institutions—everything from K–12 education programs to weapons systems—to argue that states, as states, are following scripts for legitimate state practice. While the quantitative sophistication of these studies fits well in international relations scholarship, their tendency to reject the agency of states or their leaders, and to emphasize that states are largely constituted by these global scripts, has militated against wide currency in international relations theory. In contrast, some of the most committed constructivist thinkers, particularly those writing in what Hopf (1998, 181) describes as the “critical constructivist” tradition, have veered close to literary theory, analyzing diplomatic practices and international relations as, in essence, performances that could be “read” for the power relations they contained and illustrated (see, e.g., Ashley 1984; Der Derian 1987). Because the critical approach problematizes the relationship between the substance of international relations and the frames used to analyze it, it has been

in large part a poor fit with the empiricist emphasis of much international relations scholarship: that “the truth is out there,” or that there are causal arguments about war, peace, trade, investment, and so forth that can be demonstrated through testing to be superior to alternative accounts.

Much of the most famous constructivist research has therefore clustered around what Hopf calls “conventional constructivism.” These studies have been less generally concerned with uncovering the hidden power relations in existing theories of politics, or of demonstrating statistically the spread of institutions, than in emphasizing the value of interpretation in analyzing the spread of ideas and their consequences for political action (see also chapter 35). That is, the goal is still a social scientific one of explaining identifiable political outcomes, but it is also one of emphasizing how social actors through their interaction create patterns of meaning that are essential to the basic causal claim. Among these accounts are a number of now-classic studies of the roles of transnational social movements in establishing and spreading ideas about human rights, racism, environmental protection, and justice that have had demonstrable consequences for the enactment of global agreements and conventions (e.g., Risse and Sikkink 1999; Thomas 2001; Klotz 1995; Price 1997). Like the world polity scholars, these researchers have studied the transnational spread of institutions but have been primarily concerned with the development of these ideas as well as the “norm entrepreneurs” in social movements who made the spread possible. Like the critical constructivists, they recognize the importance of interpretation but aim to set up explanations that might be compared effectively to those derived from more commonly used perspectives, like realism and liberalism.

4.2. CHALLENGES AND PROBLEMS

Since constructivist studies began to gain ground in the 1990s, they have been vulnerable to a number of charges by scholars from other traditions in international relations relating to their methodological rigor (Moravcsik 1999) and their ideological bias toward progressive causes (Bucher 2007). Desch (1998) consolidated these critiques by suggesting that constructivists tend to cook the books: they explain things that seem obviously connected to issues of culture and ideas but shy away from the hard cases that appear to favor realist accounts and that would provide better tests of the robustness of their theory. But these charges also mask broader tensions in the culture of international relations scholarship, particularly as practiced in the early constructivist days of the 1990s.

Unlike the rough-and-tumble world of most international relations scholars—who were interested in guns, bombs, and money and trade, conversing with statisticians, economists, and behavioral psychologists—constructivists were often more at home talking with scholars in the humanities, cultural history, or anthropology. This meant more than the tendency to quote Jürgen Habermas or, more tellingly, Michel

Foucault rather than Milton Friedman or Gary Becker, though referring to European social theorists instead of American economists was a strong cultural marker. That is, constructivism was sometimes caricatured as being a continental European import to American political science that simultaneously justified relatively idealistic claims about politics while also rendering them nearly incomprehensible.

Additionally, and perhaps more durably, debates about rigor sometimes masked different sets of concerns about what matters in politics. For example, an easy anticonstructivist parlor game would involve referring to a new study of the spread of human rights norms and pointing out, quite rightly, that a number of governments that had signed onto declarations of human rights clearly had no intention to follow through on them. How powerful was a norm that most signatories went on to ignore? The usual response was as obvious to constructivists as it was unsatisfying to critics: the fact that governments felt compelled to sign onto agreements they had no interest in enforcing at home shows that there is in fact a global norm. After all, if human rights were not universally valorized, why not simply refuse to join the agreement? What harm could there be in admitting that one violates human rights if there were not a norm that should not be violated? If there were no norm against torture, a state could proudly engage in it openly without having to develop Orwellian language to label it “enhanced interrogation techniques.” Particularly for realists, this would be sophistry, shifting attention away from the fact that the hard stuff of political reality is still a dog-eat-dog, power-trumps-all world unmediated by the political values and meanings that actors create; it’s just talk. To most constructivists, however, the work of activist networks in spreading norms had not in fact yielded a world free of racism, sexism, violence, or the like, but the existence of these norms had forced states that intended to commit these abuses to deny it.

Indeed, as social theory, constructivism can call attention not to the determined outcomes of political factors but rather to the possibilities created by norms and identities, possibilities that we might miss if we consider only material interests. For example, I myself do all kinds of things that sometimes make little material sense, like writing time-consuming letters of recommendation for former undergraduate students who will never again evaluate my courses, because professors are supposed to do such things. Similarly, states sometimes do things—have national flags and anthems, create national science boards, have K–12 education systems—because that is what states do, not because of their clear functionality or utility. Arguably, individual states also engage in certain practices that can be understood only by considering specific constructions of national identity. As the Japanese government sought to become a normal advanced industrial nation in the 1970s and 1980s, for example, it even began to encourage specific leisure practices among citizens because these were considered “normal” for Americans and West Europeans (Leheny 2003); and debates about identity have been increasingly central to studies of Asia’s international relations.

One area that might be said to unite the divergent approaches to constructivism is, therefore, its social component and its willingness to see political systems as partly cultural. To talk about social meaning and interpretation is to consider the possibility that the world is not simply a series of objective facts equally apparent and obvious to all, but

rather material that people interpret, often collaboratively, and then act upon. In a sense, constructivist approaches need to ask not how political outcomes are created but how the interpretive frames that shape them are constructed, and to engage this question more deeply than a simple stipulation that different groups of people see things differently, or that self-aware political entrepreneurs turn narratives and facts to their own interests. Both of these are true enough, but trite and ultimately unhelpful. After all, any group about which we might wish to generalize in explaining its behavior is likely to be too internally diverse for that generalization to be causally useful. Americans may love their rights and freedoms, but many who support the right to bear arms would be less likely to support another person's freedom to burn the American flag, and vice versa. And a political leader who uses the rhetoric of freedom and rights on a particular issue (guns, abortion, etc.) may be acting strategically, but it is also at least plausible and perhaps likely that she believes much of what she is saying. A competent constructivist approach might well view American support for principles of freedom to be analytically important, but would have to consider carefully how these principles have been developed in open-ended and malleable ways, reflecting contestation and debate rather than unanimity and consensus.

4.3. CONSTRUCTING ASIAN INTERNATIONAL RELATIONS

Explaining outcomes in Asia has been a particular challenge for scholars working in the constructivist tradition. On the one hand, the ideological and cultural contexts throughout the region can provide rich fodder for challenging the prevailing assumption that material interests trump ideas and identity in driving politics. On the other hand, however, using Asia (or Asian nations) as challenges to conventional Western assessments of international relations theory also risks naturalizing political actors and contexts in the region—taking it for granted, for example, that there is something stable called “Chinese culture” or “Indian identity,” rather than investigating critically the changing meaning that these categories might have (for further discussion see Acharya in this volume).

But Asia, particularly Pacific Asia, has been a draw for constructivist scholarship. The region is not by any means dominant in constructivist research, that role perhaps being played most strongly by the European nations often seen as generating international norms or by a European Union that has crafted a regional identity that transcends national boundaries (see, e.g., Checkel 2001). But within just a few years, from the mid-1990s through the early 2000s, a group of highly visible studies of the region's international relations drew clear inspiration from constructivist theorizing and suggested that interpretive methods were essential to understanding core developments in the area. These did not mean that most constructivists became Asia specialists or vice versa, but provided at least some sense that constructivist tools might be useful and valid in the examination of East Asia's international relations.

In their very different but frequently cited accounts, both Berger (1998) and Katzenstein (1996) sought to explain Japanese security policy as the outcome of domestic cultural norms; for Berger, this meant the legacy of “antimilitarism” in postwar Japanese politics, and for Katzenstein it was the consequence of consensual norms in Japan’s democratic legislative system. At roughly the same time, Johnston (1995) examined classical Chinese strategic thought and showed that discursive traditions played a role in shaping subsequent policies, suggesting that China’s realist orientation owed a great deal to the long-term cultural construction of views of security. And Amitav Acharya’s highly regarded study of ASEAN as a security community paid particular attention to the development of norms that dictated the interactions of member states: norms often quite different from those apparent elsewhere, such as in Western Europe (Acharya 2001). In other words, some of the most visible and highly regarded early constructivist studies dealt specifically with East Asia, offering both a pathway for younger researchers to work on the region from the constructivist toolkit while ensuring that graduate students with an interest in East Asia would likely be exposed to the major tenets of constructivist theory.

The succeeding years have witnessed highly uneven growth in the use of constructivist theory in studies of Asia, particularly in the pages of major international journals. Studies of Japan have perhaps been among the most heavily affected, possibly because of the prominence of Katzenstein and Berger as pioneers of explicitly constructivist empirical research on security policy (an alternative perspective is represented in chapter 19 in this volume). A few studies (e.g., Leheny 2003; Oros 2009) turned, as Katzenstein and Berger had in different ways, to the development of domestic cultural or political norms that shaped the country’s foreign policy choices. A much larger number, frequently with more avowedly constructivist goals, looked at the development of international norms, often through the transnational activist networks imagined by Risse (1999) and by Keck and Sikkink (1998). While nuanced and substantively different from one another, these studies have often had a similar shape: international activists and NGOs, along with allies within Japan, push for legislative change to stop sexual abuse, protect whales, halt the production of land mines, promote gender equality, or protect minority rights. But these are met with substantial political resistance, often from conservative forces claiming to want to protect Japan from foreign/Western transformation (see e.g., Gurowitz 1999; Leheny 2006; Flowers 2009; Miyaoka 2004; Iida 2004; Chan-Tiberghien 2004; Hirata and Sato 2008; Hirata 2004). In each case, the focus is clearly national with the relevant backdrop as the global: a Japan marked by powerful domestic norms that shape its external interactions, or a progressive global community pounding on the gate of a putatively closed and conservative Japan.

While perhaps not as common as in the English-language work on Japan, constructivism has played an important role in the studies of Chinese and Korean foreign policy as well. Johnston’s seminal research on Chinese strategic culture and subsequent (2008) work on the country’s socialization within international institutions have become touchstones for much of the research on Chinese foreign policy, just as Carlson’s (2005) investigation of Chinese constructions of sovereignty and Callahan’s

(2004) research on transnational ideological flows in China have been important elements of recent debates. The explosion of studies of Chinese foreign policy in the past fifteen years, however, has not been a constructivist project to the same degree that work on Japan has been, especially with robust realist and liberal studies vying alongside the innumerable atheoretical policy studies of contemporary Chinese diplomacy. Research on Korean international relations has been similarly diverse. For example, Suh's (2007) examination of the construction of postwar identity through alliance politics sits alongside a wide variety of realist and institutional accounts of diplomacy on the Korean peninsula (see also chapter 22).

Studies of South Asia and Central Asia that draw implicitly or explicitly from constructivist theories have been limited in number but rich in diversity. Chatterjee (2005) deploys a constructivist framework, not to explain foreign policy or the effects of global norms, but rather to consider the development and management of ethnic conflict in Pakistan, India, Bangladesh, and Sri Lanka. More explicitly, Sasikumar (2007) has suggested that constructions of proper behavior and management have shaped conceptions of India's nuclear strategy. While one might look at the complicated identity politics and security strategies of Central Asia and conclude that constructivism might be a valuable framework for investigating them, analysts examining the region have at times pronounced the perspective inapplicable to the region's hard power politics (Xu 2010) or, more interestingly, noted a distinct reluctance to consider national identities as constructed (Laruelle 2008; see also chapter 25).

Significantly, constructivism has also made perhaps its clearest inroads into studies of Southeast Asia, and the debates surrounding the theory there are the richest and most telling of any Asian subregion. Some of the research maps onto the "global norms versus domestic politics" frame that has played such a powerful role in studies of Japan (e.g., Gurowitz 2000), but the more visible and central research has been similar to Acharya's pathbreaking work on norms in ASEAN's security community. Following an early article by Acharya (1997), Busse (1999) argued that the region's norms of cooperation and noninterference had helped to construct a different kind of security system than realist theories might predict. Acharya himself (2009) has followed up his work with a major study of the development of governance norms within ASEAN, arguing that the region's institutional evolution has involved the development of norms that have come to shape its regional identity. With somewhat different inflections but broadly similar concerns, Ba (2009, 2010) and Katsumata (2011) have also offered important and well-regarded studies of the development of norms regarding regional governance and cooperation among ASEAN members (see also Ba in this volume). These arguments have not been uncontroversial. Emmerson (2005) suggests that continuing developments in the region may undermine the confidence one might have in the defining power of ideas of regional identity, and Jones and Smith (2002, 2007) have accused constructivists of engaging in wishful thinking: that they are so committed to supporting a regional identity that can transcend the divisions of nation-states that they believe in the strength of ASEAN even when the evidence suggests that the subregional organization is relatively weak.

Leaving aside the question of whether Jones and Smith are correct in their criticism of the constructivists working on East Asia—and I think that they give up much of their credibility by referring to ASEAN as an “imitation” community and the constructivist scholars who investigate it as participants in a “delusion” (2002)—they raise an important cautionary point, one that should resonate with the earlier discussion of constructivism more broadly. Using an intellectual framework that frequently relies on interpretive methods to draw out the changing rules of the international system as well as the actors involved in this redefinition, constructivists have struggled with the normative implications of their work, and in particular with the fact that many of the outcomes they have aimed to explain seem desirable and just: the delegitimation of apartheid, bans on land mines, antitrafficking conventions, and the like. It is not entirely unsurprising that scholars working from the same toolkit might be accused of examining the promise of Southeast Asian regionalism because they want to see it, in the same way that researchers on human rights might be morally invested in their success.

A second critique of the dominant trends in the first generation of constructivist literature on Southeast Asia, however, challenges these accounts because they are not constructivist enough. In seeking to explain the development of norms in ASEAN, Tan (2006) argues that constructivists have tended to take for granted the prior existence and identities of states and nations. That is, the constructivists working on Southeast Asia have followed the conventional constructivist logics that aim to fit their analyses alongside mainstream realist and liberal accounts, and implicitly rejected some of the implications of the claim that political reality is socially constructed. Tan identifies “state-centrism” as one of the key problems, by which he means the acceptance of states as the key actors in international relations, with the consequence that national or state identities are, in a sense, naturalized, and much of the analytical work goes into explaining the move from them to regional identities that overlap or transcend them. For Tan, this is a problem precisely because a constructivist approach should assume that even those identities are socially constructed, contingent, and mutable, making it logically problematic to take their prior existence for granted when discussing the construction of regional or transnational orders. Tan, however, suggests that this problem is not particular to constructivist studies of Southeast Asia, but rather one that is broadly shared with a number of other major IR theorists working with a “state-centric” form of constructivism.¹

4.4. THE RISKS OF AN UNRECONSTRUCTED ASIA

Indeed, it is largely the vitality of constructivist work on Southeast Asia that is responsible for the substantial volume of productive debate from studies of that region, which throws into sharper relief than research on other parts of Asia both the promise

and perils of constructivist theory. In broader international relations theory, it has not taken long for the constructivist turn to turn back on itself. Some of this may be because constructivism is a victim of its own qualified success. While a few proponents of critical theory in international relations research had made important contributions before the 1990s, it was the unruly constructivist framing that drew a number of them into a broad third leg that could conceivably challenge realism (or neorealism) and liberalism (or neoliberalism) as main theoretical orientations in the field. In the United States, for example, constructivism quickly replaced Marxism as the theoretical strand likely to receive a week of lip service in a graduate field seminar before students moved back to more conventional studies. Perhaps more important, however, a number of key concepts that are central to constructivist thinking began to shape the broader IR field as well, from a wide recognition that identities are mutable but may be causally important (see Abdelal et al. 2006) to the willingness to consider transnational movement members as political actors, even if within more rationalist accounts.

And so some of the recent work by major thinkers often associated with constructivism's rise has placed relatively little emphasis on—and sometimes scarcely even mentioned—the framework at all, whether in Finnemore's (2009) discussion of the social implications of unipolarity or Katzenstein's (2012) ambitious reading of civilizations in world politics. Perhaps this reflects the demolition of the field, whether one views that as the unwelcome victory by number-crunchers and rational choice theorists at top American political science departments or, alternatively, as the happy outcome of a wide recognition that most practitioners of constructivism were too methodologically incautious to ensure a sustained dent in the increasingly rigorous world of political science. But I think it may speak instead to a weariness best summed up in David Lake's (2011) argument that “‘isms’ are evil.” That is, the paradigmatic debates that long animated much of international relations theory may have been replaced by something else: an epistemological battlefield in which it matters less whether one's key assumptions flow from realism, liberalism, or constructivism, but rather whether one has the tools necessary to answer interesting research questions. As Lake is aware, this does not create a completely level playing field, as the increasing commitment at top political science departments in the United States to training in methodology usually steers clear of interpretive or narrative methods, focusing instead on various tools associated with rigorous statistical testing, field experimentation, and formal modeling. But it does suggest that for most of the major figures in the field, there is little to be gained at this point from planting a constructivist flag on top of the edifice of one's research design and firing away at supposed competitors in other fields.

Instead, we see an increasing commitment to questions—such as Finnemore's investigation of the social production of unipolarity or Katzenstein's interest in internally contested but still powerful civilizational frames—that likely would have been difficult to articulate in mainstream international relations theory had there not first been a critical effort to engage difficult concepts like culture and identity by starting with the assumption that they are socially constructed, malleable, and contingent. And I would

suggest that some of the best and most promising recent work on East Asian international relations displays precisely this kind of commitment, informed by conceptualizations that emerged in part with constructivism but without focusing primarily on which -ism the study promotes.

Recent books by David Kang (2003, 2010) on hierarchy in East Asian diplomatic history and the consequences for the region of China's rise explicitly aim to challenge key assumptions in international relations theory, but they avoid any kind of firm commitment to constructivism. The way, however, in which they configure both the implications of hierarchy and the cultural role of Confucianism is telling. On the one hand, any kind of causal argument about Confucianism in contemporary East Asia would have to be viewed with considerable skepticism by most constructivists, as it relies on the treatment of a diffuse set of classical texts—themselves reinterpreted over the course of centuries and deployed strategically in myriad ways throughout the region—as fixed and immutable: Confucianism says X, so Confucians (whoever they might be) do X. Kang's point, however, is nearly precisely this, focusing on Confucianism not as A Thing but rather as a malleable intellectual frame that constrained outcomes and conferred legitimacy in ways that suggest at least the possibility of different views of power in medieval and early modern East Asia. Similarly, He's (2009) analysis of the production of memory in China and Japan regarding atrocities during World War II avoids constructivism-versus-rationalism debates while drawing on understandings of culture and ideology that give some causal force to ideas themselves. These critical and discursive readings of culture differ dramatically from the ways in which political culture was discussed two decades ago, and I would argue that constructivism—following logics that have taken strong root in the humanities—has enabled these more sophisticated approaches to crucial political problems.

In an excellent overview of the state of the field, Johnston (2012) argues that the international relations of East Asia pose a number of serious challenges to the IR field more broadly. He calls particular attention to three areas of research with clear implications for international relations theory: the limited balancing activities taking place despite China's rise; the role of regional institutions (particularly those associated with ASEAN); and tensions surrounding historical memory. As is clear from other chapters in this volume, one need not be a constructivist to deal with these topics, and Johnston himself mentions constructivism only in passing. But it is equally clear that part of the conceptual vocabulary of constructivism—that Asia is, in a sense, what people make of it—has profoundly affected the terrain for all of these discussions. Whether we consider Kang's view of the malleability but relevance of ideational factors in China's rise, Acharya's arguments about the creation of regional identity through institutional development changing norms, or He's suggestion that memory is constructed and not simply remembered, we see that three crucial areas shaped by constructivist or quasi-constructivist frameworks might be important to IR theory, not because they show that constructivism is right, but because they tell us things that could alter our confidence in widely accepted causal arguments.

4.5. COMMITMENTS AND CONCLUSIONS

And here lies a dilemma for scholars considering the use of constructivist arguments in the study of Asia. The days in which case studies illustrating paradigmatic fights between constructivism and realism (or liberalism) might serve as the basis for major international relations publications are perhaps over, with constructivists having won a seat at the table but having failed to upend more conventional rationalist approaches. Savvy graduate students and junior scholars working on Asia will likely want to turn to research questions in which the rich empirical substance of regional international relations can challenge prevailing assumptions about how the world works, and constructivist tools may serve—as they have for others—in exploring the ways in which ideas and identities help to shape important and distinctive political outcomes.

Epistemologically, however, it is not a risk-free proposition. Constructivism draws its power not from its realization that ideas and identities matter, but rather from its recognition that these ideas and identities are socially constructed and reproduced, and that they must be investigated with unbridled rigor. And this means that whatever our normative commitments to the region, to the sense that there may be something quasi-imperial about the expectation that theories developed in other regions should work perfectly in different contexts, we have to approach it with the critical eye we demand of scholars working on more time-honored topics. We must accordingly problematize the conceptual categories of Asia, India, Southeast Asia, Japan, China, Central Asia, Indonesia, Uzbekistan, or Korea with the same skepticism we would attach to assumptions that the European Union represents a model international institution to which others should aspire, or that America's role in Asia noncontroversially represents democracy, liberty, or whatever else one might make of American culture. Any constructivist worth his or her salt should be able to critique the simple idea of "Asian values" as a cohesive social form in the region. But in considering, for example, the spread of international norms into the region, we have to be equally careful to avoid construction of a traditional/authentic Japan, Korea, India, or any other place that existed prior to the interventions of transnational activists, international organizations, or even something we might generically label "the West."

Constructivism has helped to shape international relations theory and to carve out spaces to consider what lessons Asia might have for the rest of the world. In deploying its tools, even those scholars most committed to investigating political phenomena, causal chains, and religious or intellectual frames that seem distinctive to the region should remember that Asia is, like the rest of the world, socially constructed: a conceptual category to which people attach contested meanings. It is, like the rest of the world, a moving target, and constructivism's promise lies not in reifying Asia or its myriad nations but rather in problematizing their experiences and using them to destabilize what is all too often taken for granted about the ways in which "normal" countries interact.

NOTE

1. See Hurd (2008) for further discussion of the debates over state-centrism in constructivist theory.

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CHAPTER 5

FOREIGN POLICY ANALYSIS AND THE INTERNATIONAL RELATIONS OF ASIA

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WHAT are some of the “big and important things” concerning the international relations of post–Cold War Asia that IR theorists and foreign policy analysts will want to explain? The relative peace and stability of the region is one, in part because many expected it to be otherwise. The economic dynamism of the region is another, notwithstanding the financial crises of the East (late 1990s) and West (late 2000s). The conventional view is that international outcomes such as stability and economic dynamism are best explained by theories of international relations. Insofar as these outcomes are the results of interactions between states, IR theories pitched at the systemic level are best suited to teasing out the constraints faced by states—such as the need to balance power or liberalize the economy—and that supposedly shape their behavior (Waltz 1979, 71–72, 121–22; Rose 1998, 145).

According to the conventional view, foreign policy analysis or foreign policy decision-making (hereafter, FPA), does not fit within the scheme of explaining these important issues. This chapter argues that the conventional view is mistaken; FPA has important contributions to make in explaining the relative peace and economic dynamism of post–Cold War Asia. Unit-level variables intrinsic to FPA, such as threat perception, national identity, ideology, and leadership, are indispensable to understanding these outcomes. This chapter will give pride of place to these variables in illuminating Asia’s relative peace and economic dynamism. While it is true that FPA explanations are less parsimonious than those advanced by structural IR theories, this chapter will demonstrate that they are able to resolve anomalies raised by conventional structural explanations. In so doing, FPA brings us closer to understanding the relative peace and economic dynamism that prevailed in Asia in the last two decades.

This chapter makes a further claim: the United States is so deeply embedded in the international relations of Asia in general, and implicated in the region's relative peace and economic dynamism in particular, that its role needs to be systematically incorporated into IR analysis. Resident power or not, the US presence is palpable throughout the region. The two major "hot" wars it fought during the Cold War were in Korea and Vietnam, and its post-Cold War posture in the region has been considered and purposeful, culminating in the Obama administration's pivot or rebalancing to Asia in 2011. The centrality of the United States to Asia means that it is not possible to analyze the international relations of the region without reference to the United States. This in turn implies that understanding the factors that shape US foreign policy—including the FPA variables referred to above—needs to form part of our attempt to understand IR in Asia. While the analysis to follow will focus on the FPA variables driving the foreign policies of the major Asian players, it will also devote sustained attention to the factors shaping US policies toward Asia.

Before delving into the FPA approach, it is necessary to clarify our key terms and their interrelationship. Relative peace and stability refer to the substantially lower frequency and intensity of major conflicts and crises in post-Cold War Asia, compared to the Cold War era. It is akin to the term "security order" that Muthiah Alagappa used to characterize post-Cold War Asia (2003). There have been no major wars in post-Cold War Asia like Korea and Vietnam, or even short wars like the China-India border war (1962), Vietnam's invasion of Cambodia (1978), or China's attack on Vietnam (1979); the main exception here is the India-Pakistan Kargil war of 1998. Economic dynamism refers to the strong economic performance of the majority of states in East Asia, including China, India, South Korea, Taiwan, Singapore, Thailand, Malaysia, and Indonesia. Excluding the years of the Asian financial crisis and its immediate aftermath, most of these countries have been able to achieve 6–8 percent GDP growth annually for decades. They have weathered the Western financial crisis that began in 2008 better than the United States and Europe, further reinforcing the perception that the world's center of economic gravity is shifting to Asia. The record of the Russian and Central Asian states is more mixed: dynamism describes their economies less well.

The two outcomes—relative peace/stability and economic dynamism—will be analyzed independently, and their interrelationship will not be considered until the end of the chapter. Although one variant of (liberal) IR theory posits a strong link between economic interdependence and peace (Mansfield and Pollins 2003; Goldsmith 2007), I will assume an agnostic position on the issue for two reasons. First, the relationship is not universally accepted: extremely high levels of economic interdependence between the European nations in the early twentieth century failed to prevent World War I. More alarmingly, in recent years high levels of economic interdependence between China and Japan, and between Japan and Korea, have not defused territorial spats in the East China Sea, although they have yet to escalate into serious conflict. Second, Asia's economic dynamism is not synonymous with Asian economic interdependence. Today's dynamism is fueled in part by deepening interdependence, but the region was experiencing strong and resilient growth decades before it became highly

interdependent economically. It was not until the 2000s that the Asian economies became more tightly enmeshed; before that, the Asian “tigers” were more economically interdependent in relation to the United States and Europe than between themselves. Analysts of the Association of Southeast Asian Nations (ASEAN) tend to dismiss economic interdependence as a factor in explaining their peaceful relations simply because the most economically vibrant ASEAN states were far more deeply enmeshed with the US economy than with the other ASEAN countries. We will return to the interrelationship in the conclusion, but it is worthwhile to stress that in the analysis to follow, there is no implied link—positive or negative—between relative peace and economic dynamism.

5.1. FOREIGN POLICY ANALYSIS AS AN APPROACH

At its simplest, FPA seeks to illuminate the factors and processes that led state A to adopt policy B with respect to issue C. For example, Graham Allison’s *Essence of Decision* (Allison and Zelikow 1999), widely considered a classic FPA work, sought to explain why the United States (A) chose the naval blockade option (B) as a means of persuading the Soviet Union to withdraw the missiles it had placed in Cuba (C). The factors and processes—or independent variables—they examined were rational cost-benefit calculations (Model I), organizational processes (Model II), and governmental politics (Model III). The argument of the book was that Models II and III filled critical gaps in our understanding of why the Kennedy administration chose the naval blockade. The latter, conceived of as the decision outcome, was the dependent variable, and could have ranged from doing nothing to an invasion of Cuba. As the above example indicates, FPA focuses on a state’s decision-making processes:

Theories of foreign policy . . . take as their dependent variable not the pattern of outcomes of state interactions, but rather the behavior of *individual states*. Theories of foreign policy seek to explain what states try to achieve in the external realm and when they try to achieve it. (Rose 1998, 145; italics added).

In explaining the individual state’s external behavior, the FPA analyst relies implicitly or explicitly on three analytical constructs: the decision-makers, the decision-making process, and the decision outcome. The holy grail of FPA is to explain the decision outcome, which should be distinguished from the policy outcome. The typical FPA work will therefore home in on the key decision-makers, including the ideas and ideological convictions they bring to the job; the input of other relevant actors, such as the intelligence agencies, the military, and the treasury; and the activities of pressure groups such as lobbies and even nongovernmental organizations (NGOs). By examining how these actors interact during the decision-making process, and assessing their

respective influence, the FPA analyst constructs a narrative of how the decision was reached.

The chapters in Parts III and IV of this volume, which focus on the foreign economic and security policies of individual Asian states, employ these FPA analytical constructs and variables to account for the foreign policy of the state concerned. To be sure, different chapters adduce different variables to explain the foreign policy of the state under examination; however, one would expect to see repeated references to the relevant decision-makers (e.g., Prime Minister Juichiro Koizumi of Japan), the decision-making process (e.g., the input of the Foreign Ministry vs. that of the military), and the decision outcome (e.g., visiting the Yasukuni Shrine). In such a discussion one would also expect unit-level variables to assume pride of place in the analysis (Hill 2002; Alden and Aran 2011; Jong and Moon 2010, 358–59; see chapter 19 in this volume).

Despite the obvious importance of FPA in the study of international relations, it is a field or approach that dare not speak its name. Scholars invariably prefer to label their work as contributions to international relations rather than foreign policy analysis, even when it is manifest that they are contributions to FPA. The reason for shunning the FPA label can probably be attributed to the strong and successful distinction between FPA and IR that Kenneth Waltz made in *Theory of International Politics* (1979). For Waltz, IR seeks to explain a small number of significant issues, whereas FPA deals with “why state X made a certain move last Tuesday” (1979, 121). While Waltz acknowledged that “the clear perception of [systemic] constraints provides many clues to the expected reactions of states, but by itself the theory [of international politics] cannot explain those reactions” because the latter “depend not only on international constraints but also on the characteristics of states” (1979, 122), his description of FPA left the reader in little doubt that international systemic approaches held the high theoretical ground. This position would only be justified if the knowledge provided by systemic theory repeatedly outperforms that based on state characteristics in explaining state reactions. As I shall try to demonstrate in my analysis of the IR of Asia, this is not the case: structural IR theory appears as inadequate in illuminating state reactions in Asia. It leads to one puzzle after another, which can only be solved by considering unit-level factors or state characteristics.

In order to achieve satisfactory explanations of state behavior, sophisticated analysts such as Waltz and Rose point to the necessity of combining systemic and unit-level variables. Out of this suggestion has emerged neoclassical realism, an approach that takes as its point of departure neorealism’s emphasis on the distribution of power (and the resulting systemic constraints facing states), and combines it with unit-level factors to explain state behavior (see chapter 2). Neoclassical realism stresses the interactions between the systemic and unit-level variables, although the systemic variables tend to be privileged in the sense that they are seen as setting the broad parameters within which states concoct their foreign policies (Zakaria 1998; Lobell, Ripsman, and Taliaferro 2009).

From the perspective of FPA, however, the question for both neorealism and neoclassical realism is whether these broad parameters are too broad to be useful. That is,

are the systemic constraints so loose that policy choices span the spectrum from doing nothing to the use of military force? Consider Waltz's poster child example of how bipolar systemic pressures gave President Harry Truman little choice other than military intervention in Korea in 1950: "President Truman, at the time of the Korean invasion, could not very well echo Neville Chamberlain's words in the Czechoslovakian crisis by claiming that the Koreans were a people far away in the East of Asia of whom Americans knew nothing. We had to know about them or quickly find out" (Waltz 1979, 170). To the Korean intervention, one might add Lyndon Johnson's decision to fight in South Vietnam in 1965 to prevent it from falling under North Vietnamese control. Concerns about the Soviets using the North Koreans, and the Chinese using the North Vietnamese, to expand their respective influence in Asia were undoubtedly factors in US decision-making during the Cold War.

Yet this picture of how the Cold War bipolar system induced the United States to fight in Korea and Vietnam runs into serious difficulties when one considers the other Asian cases where bipolar pressures should have, but failed to, persuade the United States to intervene: China (1949), Vietnam (1954) and Laos (1961). In these cases, the United States chose not to intervene to forestall Communist victories, in effect countenancing losing them to the other side. Holding international structure constant, we thus observe diametrically opposite US policy choices (Khong 1992, 72–83). This suggests two things. First, the correlation between bipolarity and US military action is likely to be spurious; and second, something other than structure is doing the heavy lifting when it comes to explaining US military intervention in Asia during the Cold War.

5.2. PUZZLES OF POST-COLD WAR ASIAN SECURITY

If the most influential structural IR theory, neorealism, is unable to explain the pattern of US military interventions in Asia during the Cold War era, it seems even less able to deal with the three significant empirical puzzles of the post-Cold War era: why the United States has not withdrawn from Asia, why Asian actors are not balancing the United States, and ultimately why the region has seen relative peace and stability. Solving the first two puzzles will provide considerable traction on the task of solving the third.

The most cited analyses of post-Cold War Asia's security trajectory predicted that the region would retreat to a "back to the future" or "ripe for rivalry" scenario based largely on the following narrative. First, the structure of the international system would shift from bipolarity to multipolarity in the aftermath of the Cold War. With multipolarity, the United States would have less reason to maintain a strong military presence in Asia, and would therefore withdraw partially or completely (Buzan and

Segal 1994; Friedberg 1994). A power vacuum would result, causing the resident great powers such as China and Japan to try to fill it by jockeying for power. Power politics of the pre–World War II era would return and Asia would become the “cockpit of great power conflict” (Friedberg 1993–94, 7).

This scenario, based largely on a neorealist understanding of structure and its effects, has not materialized. To begin with, the international system changed from bipolarity to unipolarity, not the multipolarity expected by the “back to the future” scenarios (Wohlforth 1999). It is unclear how unipolarity constrains the United States, if at all. It may be argued that unipolarity gives the United States a free hand: that is, it can do whatever it pleases, but that only begs the question of how the United States decides on what pleases it. On the other hand, it may be argued that unipolarity will prompt the other powers to counterbalance the United States. Hence it would be wiser for the United States to retrench from Asia and revert to the role of an offshore balancer at the height of its prowess (Layne 2006). Structure, as usual, gives conflicting answers to what the US forward military posture in Asia should be.

Whatever the systemic pressures, the United States did not retrench from the region. The United States did leave its naval and air bases in the Philippines when the latter, in a fit of nationalistic assertion and avarice, demanded a price for staying that the United States refused to pay. President George H. W. Bush’s East Asian Strategy Initiative (EASI) also advocated the gradual withdrawal of US troops from South Korea and Japan, from the early 1990s through to the year 2000. However, in both Southeast and Northeast Asia, fears of US retrenchment proved short-lived. Concerned about the diminished presence of the United States in their region, nations such as Singapore, Malaysia, and Indonesia were quick to offer the United States use of their naval facilities. Similarly, plans for significant troop reductions in Korea and Japan did not go very far. The Nye Report of 1995 halted the EASI planned withdrawals, stabilizing US troops in East Asia at 100,000, on the grounds that America’s security interests in East Asia required a strong military presence in the region. Why were US interests so defined? To answer this question the next section focuses on one of the FPA variables discussed above: how national identity shapes threat perception.

5.3. THREAT PERCEPTION: CHALLENGES TO THE UNITED STATES AS THE ASIAN PACIFIC POWER

If threat perception were simply a function of aggregate or offensive power (Walt 1987), the United States would not have much to worry about, since it is the preponderant power in Asia. The Asian countries, on the other hand, would have a great deal to be concerned about, given America’s military preponderance. The questions then become: why has the United States seen fit to maintain its security presence in Asia,

and why has this not triggered a counterbalancing response from Asian nations? In the case of the United States, an identity-based hypothesis—America’s conception of itself as an Asian Pacific power—is better able to account for America’s continued hegemony in Asia. As Samuel Huntington argued in *Who Are We*, “National interests derive from national identity. We have to know what we are before we can know what our interests are” (2005, 10). In terms of its post-World War II national identity, the United States has always seen itself as an Asian Pacific power, with deep interests in the region: alliances were created; sea lanes were protected; capitalism expanded, including opening up markets to Japan, South Korea, and Taiwan. But the United States was not just one of several Asian Pacific powers: it saw itself as, and aspired to be, *the* Asian Pacific power. It is this self-perception that shapes US construction of potential threats in Asia.

Most accounts of the United States during the Cold War accept this assumption of the United States as the hegemonic power in Asia (Van Ness 2002; Ikenberry 2004). In that sense, North Korea’s 1950 invasion of the South, backed by the Soviet Union and China, and North Vietnam’s 1961 war of national liberation against southern Vietnam, backed by China, may be seen as challenges to US hegemony. The United States fought wars in Korea and Vietnam to maintain its primacy in the region and its credibility worldwide. The United States managed to restore the status quo ante in Korea, even though the Korean War was considered a defeat in the 1950s since it failed to liberate North Korea when China entered the war. However, it failed to prevent Vietnam from falling under Communism. From the US perspective, a region in which it has fought two land wars—at a cost of over 100,000 American lives and countless billions of dollars—has to be central to US security.

This conception of being an Asian Pacific power and *the* primary one becomes even more pronounced after the Cold War. As one of the early post-Cold War Defense Planning Guidelines of the Pentagon stated, the goal of US strategy was to prevent the rise of “a new rival” or “hostile power” capable of dominating the key regions of the world (*New York Times* 1992). In 1992, the top two regions where such peer competitors might emerge were thought to be Europe (Germany) and Asia (Japan); as an Atlantic as well as an Asian Pacific power, the United States sought to maintain its military preponderance and political influence in both regions. Far from retrenching, the United States encouraged the expansion of NATO in Europe, and consolidated its bilateral alliances in Asia. All five of America’s Asian military allies were upgraded to the status of Major Non-NATO ally: Australia, Japan, and South Korea in 1989; Thailand and the Philippines in 2003. The 1997 review of the guidelines on US-Japan Defense Cooperation specified Japan’s expanded security role in “the areas surrounding Japan” and was widely seen as a successful attempt at renewing and reinforcing the US-Japan military relationship. The latter was further strengthened by the George W. Bush administration’s Defense Policy Review Initiative (DPRI). The Bush administration was also proactive in encouraging US allies and partners in Asia—in particular Japan, Australia, and India—to deepen their political-military cooperation, with or without the United States (Twining 2007, 87–88; see also chapter 38).

The Obama administration's rebalancing or pivot back to Asia in 2011 merely reaffirms this conviction on the part of US policymakers that Asia is critical to its security and the method of ensuring US security is maintaining primacy (Clinton 2011; Bader 2012). In a sense, the pivot appears to suggest that the United States has been distracted by the wars in Iraq and Afghanistan, and that as it retrenches from the Middle East it will refocus on Asia. In the future, 60 percent of the US naval power projection will be in Asia. So, while it is not certain what the unipolar structure of world politics implies for the US position in Asia, one can more easily infer that America's conception of itself as an Asian Pacific power is enough for it to maintain its military presence in Asia, in contrast to analyses that predicted it would retrench from the region.

5.4. EXPLAINING THE PAUCITY OF ASIAN COUNTERBALANCING

If the United States is indeed militarily preponderant in Asia and intends to maintain this condition, a second puzzle arises: why are so few nations in Asia resisting this primacy? Balance-of-power theory would expect many to augment their own hard power and to form alliances—formal or informal—to balance the power of the United States, so that it will not be able to “lay down the law for all” in Asia. Yet counterbalancing against the United States is scarcely occurring. The post-Cold War military expenditures of the ASEAN states that are not US allies show an upward trajectory, but they are primarily explained by military modernization, made possible by economic growth, worries about immediate neighbors, and, to an extent, China. If anything, ASEAN has been at the forefront of embedding US military power in the region (see Goh's chapter). After initial apprehensions in the early 1990s, the US-Japan security relationship has been strengthened through revision of the guidelines and Japan's greater willingness to allow its Self-Defense Forces to play supporting but noncombat roles in US or UN-led regime change or peace-building operations. In recent times, Japan's strategic worries have focused on North Korea, China, and Russia (Defense of Japan 2012; Hughes 2009).

As China's political and economic influence is on the ascendancy, it would have reason to balance American power in Asia. However, the consensus is that China is choosing not to do so. China is modernizing militarily: it is developing technologies and capabilities that will allow it asymmetric advantages in its neighborhood. But these capabilities are focused primarily on deterring the United States in the event of conflict with Taiwan and not on challenging the US role and military presence in Asia. China is militarily sufficiently far behind the United States and Japan that it will be several decades before its “internal balancing” can hope to approximate US—not to mention its allies'—military prowess.

China remains reluctant or unable to form coalitions in Asia to counter the preponderance of the United States. With the exception of Laos, Cambodia, and Myanmar, the members of ASEAN are either military allies of the United States or are more closely aligned with the United States than with China in military-security terms. The Shanghai Cooperation Organization (SCO) has been seen by some as a potential focal point for a China-Russia initiative to balance US power in Central Asia. Balancing the United States is not high on the agenda of the SCO, in part because China and Russia are competing to influence the Central Asian members and in part because mutual trust among Central Asian states such as Kazakhstan and Uzbekistan remains low (Olcott 2008, 236, 249; see also chapter 25). Moreover, most of the Central Asian states prefer to focus on their role in the Organization for Security and Co-operation in Europe (OSCE), suggesting an interest in diversifying their strategic links westward instead of exclusively concentrating on the East.

5.4.1. Threat Perception: History, Geography, and Ideology

An understanding of why virtually no countercoalition against the United States is being undertaken will need to consider threat perceptions (Walt 1987). Threat perceptions are not simply a function of aggregate power; if they were, Asian states would see the United States as a threat and balance against it. In Asia, history, geography, and ideology are especially salient in constructing or assessing threat. Where a neighbor has attacked and/or subjugated another (as Japan has Korea, China, and much of Southeast Asia), where a state with revolutionary ideology has attempted to spread that ideology (as Mao's "wars of national liberation" convulsed the new states of Southeast Asia), or where a state has displayed hegemonic ambitions (as Japan did before World War II and Indonesia did in the 1960s)—these historical legacies play a crucial role in the way threats are assessed.

Thus memories of Japanese imperialism in Asia go a long way in explaining why strategic trust of Japan tends to be low. The fact that Japan has been reluctant to own up to its actions during World War II adds to the distrust. That is a major reason why most in Asia—including China—view the US presence as playing a stabilizing role. The US-Japan alliance reassures Japan and perpetuates the condition by which Japan renounces force as an instrument of policy. Put differently, the US presence and the US-Japan alliance reassure Japan and restrain it from becoming too "normal." A "normal" Japan, that is, one that incorporates military force as an instrument of foreign policy, will evoke memories of Japan's imperial past in Asia—especially in China—and be perceived as a strategic threat. Similarly, the founding members of the Association of Southeast Asian Nations (ASEAN)—Thailand, Malaysia, Singapore, Indonesia, and the Philippines—saw China as a threat during the Cold War because of the latter's support for domestic Communist insurgents within their borders. These ASEAN states were very much aligned with the United States during the Cold War, and this remains true even in its aftermath.

For historical, ideological, and geographical reasons—all unit-level factors—the United States is therefore generally perceived in Asia as the least threatening power in the region. It is for this reason that there are almost no sustained attempts to balance US power in the region. The general preference is for US military preponderance and hegemony to continue, in large part because of the assumption that it is this that encourages peace and stability; this situation at least appears to be the experience of the Asian countries since the 1980s. Their frequent invocations of the “balance of power” notwithstanding, the majority of Asian nations assume that American hegemony undergirds the stability of the region. Memories of the 1950s and 1960s may be especially pertinent here: when American hegemony was challenged in Korea and Vietnam, Northeast and Southeast Asia became engulfed in war.

5.4.2. Leadership and Leadership Change

One FPA variable that has been difficult to incorporate systematically into the literature is the role of leadership and leadership changes, and their impact on the stability of the region. Yet it is one factor that is likely to exert substantial impact on potential flashpoints in Asia. For example, the importance of leadership for the texture of international relations of the region can be seen in the difference between Indonesian presidents Sukarno and Suharto. With Sukarno at the helm, Indonesians were mobilized to oppose the creation of Malaysia, and a military campaign was launched against Malaysia and Singapore. In the 1960s Suharto, who deposed Sukarno, rebuilt relations with Malaysia and Singapore, helped to found ASEAN, and worked to preserve and maintain regional relations. More recently, mercurial North Korean leaders have raised tensions in Northeast Asia periodically by conducting nuclear tests, firing test missiles, and threatening war.

The importance of leadership—the individuals in power and their foreign policy visions/priorities—is also evident in the last twenty years of China-Taiwan-US interactions on the Taiwanese independence issue. Presidents Lee Teng-hui (1996–2000) and Chen Shui-bian (2000–2008) supported moves that brought Taiwan closer to *de jure* independence; these moves, such as Lee’s visit to Cornell University in 1995, generated tense cross-straits relations, which in turn embroiled the United States (Ross 2000). In this particular instance, China was sufficiently alarmed or angered by Lee’s policies that it sought to intimidate Taiwan by firing missiles under the guise of military exercises in the vicinity of Taiwan. The Clinton administration responded by sending two aircraft carrier groups toward the Taiwan Strait to deter China. Much to the region’s and America’s relief, the switch in leadership from Chen Shui-bian to Ma Ying-jeou in 2008 has allowed Taiwan to demote the significance of the issue of independence. In contrast to his predecessors, President Ma has pursued a strategy of rapprochement *vis-à-vis* China, resulting in improved relations, such that he could claim in 2010 that “the risk to the United States of a conflict between China and Taiwan is the lowest in 60 years” (CNN 2010). This demonstrates that different leaders can make a difference to

the peace and stability of the region. As we shall see, that leaders can make a difference is also part of the story of economic dynamism.

5.5. FPA AND ECONOMIC DYNAMISM IN ASIA

It is the FPA variables, rather than international structure, that do the heavy lifting when it comes to solving the puzzles mentioned above and in explaining Asia's relative peace and stability. If it is accepted that this is the case, how do the two approaches fare when it comes to explaining Asia's economic dynamism? At first glance it would appear that international economic structure—conceived as the “rules of the game” as dictated by the international trading and financial institutions—constitutes a reasonably effective explanation for Asia's strong economic growth and dynamism. These rules find expression in neoliberal theories of the international economy and they are also well represented in the Washington Consensus (Rodrik 2007; Wade 2011).

The basic premise of neoliberal theory is that in addition to security, states seek wealth, and that—in the Western world at least—an emphasis on the offerings and opportunities provided by the market economy is the best strategy to securing wealth. While competition in the security arena tends to be associated with conflict, competition in the economic arena is considered healthy because it leads to more efficient firms and cheaper products. To begin with, global economic institutions already exist, such as the World Trade Organization (and its predecessor GATT), the World Bank, the International Monetary Fund, and the Organization for Economic Cooperation and Development (OECD); those who wish to join these clubs would have to function according to the established rules of these institutions. The key rule, best exemplified by the Washington Consensus, is for countries to open up their markets and to abjure protectionist trade policies (Siebert 2009, 75), thereby permitting the global capitalist market to shape a country's production, trade, and investment profiles. For example, in trade, the GATT/WTO requires its members to lower trade barriers in the name of benefiting from the international division of labor.

As suggested by neoliberal economics, promarket reforms were indeed the first steps that the Asian tiger economies took. Beginning with Japan in the 1950s, successive Asian states plugged themselves into the capitalist world economy, opened their markets, pursued export-led growth, and competed for foreign investment. In other words, they seem to have acted in accordance with the rules dictated by Western global economic institutions. Virtually all who made the effort achieved impressive economic growth, with the most spectacular—China—achieving 10 percent GDP growth for more than two decades. International economic structure appears to ensure wealth development in a far more direct and immediate way than international political structure, judging by its ability to explain outcomes in its domain.

While there is an element of truth in the above narrative of the sources of Asian economic growth and dynamism, it also exposes a number of puzzles. Why did it occur in Asia, but not in Africa, Latin America, and the Middle East? After all, the rules of the global economy were exactly that: global rules for all who want to prosper. Why did the majority of East Asian nations manage to secure and sustain high economic growth whereas other developing regions did not? The literature in development economics and international political economy addresses this question (Phillips 2011); for our purposes, however, it suffices to say that choices made by leaders in the different regions made all the difference.

The second puzzle is whether the Asian states achieved success by subscribing to, or subverting, the rules of the international economic game. The consensus is that they were selective in terms of which rules to follow and that they improvised and adopted strategies—usually at variance with those recommended—to maximize their competitiveness. The common element essential to solving both puzzles is the centrality of choice. Choice always involves decision-makers, the decision-making process, and institutional contexts, that is, FPA.

5.5.1. Ideology and Strategic/Economic Alignments in Asia

In retrospect, it appears obvious that Asia's "capitalist roaders" have been extremely successful in generating national economic growth and increasing per capita income, initiating the economic dynamism we see today. The basic but critical choice, founded primarily on political ideology, was between anti-Communism and Communism/socialism as the most appropriate way to organize political-economic life. As detailed in the above analysis of peace and security, Japan, South Korea, Taiwan, and the original five ASEAN countries were anti-Communist and regarded the United States and Western Europe as their natural economic and strategic partners. Others in the region chose differently: Indochina and Central Asia followed Chinese-Soviet models of political organization and economic development, while India's market remained protected for much of the Cold War.

In general, nations that conformed to the open capitalist model of the United States and Western Europe have performed well economically, whereas nations aligning themselves with socialist models have lagged behind. Hence in seeking to understand Asia's economic trajectory, it is helpful to begin by considering crucial initial choices made by political elites during the Cold War. Those choices would have far-reaching political, strategic, and economic consequences. International political or economic structure is unable to indicate which path a given Asian country will choose. Bipolarity suggests that it is difficult to remain neutral, but it offers few clues as to which superpower a country should align with. It is the ideological predispositions of the ruling elites, thought of simply as procapitalist or prosocialist/communist, that mattered most. This analysis also suggests that it is possible for stagnant socialist nations to recover economically if they alter their economic ideology. China's

post-1978 “capitalism with socialist characteristics,” India’s promarket reforms in the 1990s, Indochina’s “economic renovation,” and even Russia’s and Central Asia’s absorption into the global capitalist economy have generated economic growth on a scale that eluded them when they adhered to socialist economic preferences.

For most in Asia, however, sharing the sentiments of market economy capitalism did not necessitate adherence to all of its rules. Consider Japan as an example. With its political and economic systems shaped by the United States in the post-World War II years, Japan’s integration into the US-led world capitalist system was a foregone conclusion. Yet what most analysts have observed is that despite being under the tutelage of the United States, Japan did not adopt a *laissez-faire* approach to economics (see chapter 8). The Ministry of International Trade and Industry (MITI) selected which sectors of the economy to protect and which ones to open to market competition. Japan is seen as the archetypal “developmental state,” and most of the Asian states—though not all, Hong Kong being the notable exception—that followed Japan have also adopted an industrial policy approach to economic development (Johnson 1982; Haggard 1990). That is, while they apprehended the necessity of joining the world economy, they were equally convinced of the need to retain control of the sectors to be exposed or protected. Political economists have argued that while such industrial targeting does not always succeed, it has, in general, served the Asian economies well (Wade 2011).

To a considerable extent South Korea and Taiwan “mirrored” Japan’s economic strategy (Rodrik 2011, 147). Both possessed governments that were single-minded about economic growth for domestic political as well as geopolitical reasons (Doner, Ritchie, and Slater 2005). Strong economic growth enhanced the political legitimacy of the South Korean and Taiwanese governments; it also provided the moral and material bases for them to counter threats of being absorbed by North Korea and China. South Korea’s and Taiwan’s predominant economic objective took the shape of increasing their “industrial capabilities and [fostering] a strong manufactured base” (Rodrik 2011, 147; see also chapter 11). Private enterprise was encouraged and facilitated by the state. Both governments also fostered “priority sectors” for their economies by providing subsidized loans (South Korea) or tax incentives (Taiwan) to favored sectors. These selected infant industries were protected from foreign competition while being “goaded [by the state] to export from day one.” The point is that like Japan, Korea and Taiwan were selective in determining the sectors they opened up to the ravages of the market economy; they backed critical industries prior to permitting open trade and ensured they were poised for export-led growth. The key to their success—a formula followed later by China—was to encourage experimentation, to innovate, and to pace national industry while responding to the pressures of liberalization (Rodrik 2011, 148–49).

In other words, while the international economic system does pressure states to open up their markets, devise investment-friendly policies, and back exchange rate convertibility, and while the high-growth Asian countries have generally moved in accord with these dictates, their policymakers have also sought to control the timing, pace, and scope of their liberalization actions. Protecting infant industries until they are

strong enough to compete, determining when to free up interest rates, and timing one's ascension to the WTO, are all policy decisions that point to the significance of agency to the foreign economic policy of these Asian countries.

5.5.2. Leadership

The analysis of Asia's economic dynamism would not be complete without discussion of the role of leaders and leadership. Although forward-looking bureaucrats pursuing growth-orientated strategies are crucial, they are only able to perform their roles because of political decisions made at the highest levels. In the case of Japan, South Korea, Taiwan, and the original ASEAN-5, the decision to pursue capitalist growth and all that it entailed was unproblematic largely because the political elites running those countries were ideologically anti-Communist, which also meant that the United States and the West were their accepted political-economic allies. This was especially true during the Cold War. For China and India, however, communist and socialist ideology respectively prevented their full integration into the global capitalist economy. Both nations were required to shed substantial chunks of their ideological precepts before they could partake in and reap the benefits of the global economy.

Imagine a world in which, instead of jettisoning them, Deng Xiaoping and Manmohan Singh had retained the economic models they inherited: would we be debating the rise of China and India and their implications for world politics today? It is unlikely. Researchers would be debating why the two geographic giants of Asia remained economic backwaters, the implications for their domestic stability, and possible external repercussions. Deng's and Singh's decisions to open up China's and India's economies in the late 1970s and early 1990s respectively ushered in a period of rapid growth such that today their economic, political, and military influence inform all discussions of the international relations not just of Asia, but of the world. Two domestic decisions, made possible by leadership changes in China and India, and driven by the need for domestic political legitimacy, would alter the contours of world politics.

The factors that nudge China and India in the direction of market reforms are well known, but what needs to be emphasized are the roles of Deng Xiaoping and Manmohan Singh in making the final decisions—often over formidable opposition—to initiate market reform. In China's case, it has much to do with Deng's conviction that his country was economically backward; one of his first actions upon returning to power in the late 1970s was to embark on study tours of the capitalist countries. In 1978, for example, thirteen officials of vice premier rank embarked on twenty study trips, visiting fifty countries (Vogel 2011, 218). Deng's own tour of Thailand, Malaysia, and Singapore persuaded him that China could catch up with the global economy without domestic political liberalization.

In the case of India, analysts often point to the economic shocks of the 1980s in convincing Indian prime minister P.V. Narasimha Rao and his able finance minister,

Manmohan Singh, to liberalize India's economy. An Oxford-trained economist, Singh did not need the 1987 crisis to convince him of the advantages of a more open economy; the crisis allowed him to win political debate on the matter. Since then, India has made impressive progress, securing 6–7 percent growth per annum in most of the last twenty years. While India is undoubtedly moving toward economic openness, domestic politics and ideology have frequently halted and on occasion reversed policies that economic officials had considered settled and in the long-term interest of the country (see also chapter 10).

Deng's and Singh's decisions to reinsert their countries into the world economy and adopt selected market-friendly economic policies will probably rank as two of the most important decisions of the last half-century. To be sure, their decision has just as much to do with the need to secure domestic political legitimacy—with globalization and the revolution in communications, leaders who fail to respond to the aspirations of their citizenry will have difficulty legitimating their power. By choosing to join the capitalist world economy, they transformed their countries from lethargic giants into economic juggernauts. If not for these transformational leaders and their decisions, scholars and practitioners of international relations would not be fussing about rising powers and their implications for world peace and prosperity. Leadership and political legitimacy, in other words, matter.

5.6. CHALLENGES OF THE FPA APPROACH

If we have succeeded in making a case for FPA's ability to address important puzzles about Asia's international relations that have confounded structural IR theory, it is appropriate also to point to some challenges that confront the FPA analyst. The first challenge concerns an embarrassment of riches: there are numerous unit-level variables clamoring for the attention of the FPA analyst. In this chapter, I have focused on threat perception, identity, ideology, and leadership as FPA variables that can help us to understand the foreign policy choices of key actors, and in so doing, enable us to explain the relative peace, stability, and economic dynamism of the region.

Those are of course not the only relevant unit-level variables. One can easily think of a host of others: regime type, strategic culture, interest groups, executive-legislative interactions, and, operational codes, that may be relevant to explaining the foreign policies of Asian states. Some of these concepts or theories of foreign policy are better specified than others, and some are more relevant to certain kinds of politics, so the analyst has to exercise judgment in identifying those that are most relevant to a specific problem. FPA approaches tend to be less parsimonious than the main IR theories in their specification of the key causal variables. For instance, neorealists need only ascertain the ordering principle (e.g., anarchy) and from this derive the logic (self-help) that drives states (balance of power). But this theoretical elegance and parsimony comes at a price: it often gets things wrong—such as the absence of balancing in the wake of

hegemony—and it raises as many puzzles as it solves. Moreover, as puzzles and anomalies accumulate, the original theory morphs or proliferates into other forms, such as defensive realism, offensive realism, neoclassical realism, and so on, leading some scholars to conclude that realism is a degenerate research program (Vasquez 1997).

A second challenge concerns the lack of archival data. Whatever theories or variables an analysis of country X begins with, FPA is very much about tracing the fate of these variables in the decision-making process. To do that, good data is required. Few Asian countries have adopted the official document declassification process found in US presidential libraries or the National Archives of countries like Britain and Australia. The general absence of declassified records means that it is difficult for scholars of Asian foreign policy to produce accounts of major decisions with the detail found in works analyzing US or French decision-making. This in turn makes it difficult to test theories. Formidable challenges confront the FPA scholar who wants to capture the foreign policy dynamics, past or present, of China or India, not to mention North Korea or Myanmar. While interviews with policymakers, perhaps supplemented by public documents and reports, can go some way in producing adequate first cut accounts of the history of certain decisions, they are not a substitute for accounts based on records of decision-making meetings. To be sure, the latter may be scripted, or the decision may have already been reached before the meeting, but even then, the advantage is held by those who have seen the documents and are thus able to judge their relevance in the context of existing understandings of the decision.

The data challenge, however, is not insurmountable. Important works based in part on the available archival sources have enhanced our understanding, for example, of Mao's decision-making during the Korean War (Chen 2001), the role of ideology in the Sino-Soviet split (Luthi 2008), and the diverse perspectives of Southeast Asian countries on the Vietnam War (Ang 2010). Luthi's study of the Sino-Soviet split was explicit regarding the challenges in accessing Chinese and Russian central archives; he had some success, however, with Chinese provincial archives, which contained transcripts of selected Politburo meetings; he also consulted archives in Germany and Poland for transcripts of meetings with Chinese and Soviet leaders, allowing him to support his analysis with more documentation than is usual. In a similar vein, Ang's analysis of Southeast Asian responses to the Vietnam War made use of American, British, and Australian archives—in particular, transcripts of conversations of Southeast Asian leaders with their counterparts in those countries—to arrive at a better-documented and more nuanced picture of Southeast Asia's reactions to the US intervention in, and withdrawal from Vietnam.

5.7. CONCLUSION

For too long, FPA scholars have ceded ground to structural IR theories' mantra that it is impossible to explain international outcomes by reference to unit-level factors.

This chapter has suggested that structural IR theories such as neorealism and neoliberalism are less capable than FPA theories in explaining Asia's relative peace and economic dynamism of the last twenty years; it has been argued that FPA variables such as political ideology, threat perceptions, and leadership take us closer to understanding those outcomes. This approach attributes to the role of agency and choice a greater significance than structure, not only in explaining the foreign policies of individual states, but also in explaining international outcomes such as peace and economic dynamism. It is in basic agreement with Alastair Iain Johnston's observation that "It is hard to see how a balancing outcome would be produced if most of the major actors in the system refused to balance" (1998, 58). Which seems to describe the situation in Asia: most of the major actors are not counterbalancing the United States for the reasons discussed above. By countenancing US hegemony, Asia has reinforced a major "pathway" to achieving stability or "security order" (Alagappa 2003; see also chapter 24).

It is useful to end this analysis by speculating on a question that so far has intentionally been bracketed: the interactive effects of the two outcomes examined in this chapter. Relative peace and economic dynamism should exhibit mutually reinforcing effects. Liberal theory suggests that by benefiting nations through interstate trade and investment, economic interdependence—a force behind Asia's economic dynamism—creates incentives for states to avoid military conflict (see chapter 3). The logic is compelling up to a point. States that have been achieving high economic growth rates have done so against a backdrop of relative peace and stability. The consequent improvement in material well-being incentivizes Asia's policymakers to avoid policies that threaten peace and stability, thereby encouraging a virtuous cycle. However, it would be unwise to assume that relative peace and economic dynamism are always mutually reinforcing. Sustained economic growth has also allowed many in Asia to embark on military modernization as a means of increasing their political clout; greater political clout, in turn, has heightened nationalism as well as a sense of regional entitlement among the great powers of the region. Perhaps that is why many in the region welcome the "rebalancing back" to Asia policy of the Obama administration. Never mind that the United States never really left and in fact, remains the preponderant power. A strong U.S. military and economic presence, it is assumed, will keep the ambitions of the rising powers in check, while ensuring that the other Asian states will not be entirely dependent on the resident economic juggernauts for their continued prosperity and security.

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CHAPTER 6

THE INTERNATIONAL SOCIETY APPROACH AND ASIA

BARRY BUZAN

6.1. INTRODUCTION

This chapter surveys the literature on “international society” in Asia to determine what insights it offers regarding past patterns and future trajectories in the region, and how Asia relates to the West. International society is the main concept of the English School. It draws attention to the way in which states not only form international systems in which they interact mechanically, but also form international societies defined by deep social practices, or “primary institutions,” such as sovereignty, territoriality, war, the balance of power, nationalism, the market, diplomacy, and international law. The English School has its roots in history and political theory, and is also concerned with how the society of states interacts normatively and politically with the “world society” of humankind as a whole and the nonstate actors of global civil society (Bull 1977; Buzan 2004; Hurrell 2007).

International society is not merely an external perspective used to construct a distinctive analysis of Asia. Increasingly, the English School is becoming an established approach within the academic literatures of Asian IR. The main interest has been in China, where there is now considerable literature that cannot be outlined fully here.¹ A body of Chinese writing exists concerning the English School (X. Zhang 2010), as do external analyses of Chinese thinking about IR that incorporate the English School (Y. Zhang 2003; Lynch 2009). There is also use of the English School perspective to analyze contemporary international relations and Chinese policy (Pan 2008; X. Zhang 2011). The English School serves as a foil for those interested in construction of a Chinese School of IR (Qin 2005). Similar, but smaller studies can be found in Korean (Jang 2008; Nam 2008; Shin 2008; Sohn 2008) and Japanese (Hosoya 1998; Katano 1998; Nagao et al. 2000; Suganami 2002; Udagawa 2005; Sakai 2008; Ikeda 2009).² There is also a modest number of English School studies from India (Rana 1993; Bajpai 1997, 2003).

This chapter concerns both local international societies in Asia and the relationship between Asian states and peoples with what is called *Western-global* international society. It is therefore mainly interested in two distinct issues: states, and what Asian history and contemporary international relations look like in an English School perspective. Inherent in the term *Western-global* is a specific stance regarding the understanding of international society and how to deal with the distinction between regional and global levels; the idea that there is a global-level international society dominates much English School literature. It rests on the view that this international society resulted from the expansion of European interests to a global scale, with decolonization producing a set of states that were homogeneous in the sense of being sovereign equals. The price of independence—or for those not colonized, the price of being accepted as equals by the West—was adoption of Western political forms and acceptance of the basic primary institutions of Western international society. The perspective of this chapter accommodates a postcolonial view, seeing the outcome not so much as a globally homogeneous—if thin—social structure, but rather as a center-periphery structure. This structure retains a dominant Western core surrounded by postcolonial regional international societies that exhibit varying degrees of differentiation from, and subordination to, that core. This perspective retains a thin global international society based on genuinely shared primary institutions, mostly of Western origin. But variations on how these institutions practice political and security relations—most notably through sovereignty and nonintervention—plus the continued projection of contested Western values—human rights, democracy, the market, environmental stewardship—onto the rest of the world creates considerable scope for differentiation between the West and the rest.

This view of international society is therefore in part genuinely global, because there is a significant core of shared institutions, but also partly hegemonic, because it was created mainly by the West, and Western values are still projected strongly onto it. It leaves room for regional social structures such as those found in Europe, Latin America, and the Middle East. It repositions the global in relation to the regional levels, and deprivileges the West by making it different from the global. Regional variations are not necessarily or even probably aimed at asserting an alternative universalism to the Western-global order, and in that sense they are not comparable to the Cold War, which concerned exactly such an alternative universalism. Rather, regional variations reflect a mix of acceptance of some Western-global institutions with resistance to—or modification of—others. They assert a degree of cultural and political—and to a lesser extent, economic—distinctiveness, and create a degree of second-order pluralism within international society. Introducing a degree of skepticism regarding “the global” in this way changes the perspective of how the regional and the global levels of international society interact and reproduce themselves.

This analysis is divided into three phases. First is the pre-encounter period, where the focus is on indigenous forms of international society. Second is the encounter period, during which local polities and their international societies confront an expanding Western-global international society and its “standard of civilization.” Third is the

post-decolonization period, in which entry into Western-global international society becomes available to a large proportion of the population. If this scheme appears as too West-centric, that is because the West has broadly set the terms for the game of international society over the last two centuries (for related ideas, see chapter 7). Hence use of the term *Western-global*.

This chapter will reflect the imbalance of English School literature in its application to different regions of Asia: research is rich on East Asia, thin on South Asia, and non-existent on Central Asia. The study of international society in both South and Central Asia before the encounter with Europe has attracted almost no interest, whereas the pre-encounter Sino-centric international society in East Asia is an increasingly popular subject of study. The imbalance is explicable during the encounter period because the large states in Northeast Asia were not colonized and therefore maintained an independent story of aspiring to meet the “standard of civilization” in order to gain entry into Western-global international society. By contrast, South Asia was colonized, which meant that it was excluded from the classical international society approach because it was subsumed under British sovereignty. Postindependence there has been minimal interest in regional international society in South Asia, and little inclination to differentiate South Asia from the Third World when considering global-level international society. Again by contrast, there is growing interest in the idea of a distinctive East Asian regional international society, and—particularly in relation to China—interest in what might be thought of as the ongoing encounter of China, and to a lesser extent Japan, with Western-global international society.

6.2. THE PRE-ENCOUNTER PERIOD

The pre-encounter period addresses the indigenous forms of international society that evolved in Asia before the Western intrusion overwhelmed them. No comprehensive work addresses this issue for South or Central Asia, and as a consequence there is substantial research opportunity on this topic.

On East Asia, by contrast, there is growing coverage of the premodern Sino-centric international society (Watson 1992; Y. Zhang 2001; Suzuki 2009; F. Zhang 2009, forthcoming; Zhang and Buzan 2012), and also a long-standing related interest in “Confucian civilization” (Fairbank 1968; Huntington 1996; Kang 2003, 2003–4, 2005, 2010). The literature that looks at East Asian history in terms of indigenous international societies is split into two distinct strands. The first strand, in line with most Western IR literature dealing with Chinese history, places disproportionate emphasis on the warring states period (770–221 B.C.) during which China was a self-contained international system along the anarchic lines more typical of European history. Watson (1992, 85–93) and Yongjin Zhang (2001) investigate the institutions of international society during the warring states period, identifying sovereignty, diplomacy, balance of power, and elements of international law in rituals. However, Watson (1992,

88) sees a tendency of Chinese warring states to bandwagon rather than to balance. Hui (2005, 18) goes so far as to deny the existence of international society in warring states in China because there were virtually no restraints on ruthless behavior and the use of force. This strand contemplates a system of states within China during a period which ends in 221 B.C. with imperial unification. It predates international society in East Asia, but nonetheless provides a useful comparison for other premodern anarchic state systems.

The tone for the second strand is set by Fairbank (1968, 1–6) with the idea of a “Chinese world order” in which a relatively seamless spectrum existed, from the carefully structured Confucian hierarchy and its processes of legitimation within China, to a similarly structured hierarchical order between China and its East Asian neighbors. After the waxing and waning of the warring states period, the Chinese world order system endured for two millennia up to the late nineteenth century. Given the relative insulation of Northeast Asia from the other centers of civilization in the classical world, this international society was an almost entirely pristine indigenous formation. Watson (1992, 85–93) sees mainly imperial centralization and minimal international society, but this view is increasingly contested. China was certainly a unipole at the center of a suzerain system, but as Gong (1984a, 130–36) emphasizes, one needs to think of this suzerainty not mainly in power terms, but primarily as a cultural, civilizational order. Feng Zhan (forthcoming) argues that “suzerainty” in the Sino-centric international society did not involve extensive Chinese control over the foreign policies of its “vassals.” Yongjin Zhang (2001, 51–57; see also Zhang and Buzan 2012) sees this Sino-centric order more as a layered form of international society with the tribute system as the key institution of its core. Suzuki (2009, 34–46, 66–78) generally supports this view, emphasizing its Confucian qualities of order, harmony, and stability, the depth of belief that sustained it, and related institutions and practices of war, balance of power, and diplomacy. Feng Zhang (2009, forthcoming) questions the monolithic view of the tribute system as the key institution of this society, emphasizing the considerable variation in practice contingent on shifts in the distribution of power, and seeing room also for war and the balance of power as institutions. Although not writing from an English School perspective, Paine (2003, 257, 306, 349–51 n. 43) can be read as arguing that “face” was another key institution of this Sino-centric international society.

One problem in thinking about international society in the context of hierarchical orders is that the English School has focused mainly on international societies close to the anarchic end of Watson’s (1992, 13–18) spectrum, which ranges from anarchy, through hegemony, suzerainty and dominion, to empire. It could be argued that the concept of international society is only relevant for the anarchic end of the spectrum because hierarchy removes the multiactor condition required for a society. The issue of hegemony and international society is being increasingly addressed in the English School literature (Watson 1992, 299–309, 319–25; 1997; Gong 1984a, 7–21; Clark 1989, 2009, 2011a, 2011b; Dunne 2003; Hurrell 2007, esp. 13, 35–36, 63–65, 71, 111–14; see also Goh 2008). Watson’s spectrum, the analysis of classical empires by Buzan and Little (2000, 176–88), and Clark’s construction of hegemony as an institution of international

society suggest that there is considerable room for international society toward the hierarchical end of Watson's spectrum. East Asian history is thus feeding into the development of English School theory as a case of a distinctly non-Western form of international society.

This Chinese suzerain order, like the anarchic European one that destroyed it, was also based on the logic of "standard of civilization." Just as for European international society, there was a civilized group of insiders—in this case Confucian rather than Christian—that accepted a shared set of primary institutions, and a barbaric group of outsiders that might be converted to civilized, that is, Sinicized ways (Y. Zhang 2001, 55–56; Suzuki 2009, 55). The Chinese order operated within a hierarchical belief system in which a given state—usually China, although sometimes Vietnam or Japan (see F. Zhang, forthcoming)—was the suzerain and the core of high civilization, whereas the European system relied more heavily on the principle of sovereign equality, even though there was continuous contestation for hegemony within Europe. China's barbarians were sometimes powerful enough to defeat and conquer China, though generally becoming Sinicized when they did so.

This Chinese order was comprehensively destroyed during the nineteenth century. Like a number of other classical empires, such as Rome and Byzantium, China considered itself not just to be the center of a local cultural system, but the center of civilization: the Middle Kingdom. As Paine (2003, 336) succinctly observes: "Only in the late nineteenth century did the Chinese learn that civilization had a plural."

6.3. THE ENCOUNTER PERIOD

South Asia is again conspicuous by its absence from the English School literature covering this period. Gillard (1984) mentions India briefly as a system of warring states existing after the breakup of the Mughal Empire. His general view is that the Asian states and systems were both too slow to adapt to European international society, and too weak to resist it. Once Britain took control of South Asia, the region disappears from the international society story until decolonization. Central Asia was mainly absorbed by Russia and as a consequence was excluded from the international society perspective.

When Europeans first arrived in Asia during the late fifteenth century, they were new players in the long-established Indian Ocean trading system, initially participating as no more than equals and sometimes, especially in Northeast Asia, as inferiors (Little 2004). They did not become dominant over the other major players in the Indian Ocean until the late eighteenth century, and not in East Asia until the mid-nineteenth century. But despite inroads secured by European Christians and merchants, China and Japan placed effective restrictions on European rights of access to their economies and societies. China was able to maintain its own trading system up until 1840, and Japan until 1853, at which points both acceded to Western penetration in the face of

superior military force. For more than three centuries after direct and regular contact was initiated during the sixteenth century, the major powers of East Asia were able effectively to resist domination by European international society, and to maintain their own domestic and international institutions. This long first phase of the encounter story, in which Europeans were obliged to adapt to Asian practices rather than the other way around, has as yet received relatively little attention in the English School literature (one exception is Gong 1984, 130–36). This early phase is perhaps better seen as a long-range encounter between two regional international societies than as a global-regional encounter.

It was only during the middle of the nineteenth century—when Western power had become greatly enhanced by the technological and social fruits of the Industrial Revolution—that the serious encounter between the major East Asian states and Western-global international society began. By this time the West was rapidly becoming globally dominant. During this period the Southeast Asian states were for the most part reduced to colonial status. But even in the face of overwhelming European power, both China and Japan managed to resist being colonized, partly because the Europeans preferred to dominate states rather than incur the costs of occupation. The destruction of the Sino-centric international society in East Asia receives more attention than its long existence (Gong 1984a, 1984b). Yongjin Zhang (2001, 58–63) shows how it was completely overthrown by the Western intrusion into East Asia during the nineteenth century. Suzuki (2009, 46–55, 148–76; forthcoming) examines the contestations for “middle kingdom” status within it, and at its eventual destruction by the West and its rising apprentice, Japan. Paine (2003, 5, 297) emphasizes how it was not so much the Western defeats of China that brought down Sino-centric international society, but China’s defeat by Japan in 1894–95. The West could be discounted as a species of powerful barbarians like others in China’s history, outside the Confucian system and as such not an ideational threat to civilization. Japan, however, destroyed the core cultural idea of Chinese suzerainty from within.

The nineteenth-century colonization inflicted on the states of Southeast Asia can be seen as a peripheral part of the West’s defeat of China, and destruction of traditional East Asian international society. Because the English School generally becomes silent once a state or people is incorporated into an empire, Southeast Asia’s part of a formation process of colonization and decolonization largely excludes it from the English School account until decolonization. The one exception is Siam (Thailand), which was penetrated but not colonized, and underwent an encounter process similar to—and influenced by—that of Japan (Gong 1984a, 201–37; Englehart 2010). China and Japan underwent a process of encounter and reform, which makes them prominent in the English School literature.

English School attention focuses on the different ways in which China and Japan responded to the encounter, and how those different responses played into each other. By the middle of the nineteenth century, both countries were threatened not just by the West’s superior military power, but also by its “standard of civilization,” in which they were classified as culturally—and in some versions racially—inferior. Being inferior

in military power and status was both degrading and dangerous during the height of Western imperialism. As Suzuki (2005, 2009, forthcoming) argues, Western international society was two-faced, presenting a more orderly and equal character among its (Western) members, but treating outsiders unequally and coercively. Yet on top of these positional similarities lay an inescapable difference: for China, the encounter with the West offered almost nothing but loss. Apart from being able to gain some new technologies to improve its military strength, Western international society offered China only reduction from its status as the celestial empire to becoming a mere state, and from constituting the core to being part of the periphery (Gong 1984b; Paine 2003, 352). For China, being merely equal to the Western powers was in itself a major fall in status. China's response was thus one of selective and not very successful reforms aimed at restoring its ability to resist the West and maintain its own system (Gong 1984a, 146–57). China wanted modernization without Westernization, yet because of tensions between the Han majority and the Manchu ruling dynasty, even attempts at modernization were half-hearted (Suzuki 2009, 89–113; Paine 2003, 26–32)

For Japan, however, the encounter with the West offered many opportunities. In addition to Western technology, Japan had the potential to gain equality with the Western powers and with China, and to shed its inferior vassal status within the Sino-centric system. Indeed, given the two-tier character of Western international society, of which the Japanese were well aware, Japan possessed the opportunity to make good on its own claim to be the Middle Kingdom in East Asia and to assert its dominance over the region (Suzuki 2005, 2009, 1–33, 46–55). Within Western international society, Japan could seek great power status, detach itself from East Asia, and attempt to colonize it, reproducing in East Asia its own “standard of civilization.” Japan thus responded to the encounter by adopting a rapid and comprehensive modernization program aimed not just at enabling it to match Western military strength, but also at securing for itself acceptance by the West as a “civilized” power (Suganami 1984; Gong 1984b; Suzuki 2009, 114–39; forthcoming). It did this with astonishing speed, undertaking both successful industrialization and major social reform. It also mobilized nationalism (as the Qing dynasty could not undertake in China because of the ethnic differentiation between the Manchu rulers and the Han majority) and took on its own imperialism as a marker of its Western-style modernity (Paine 2003, 80, 89, 95, 128, 205, 240–41, 324–25). By the late nineteenth century this rising power was able to crush China militarily, and to begin replacing China as the core of an East Asian imperial system. Japan first removed itself and then Taiwan from China's sphere, and its assertion of control over Korea destroyed China's remaining tributary relationship (Suzuki 2009, 10). Between the Sino-Japanese war of 1894–95 and the Russo-Japanese one of 1904–5, Japan was accepted by the West as the first non-Western great power.

From the beginning of the twentieth century until the end of the Second World War, the English School's account of East Asia is muted except for following the relationship between Japan and China on the one hand, and Western-global international society on the other. In relation to Western-global international society, both China and Japan were in the position of weak outsiders seeking recognition. They

therefore initially presented themselves as status quo powers attempting to conform to the existing rules of the game sufficiently to become members of the club (Y. Zhang 1991a, 8–16; Gong 1984a, 130–200). This was more difficult before the First World War, when the West was both confident about its “standard of civilization” and able to enforce it. But it became easier after 1919, when Wilsonian principles began to moderate and democratize the standard, and through the League of Nations, which made it increasingly multilateral (Y. Zhang 1991a, 11–12). China, Japan, and Siam began to open embassies in the West during the later decades of the nineteenth century, and they each campaigned against the unequal treaties imposed by the West in respect of extraterritorial rights and tariff controls. Under duress, Japan initially accepted the terms of such treaties, but from 1868 campaigned against them, getting extraterritoriality revoked in the late 1890s, and tariff control removed in 1911 (Gong 1984a, 164–96). Siam secured the removal of extraterritorial rights and tariff controls during the 1920s and 1930s (Gong 1984a, 201–37). China’s campaign against extraterritoriality occurred mainly in the twentieth century, but was continuously thwarted by the high level of disorder in China, and was not successful until 1942–43 (Gong 1984a, 146–63).

There is some argument in the literature concerning exactly when China and Japan became full members of international society (Y. Zhang 1991a). For China, part of the problem was its recurrent domestic instability, and the exploitation of this by both Western powers and, increasingly, Japan, that marked its “century of humiliation.” After its defeat in 1895, China spiraled into decades of fragmentation, civil war, and foreign interventions. It remained on the margins of international society (Y. Zhang 1991b), albeit achieving courtesy recognition as “civilized,” and as a great power, during the Second World War. This recognition was cemented by a permanent seat on the UN Security Council. Japan’s accession was in some ways quicker and less troubled. It was accepted as a legal equal by 1895, and as a great power by 1905. But while outstandingly successful in these ways, it was still not accepted as equal in cultural and racial terms, failing to achieve a commitment to racial equality at the Versailles negotiations in 1919 and suffering discriminatory legislation in the United States (1924) against Japanese immigrants (Gong 1984a, 198–200; Clark 2007, 83–106). During the interwar period, this racial discrimination fed Japan’s long-standing resentment against the West for treating it as “barbarian.” It helped to shift Japan away from its initial status quo entry strategy toward a more revisionist position in which it sought to increase its status by expanding its imperial sphere, first at the expense of China, and then by taking on the Western colonial positions in East Asia (Suzuki 2009, 182). These moves at the global level set the scene for what occurred at the regional level in East Asia during the first half of the twentieth century.

In terms of the overview given so far, the story of international society in East Asia during the period from Japan’s victory in the first Sino-Japanese war (1894–95) to its defeat in the second such war (1931–45), concerns the rise and fall of a Japan-centered imperial system in place of the traditional Sino-centric suzerainty. Japan’s empire was more centralized and militarized than China’s. It was based not on the shared

Confucian civilization that regarded China as the cultural core, but on a transposed version of the Western differentiation between the “civilized” (modern) and “barbarian” (premodern), with Japan as the superior “civilized” power. As Sakai (2008, 236) notes: “in East Asia, ‘international order’ and ‘imperial order’ seemed indivisible.” Japan sought to join the “civilized” inner circle of Western international society on equal terms, and therefore to reproduce in East Asia that society’s colonial policies toward “uncivilized” nonmembers.

Was Japan’s imperial project then merely a subset of the general Western pattern of colonial international society at the global level, the only difference being that Japan was the first non-Western great power to join this club? A case for this interpretation could certainly be made. Since the late nineteenth century there had been calls in Japan to “say goodbye to Asia,” and Japan’s subsequent adoption of its own version of the “civilizing mission” in the region (Paine 2003, 95, 106, 324; Sakai 2008, 235; Suzuki 2009, 140–76) confirms that in identity terms Japan did exclude itself from East Asia so as to adopt a Western-style policy of superiority, domination, and exploitation of its neighbors. On this reading it could be argued that there was no distinctive regional international society in East Asia during this period.

Grounds for an alternative reading can be found in the discourse within Japan regarding its role in the region. The Kyoto School philosophers, with their thinking about “post-white power,” certainly developed a larger conception that differentiated East Asia from the West. They focused on the problem of how the non-West could overcome the West by surpassing the West’s achievements of modernity. This required a national sense of self-mastery, or “mature subjectivity” (*shutaisei*) sufficient to “free their minds of the reactionary values and flawed ideas” that keep them, instead of the West, from running the world (Williams 2004, 11, 18). This thinking played into what became the Greater East-Asia Co-Prosperity Sphere (GEACPS). As Sakai (2008, 242–46) argues, in order to justify its expansionism, and undermine opposition to it during the 1930s, Japan’s discourse turned against nationalism and toward the idea of an East Asian community based on the logic of regional planning for development. But this discourse was split between advocates of Japanese hegemony and advocates of more egalitarian, communitarian approaches to Japan’s neighbors. During the war, these divisions on the GEACPS continued, with the government taking a harsh imperial line, and Kyoto School philosophers developing a more hegemonic concept in which Japan still played the leading role and differentiated itself from its neighbors in terms of status, but nevertheless cultivated legitimacy for its role: co-prosperity needed to be real, not just a cover for self-interested domination and exploitation (Williams 2004, 73–76).

In the event, the imperialists dominated policy, creating a top-down military empire in which the idea of community was largely propaganda. Yet even in its imperial excess, Japan had opened the door to the idea that white power could be broken by Asians, and it did attract some regional allies on this basis. More work needs to be done on this period to fill in the story of international society as it developed at the regional level in East Asia under Japanese hegemony.

6.4. THE POST-DECOLONIZATION PERIOD

After 1947, decolonization brings South Asia back into the discourse of international society. This study is unfamiliar with literature that discusses the formation of a distinctive postcolonial regional international society in South Asia. Such little literature as there is that bears on international society concerns shows how India positions itself in relation to Western-global international society and leadership of the nonaligned movement (Krishna 1984). India always saw itself as a potential great power at the global level, and the global level was where it mainly engaged with international society. Central Asia remained internal to the Soviet Union and therefore did not count as an independent part of international society.

Defeat in 1945 destroyed Japanese imperial society in East Asia, replacing a regional order dominated by a regional power with one dominated by outside powers. East Asia, like Europe, was on the front line of a struggle for the soul of global-level international society. In a series of zero-sum divides along the ceasefire lines the region was split, with some countries politically and geographically divided (China, Korea, Vietnam) and most others having little choice but to take sides between the Communist and Western camps.

Since the Cold War era was also the era of decolonization, it was during this period that East Asia completed restructuring along Western political lines that had been begun earlier by the encounter/reform processes of Japan, China, and Siam. With decolonization, all of East Asia accepted statehood and adopted the institutions of sovereignty, nonintervention, territoriality, diplomacy, and—to an extent—trade, that framed Western-global international society. Following on from the impact of Wilsonianism and the League in easing the “standard of civilization,” the impact of the Second World War transformed Western international society by ending both colonialism and the “standard of civilization” (Armstrong 1993, 158–69; Y. Zhang 1998, 13–15). Almost all states were granted entry regardless of their internal condition, although Communist China remained a major exception.

In 1949 China moved into its revolutionary phase under Mao Zedong. Within a few years of Chinese Nationalist rule, China had joined Western international society on equal terms and been given a permanent seat on the UN Security Council as a great power. The Communist leadership that came to rule the mainland abandoned China’s previous policy of integrating with Western international society and took sides against the West in the Cold War. After briefly aligning with the Soviet project, China set out to become a third pole at the global level, alienated from both the US and the Soviet Union. It was able to use the ideological conflicts in Southeast Asia to re-establish some of its former influence there. As well as situating itself in opposition to Western international society, Communist China was substantially cut out of Western machinery, both because China’s seat at the UN was maintained by the defeated Nationalist government in Taiwan, and because many governments gave diplomatic recognition for China to

the regime in Taipei. Yongjin Zhang (1998) sets out in detail China's encounter with Western international society post-Second World War. He argues that after 1949 there was a two-decade period of "alienation" (not isolation) under Mao, in which US containment of China and China's rejection of the West played into each other. But even during this period, China developed extensive political and economic links, including substantial trade with Japan (Y. Zhang 1998, 27-31).

In the context of the Cold War, external powers divided and penetrated East Asia so deeply as virtually to eliminate its regional level of international society. The splitting of East Asia into Cold War camps meant that there was a severe breakdown of even the most basic institutions: with China, Korea, and Vietnam divided into competing regimes, many of the main players did not accord each other diplomatic recognition. Those within either camp mainly recognized each other and not those in the other camp, meaning that even mainland China was recognized by few of its neighbors. Ideological differences deepened alienation within the region on the basis of Communism versus capitalism (democracy was less of an issue, with most states on both sides being authoritarian). In the event, the US side of this overlay proved to be much more effective and durable than the Soviet one, and remains substantially in place today. China pursued its own course after only a decade in the Soviet camp, and by the 1970s that development began to disclose space for the re-establishment of regional international society in East Asia.

The final instances of decolonization in Southeast Asia in the mid-1960s completed the region's transformation from being one composed of empires to one of sovereign states. This laid the foundations for regional international society more closely resembling the Westphalian system to emerge in East Asia for the first time during the 1970s. Decolonization was a necessary, but not a sufficient, condition for construction of a new international society in East Asia. Three other developments, all interrelated, played crucially into the region's escape from overlay. First was China's break with the Soviet Union and creation of an independent position between the superpowers. Second was the creation of the Association of Southeast Asian Nations (ASEAN) as the nucleus of a local society of states. Third was the winding down of the Cold War from the mid-1980s, and the eventual exit of the Soviet Union from its part of the overlay in East Asia. Beginning in the 1970s, the combined effects of these developments opened the way for postcolonial regional international society in East Asia.

China's split with the Soviet Union began in the late 1950s (Bell 1984). After a tortuous decade of Chinese enmity with both superpowers, this move eventually paved the way for an end to the United States' diplomatic isolation of China in the early 1970s. In the context of their rivalries with the Soviet Union, both the United States and China shifted to more geostrategic and less ideological positions (Y. Zhang 1998, 66-73). This shift helped to repeal China's diplomatic exclusion from international society by the United States at both the global and regional levels. From the 1970s China adopted the state-based discourse of international society and downgraded the class-based discourse of its radical years. The People's Republic regained China's seat at the UN in 1971 and in the same year began the process of diplomatic normalization that culminated

in full diplomatic relations between China and the United States in 1979. This in turn facilitated the restoration of diplomatic relations between China and most of its neighbors. China's re-engagement with international society was further facilitated by its "reform and opening up" policy after 1978, which meant that the country abandoned Maoist economic self-reliance, and embraced engagement with the world economy. This remains the dominant idea in Chinese politics (Legro 2007; see also Shirk's chapter). As China became less alienated and more economically open, and as Soviet influence in the region declined and then evaporated, East Asia was increasingly freed from the constraints of the Cold War.

China's return to engagement with international society was strongly driven by domestic reactions against the extreme radicalism of the Cultural Revolution years during the mid to late 1960s, which not only impoverished the country, but also exposed it to serious security threats (Armstrong 1993, 182–84; Song 2001, 62; Yan 2001, 35). In effect, China abandoned much of its revolutionary resistance to the West (notably, it did so more than a decade before the end of the Cold War), and, in a sense, returned to its pre-1949 project of integrating itself with Western-global international society on the basis of domestic reforms. But the parallel is not exact. In the post-1970s phase, China has been operating from a position of greater strength than was the case pre-1949. In contrast to the first half of the twentieth century, China in its current phase is unified and rising rapidly as an economic power.

From the late 1970s China made economic development its top priority, and deduced from that the need for stability in its international relations, both regionally and globally (Y. Zhang 1998, 102–25, 194–243; Wu 1998; Foot 2001; Qin 2003, 2004). Toward this end, there was an impressively quick shift from Mao's policy of revolutionary rise, deeply antagonistic to the Western-dominated status quo, to Deng's policy of peaceful rise within the status quo. This shift in turn generated a strong linkage between economic growth and the regime security concerns of the Chinese Communist Party about itself (Beeson 2009). Yongjin Zhang (1998, 73–91) sees China from the late 1970s as steadily adapting to international society, and integrating with it, playing the diplomatic apprentice rather than the revolutionary in intergovernmental organizations from 1971 onward, and preferring to engage economically. Not until the 1980s were China's domestic affairs settled enough to allow it to engage politically with international society on a nonrevolutionary basis (Y. Zhang 1998, 91–125). However, China was chasing a moving target, and in danger of becoming alienated again as postmodern developments at the Western-global level such as human rights and "good governance" created a new "standard of civilization," putting pressure on its successful adoption of Westphalian standards and institutions (Foot 2006). Just as in the first round of China's encounter with Western international society, China did not accept the need to Westernize itself completely, but sought to find a stable and workable blend of modernizing reforms and "Chinese characteristics." But while tensions remain between China and the West at the global level, at the regional level China integrated more easily. From the mid to late 1990s, most of its Southeast Asian neighbors developed strong hopes that it would emerge as a "good citizen." After a hesitant start, it integrated with

little difficulty into the regional intergovernmental organizations that have grown up around ASEAN (Beeson 2009, 104), though not without ongoing problems over territorial disputes in the South China Sea (Odgaard 2002) that have served to keep these countries' "hedging strategies" with respect to China in place. It developed good relations with both Koreas, and in the last few years even relations with Taiwan have improved. To the north and west, China's relations with Russia and Central Asia are institutionalized in the Shanghai Cooperation Organization (SCO) (Ferdinand 2007; Wilkins 2008; Menon 2009). A major exception to overall improvement in relations involves Japan, where political and societal relations remain poisoned by history despite close economic ties (Li 1999; Drifte 2000; Rozman 2002; Yahuda 2002; Reilly 2004; Gries 2005; Roy 2005; Tamamoto 2005; Dreyer 2006; Foot 2006; Wan 2006; Mochizuki 2007; Buzan 2010). This continues to push Japan offshore and into the arms of the United States, a continuing source of contention with China.

The second development playing into the formation of international society in East Asia was the founding of ASEAN in 1967. During the Cold War, ASEAN was a sub-regional international society of states aligned with the West. Its distinguishing feature was that a set of Third World leaderships collectively decided that forming a local security regime among their countries would enhance both their own security in office and their prospects for economic development. ASEAN was thus committed both to the peaceful settlement of disputes through dialogue, and—up to a point—to shared development. ASEAN's charter emphasized the institutions of sovereign equality, nonintervention, regional economic development, regional peace and stability, and international law. ASEAN was liberated by the ending of the Cold War to expand its membership to include all of the Southeast Asian states. At the same time, it became the nucleus for a variety of related organizations. Some of these covered Southeast Asia, such as the Southeast Asian nuclear weapons-free zone in 1997. Others extended into Northeast Asia and beyond. In addition to free trade agreements, the most important of these were ASEAN+3 (1997), bringing in China, Japan, and South Korea and adding a commitment to developing market relations in East Asia; the East Asia Summit (2005), adding India, Australia, and New Zealand; and the ASEAN Regional Forum (1994), now stretching to twenty-seven participants and focusing primarily on security issues (though not ones seen as domestic, most notably those between the two Koreas and between China and Taiwan).

ASEAN's extension beyond Southeast Asia has played a key role in the formation of an East Asian regional international society in at least two ways (see also chapter 34). First, it helped to socialize China to multilateral practices and being a good neighbor, and to moderate the threat perceptions of China in Southeast Asia that were a legacy of Maoist China's interventions in the region during the Cold War. Second, it extended into Northeast Asia both its distinctive diplomatic practice of multilateral and transnational "dialoguing," and the general framework of primary institutions on which it was based. This was an unusual instance of an international society being led by its lesser powers because of historical and ideological issues preventing the larger powers from taking that role (Khong, forthcoming).

The third development playing into the formation of international society in East Asia was the winding-down of the Cold War. The implosion of the Soviet Union took its forces out of Southeast Asia altogether, and reduced its presence in Northeast Asia to that in Russia itself. The pullback of Soviet influence in East Asia mainly had a facilitating effect on the other developments trending toward the formation of a regional international society in East Asia. It helped the expansion of ASEAN by giving Vietnam nowhere else to go. It increased China's weight in the region, and by reducing the threats it faced, made it easier for China to pursue further its reform and opening up policies. By reducing the threats felt by many Southeast Asian countries and South Korea, it loosened the US overlay in the region, though not by all that much, and significantly not in relation to Japan. China was still viewed by its neighbors with enough concern that most of them wanted to keep the US committed to East Asian regional security.

6.5. CONCLUSIONS: CONTEMPORARY ASIA IN INTERNATIONAL SOCIETY

This chapter has followed two strands in the "international society" literature on Asia: whether and in what forms Asian states and peoples formed indigenous international societies; and how Asian states have interacted with Western-global international society. There are substantial linkages connecting these strands, and it remains to ask: where do developments in them now stand, and where do they seem to be headed?

In terms of Asian engagement with Western-global international society there are two issues: great power status; and the degree and kind of acceptance of, or resistance to, the institutions of Western-global international society. Japan was the first Asian state to achieve recognition as a great power but lost this standing after 1945, and is seeking restoration of at least some of its status. China gained it in 1945, and arguably will want to upgrade to recognition as a superpower. India has aspired to great power recognition ever since 1947, but only recently, and specifically in the context of its nuclear deal with the United States, does it appear close to achieving this (Pant 2009, 276; see also chapter 21). These status aspirations are in part played out by rivalry over membership of the UN Security Council, where China blocks Indian and Japanese aspirations. They are also played out in other behaviors, such as in China and Japan seeking to demonstrate their position in Western-global international society by, for example, participating in peacekeeping operations (Suzuki 2008).

In relation to the degree of integration with, or resistance to, the institutions of Western-global international society, the big question concerns China. As argued above, since 1978 China has once again embarked upon accommodation with Western-global international society, particularly in the economic realm, but also

more broadly by seeking stable regional and global environments within which it can pursue its own development. China, however, resists the political and social liberalism of Western-global international society, and remains a nondemocratic outlier. Except for its economic liberalism it seems mostly to represent an old-fashioned Westphalian view of international society. There is less discussion regarding India's rise in this regard, in part because India is democratic. It is on this issue of how Asia should relate to Western-global international society that the global-level and regional-level stories reconnect.

As argued above, there has been little interest in the study of regional international society in South Asia, and Central Asia continues to attract no interest despite re-entering international society as successor states to the Soviet Union. There is considerable interest in East Asia, and in one sense it seems perfectly reasonable to think about the outcome of the story told above as being the re-emergence of a distinctive regional international society in East Asia in modern form. Although it still carries both the scars and resentments of its encounter with the West, East Asia is more strongly positioned than many other regions. Its state structure is a much better fit with the region's history and culture than is the case in many other parts of Asia. East Asia is similar to Europe in comprising a main pattern of national identities that corresponds comparatively well with its state borders. Many of the states in East Asia have been successful at pursuing economic development and most of their elites are less dependent on outside resources to remain in power. While problems of poor sociopolitical cohesion can certainly be found, these are generally less serious than in many other non-Western, and indeed some Western, countries. Rhetoric about "Asian values" notwithstanding, there is no overarching culture covering East Asia; "Confucian culture" is only strong in the classical Chinese sphere including Northeast Asia and Vietnam.

On first impression it is easy to think that an East Asian regional international society distinctive from the Western/global one is already in existence. Although it shares many Westphalian institutions with the Western/global international society (diplomacy, international law, nationalism, human equality), it has different interpretations of some (sovereignty and nonintervention), contests others (human rights, democracy), and boasts distinctive institutions of its own (regime security, the developmental state). It is more firmly based on a state capitalist mode of political economy than the West, and it resists the social liberal idea of cultural homogenization along Western lines.

However, a closer look suggests that in fact no coherent regional international society definable as "East Asian" exists. Instead, there is a grand contest, centered on East Asia, concerning how to define the membership and institutions of such a society, and this contest centers precisely on the terms by which Asia should relate to Western-global international society: how much integration and how much resistance (Buzan and Zhang, forthcoming)? Therefore, what is happening now is that the East and South Asian stories are merging, and doing so in relation to the broader question of how Asia should relate to Western-global international society. Nowhere is this process more visible than in the diversity of intergovernmental organizations and the competition

over their membership that now embraces both East and South Asia, and increasingly the wider world as well. In a nutshell, those Asian states wanting increased differentiation from Western-global international society tend to cluster around China, defining East Asia narrowly. Those seeking less distance from the West, led by Japan and backed by the United States, push for a wider “East Asia,” bringing in India, Australia, and New Zealand.

Taking a broader view, this development can itself be seen as part of a wider process by which the core-periphery structure of Western-global international society, which has dominated the global level for nearly two centuries, is itself starting to unravel. As the “rise of the rest” gathers pace, it closes the immense power gap that opened up when the revolutions of modernity transformed Europe and the West during the nineteenth century. As modernity spreads, this power gap is shrinking fast, pushed recently into higher visibility by the Western economic crisis since 2008. In a world with a more even distribution of power, superpowers may cease to exist and the West, though remaining powerful, will no longer dominate global international society as it has done. It is reasonable to argue on this basis that although the world will remain globalized, it will become more decentered, with perhaps a larger role for regional orders and a more egalitarian global international society (Buzan 2011). It is toward this emerging world order that the states and peoples of Asia need to turn their attention. The current contestations over international society in Asia should not be about how to relate to a stable order, but about how to become part of a new one.

NOTES

1. Much of this literature is in Chinese: listed here are only English language sources. For the full bibliography on the English School, see the website <http://www.leeds.ac.uk/polis/englishschool/>.
2. Since I do not read any Asian languages I am unable to evaluate this literature.

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CHAPTER 7

INTERNATIONAL RELATIONS THEORY AND THE “RISE OF ASIA”

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IN a commentary on the rise of China, historian Wang Gungwu reminds us that “International relations theory has been one of the many legacies modern national empires conferred on a globalising world” (Wang 2010). Although Wang defines this legacy as the “positing of equality between all nation states in the West, and extending this principle to include former colonies after they gained independence,”¹ his observation can apply equally to other foundational concepts of international relations theory (IRT),² including sovereignty, the nation-state, balance of power, international law, and collective security. As David Kang observes, “For too long, international relations scholars have derived theoretical propositions from the European experience and then treated them as deductive and universal” (Kang 2007, 199). IRT is also a product of American hegemony since World War II, which not only preserved and extended European-derived concepts and theories, but rendered the fledgling British-born field of IR an “American social science” (Hoffmann 1977). In so doing, it added its own “universal” concepts, such as “hegemonic stability,” “multilateralism” (Ruggie 1992), and the “American-led liberal hegemonic order” (Ikenberry 2010, 3).³ The Western dominance of IRT is increasingly felt (and not a little resented) by many IR scholars in Asia. “No matter what you theorize about,” laments one of China’s foremost scholars of IRT, “its soul is Western” (Qin 2010, 38).

But now that the “rise of Asia”⁴ is increasingly challenging the legacy of empire, how might it affect IRT? Theoretical shifts and trends are seldom independent of real-world developments, such as changes to the distribution of power, the emergence of new patterns of conflict or cooperation, and the advent of new areas that pose urgent and serious challenges to states and societies. Not only is “theory always for someone and for some purpose,” (Cox 1981, 128), there is also an “[] Inescapable link between the abstract world of theory and the real world of policy” (Walt 1998, 29). Assuming that a key underlying basis of Western-centrism in IRT had to do with the material and ideational dominance of the West, will the material rise of Asia have consequential

ideational repercussions for IR, reshaping IRT not just in Asia, but also beyond? Will it entail a fundamental reshaping of the discipline or will it be business as usual? Will the new IRT be based on Asia’s unique history, culture, and tradition, or be grounded in a more comparative and universal context? What, if any, role will Asia play in shaping the IRT of a brave new world?

These questions, which have become increasingly important to discussion and debates over the state of IR and IRT in Asia, defy easy answers. Nonetheless, the recent debate over “non-Western IR theory” (NWIRT)—originally advanced in the regional context of Asia (Acharya and Buzan 2007), but with clear implications for IRT beyond the region (Acharya and Buzan 2010; Acharya 2011b)—offers useful insights into how

Table 7.1 International Relations Theories

	Structure	Agency	Historiography	Epistemology	Ontological focus and sources
Realism	Material: military and economic	States, great powers	Western: Mediterranean, European, US foreign policy and security	Rationalist	Balance of power
Neorealism	Material: military and economic	Great powers	Western: Mediterranean, European, US foreign policy and security	Rationalist	Regional hegemony, power transition
Liberalism	Material: military and economic plus secondary ideational elements	Hegemonic power	Western: Mediterranean, European, US foreign policy and security	Rationalist	Economic interdependence, regulatory institutions and democratic peace
Constructivism	Ideational: Ideas with global prominence, global normative structure	States, social movements, norm entrepreneurs	Western: Mediterranean, European, US foreign policy and security	Agent-structure mutual constitution	Norm diffusion, socialization, constitutive institutions
NWIRT Approach	Both material and ideational	Emphasis on local actors, including, regional powers and institutions	World history	Eclectic	Indigenous history and culture, nationalist ideas, two-way (global-local) norm diffusion, regionalization and regional power dynamics

the “rise of Asia” might affect IRT, and the challenges and limitations that an indigenously grounded IRT faces. Briefly stated, the NWIRT approach has five main elements (table 7.1). First, it argues that the main current theories of IR—especially realism, liberalism, and to a lesser extent constructivism—are too deeply rooted in, and beholden to, the history, intellectual tradition, and agency claims of the West to accord little more than a marginal place to those of the non-Western world. This creates a disjuncture, whereby these supposedly universal theories fail to capture and explain the key trends and puzzles of international relations in the non-Western world. Second, the NWIRT approach identifies the reasons for the underdevelopment of IRT external to the West, including cultural, political, and institutional factors when viewed against the hegemonic status of established IRTs. Third, one cannot remedy the disjuncture simply by using the non-Western world as a testing ground to revalidate Western-derived IRTs after adjustments and extensions. The new IRT needs to be authentically grounded in world history, rather than Western history, including the institutions, intellectual perspectives, and practices of non-Western states and societies. To this end, the NWIRT approach identifies the following as some of its important sources: indigenous history and culture, the ideas of nationalist leaders, distinctive local and regional interaction patterns, and the writings of scholars of distinction working in or researching the region (Acharya and Buzan 2010). These sources are especially important in view of the strong regional/local focus of NWIRT. Fourth, and closely related to the above, the NWIRT approach identifies the limitations of theory building that relies exclusively on the unique historical and cultural matrix and behavior patterns of the nations and regions of the non-Western world. By extension, it argues that the new IRT must develop concepts and approaches from non-Western contexts that are valid locally, but have applicability to the wider world. The final element is the view that the new IRT cannot, and need not, supplant Western IRT but should aim to enrich Western IRT with the voices and experiences of the non-Western world, including their claims to agency in global and regional order. Each of these points is relevant to the discussion of how Asia’s rise might affect and reshape IRT.

My purpose here is not to offer a survey of the state of the art of the field as it exists in Asia today. Instead, I focus on theory, specifically how the rise of Asia might impact on IRT and what sort of IRT might emerge from it.⁵ To this end, this chapter is divided into three parts. The first examines the extent to which the rise of Asia might affect some of the conceptual and practical barriers that have contributed to the underdevelopment of IRT in Asia and the marginalization of Asia in IRT. The second part shows how the main IRTs—realism, liberalism, and constructivism (see chapters 2–4 in this volume)—suffer from the disjuncture mentioned above in applying themselves to Asia’s changing international relations. The third part is concerned with the challenges and limitations of building an Asian IRT based mainly on the region’s historical and cultural uniqueness and its claim to exceptionalism. In conclusion, I argue that existing IRTs and recent efforts to apply them to explain Asia’s rise, be it realist pessimism or liberal/constructivist optimism, fall short because they rely too much on concepts and analogies drawn exclusively from Western history and ignore Asian agency.

At the same time, attempts to develop an Asian IRT from purely indigenous sources and histories risk being too parochial and neglecting the linkages between Asia and the outside world. Neither approach is likely to meet the challenge of capturing and theorizing the rise of Asia. What is likely to prove more useful is a balance between the two extremes, one that requires what I call the “deprovincialization” of both the established Western and a presumptive “Asian” IRT. This would mean not only focusing on the region’s own history and agency, but also on its changing linkages with the world at large. The interplay between the local and the global might be the answer to the Western dominance that laid the foundation of the existing IRTs.

7.1. INTERNATIONAL RELATIONS SCHOLARSHIP AND THE IDEA OF ASIA

There is no denying Asia’s marginal place in international relations theory and scholarship. Asia is not only the site of ancient civilizations such as China and India, it is also home to several state-systems, or “international systems” (Watson 1992; Buzan and Little 1994; Buzan and Little 2000; see also chapter 6), including Sinic, Indic, Southeast Asian, and maritime—although the latter two have received very little attention—during both classical and early modern periods. Yet these systems have rarely furnished the raw material for IRT. Neither system evinces the philosophical and epistemological traditions of Asia nor the intellectual voices of Asia’s past; modern leaders have been recognized by IR scholars in the way they have responded to Western IR scholars. One reason for this has to do with the narrow framing of the concept of an international system in Western IR—that is, excluding empires and hierarchical systems and citing Westphalia as the exclusive point of reference for what constitutes an international system (Buzan and Little 1994, 2000). Another is the scarcity of locally produced theoretical writings from which to draw concepts and methodologies for challenging or integrating existing Western-derived IRT. Here, compounding the neglect of Asia in Western IRT scholarship are the local conditions that inhibit the development of IRT in Asia. The reasons for the latter have been discussed elsewhere (Acharya and Buzan 2010), but here it is important to bear in mind that these reasons are not permanent or static. For example, an obvious one is institutional—the paucity of high-quality academic institutions and publication outlets nurturing IR scholars. This is certainly likely to become increasingly insignificant, with the improving quality and resource endowment of Asian universities in China, South Korea, Taiwan, India, and Southeast Asia.

Other factors are likely to be more stubborn and resistant to change. The predisposition of Asian IR scholars to be more interested in policy work that brings greater remuneration and recognition than academic work has been a factor behind the underdevelopment of IR in Asia. While hardly unique to Asia, the smaller pool of the

professional IR community in Asia meant greater demand for their services and scope for their engagement with governments. It remains to be seen whether the growing resources of Asian universities lessen the need for academics to concentrate on policy projects.

Language barriers that help to hide IRT-related work from view will not disappear easily, and might worsen with the growing interest in IR in China, where much of the scholarship is in Mandarin. Moreover, a good deal of theoretical work in Asia (as in other regions) is carried out within fields of study—especially multidisciplinary area studies—to which the disciplinary IR scholars pay little heed. The consequent lack of interaction between Asian area specialists and disciplinary IR scholars in the West who are usually in the forefront of theory building further accounts for the hidden nature of IRT in Asia, and will not be easy to overcome since area studies remains alive and well in Asia.

One might also hypothesize whether cultural factors make Asian scholars less prone to abstract theorizing: are Asian scholars more pragmatic than their Western counterparts? But this is difficult to prove, or even to investigate without resorting to cultural stereotypes, especially when there is plenty of abstraction in Asian philosophy. What about domestic political structures? Do democracies provide a more conducive environment for IRT than authoritarian states? Yet it is in authoritarian China that there is the strongest evidence of rising interest in IRT. What one might expect is that different political and social structures would be the very basis for theorizing. Of particular note here is the attempt by some Chinese scholars to use *Tianxia* (“all under heaven,” implying “harmony”) as the basis for a distinctive Chinese School of IRT. The *Tianxia* concept differentiates between harmony and sameness, implying that China can maintain a non-Western, illiberal political system while rising peacefully and coexisting with the West, thus suggesting a different Chinese route to great power status—and hence to IRT—than the Western (American) route.

Perhaps among the factors behind the underdevelopment of IRT in Asia that might be least resistant to change would be the hegemonic status of Western IRT. This concerns the unconscious or subconscious acceptance of the superiority of Western IRT, in the Gramscian sense of hegemony being more related to consent than to coercion. This status of Western IRT, which comes close to Wang’s observation at the outset, might be explained as a byproduct of “the intellectual impact of western imperialism and the success of the powerful in imprinting their own understandings onto the minds and practices of the non-Western world” (Acharya and Buzan 2010, 17). Again, it remains to be seen if the growing material power and institutional resources of Asia can overcome this hegemony.

Asia is a narrower geographic and conceptual terrain than “non-Western.” But its diversity creates problems for generalization. Indeed, the key challenge in conceptualizing Asia in IR lies in the concept of Asia itself. For example, if Asia is understood mainly in terms of East Asia, then the task is simpler because the Chinese tributary system and the “Chinese World Order” (Fairbank 1968) offer a historical basis for building a theoretical construct (even though this itself is problematic). If one includes Southeast

Asia, then the picture becomes more blurred: while some Southeast Asian states subscribed to the Chinese tributary system, their political and ideational structure was very different, with greater Indic characteristics, described as the *Mandala* system. The Mandala system refers to overlapping circles of rulers presiding over loosely organized states without clearly defined territorial limits, held together by the personal hegemony of each ruler, whose authority diminished with distance from the center of the kingdom. In contrast, the Chinese conception of the state involved a much more centralized bureaucracy, fixed boundaries, rigid hierarchy, and strict rules of dynastic succession, as pertained in Vietnam (Acharya 2000, 21).

International and regional interactions in Asia are subject to multiple regional definitions: East Asia, Asia-Pacific, Pacific Asia, Eastern Asia, and so on. This is not to say that attempts to conceptualize Asia have not been serious undertakings, both within and outside of IR scholarship. One only has to look at the long and contested history of pan-Asianism before and after World War II (Acharya 2010b), and the more limited discourse of “Asian values” in the 1990s (see chapter 30). Both emerged as important intellectual as well as ideological constructs, representing a political project of their elite proponents intending to make Asia more coherent and meaningful than is normally recognized by the vast majority of its peoples. Neither left a lasting legacy.

In the academic community, the term *Asia* has been used most extensively within the area studies tradition. But even here it is contested (Acharya 2010a, 2010b) and seems to function as a term of convenience rather than one that reflects a coherent regional unit. The dominant tendency among area specialists is to focus on countries—especially larger countries or more influential civilizations, such as China, India, and Japan—or subregions of Asia, such as South Asia and Southeast Asia. Thus, East Asia has denoted China, Japan, and Korea, and to a lesser degree Taiwan. “Southeast Asian studies” for a long time has remained hostage to country specialization (Acharya 2012). “South Asian studies” has similarly been dominated by the study of India. There has been little conversation across the subregions of Asia—for example, between South Asian, Southeast Asia, and Northeast Asian scholars. While the popularity of “East Asia” or “East Asian regionalism” had grown in the 1980s in keeping with the growth of economic integration and political interaction between Northeast Asian and Southeast Asian states, initially at least regionalism was studied under different, if overlapping labels—for example, ASEAN, East Asia, or Asia-Pacific.

Given this backdrop, does the concept of Asia add any value to IR scholarship? We can discount the possibility of an Asian School of IR. Even national perspectives, though more likely, are problematic (Acharya and Buzan 2010). Indeed, different subregions of Asia have given rise to different traditions of thinking about IR (Alagappa 2011). This may support the view that rather than a regional concept, national and subregional developments would be more useful for developing Asia’s role in IR. But the diversity and national and subregional construction of IRT in Asia should not blind it to regional patterns and understandings. Recent scholarship has demonstrated the usefulness of an “Asian” framework that links its three major subregions: Northeast Asia, Southeast Asia, and South Asia (Alagappa 1998, 2003). The growing economic

integration between South Asia, Southeast Asia, and Northeast Asia also makes it more meaningful to speak of an Asian pattern of IR. Geopolitical currents, especially India's growing links with the United States, Japan, and ASEAN as a strategic counter to China, further accentuate this possibility. Also important are institutional developments, such as cross-subregional groupings like the ASEAN Regional Forum, East Asia Summit, and the Shanghai Cooperation Organization—the latter bringing a Central Asian component to Asian regionalism. The issue of regionalism and regional order has become central and fertile ground for theoretical work in Asian IR scholarship. And while some of the works on regionalism continue to be guided by preexisting Western theories—realism, liberal institutionalism, and especially constructivism—there has also been innovation resulting in greater claims about distinctiveness and agency (Acharya 2009b). At the very least, a macro-regional understanding needs to be considered alongside national and subregional understandings.

Moreover, since a good deal of thinking about IRT involves conceptualizing the past (from the Greek city states to the nineteenth-century Concert of Powers, for example), one might open more space for Asia in IRT by moving away from an exclusive focus on its major civilizational players and their heartland-based sphere of interactions: China (Warring States or the tributary system)⁶ or India (mainly the Maurya empire). The privileging of major civilizations, and in the more modern context the major powers including Japan, is hardly exceptional to Asia, but it omits other significant sources of conceptualization that are not regarded as major civilizational powers, such as Southeast Asia with its Mandala system (Acharya 2000, 2012), which can be conceptualized both in terms of the system itself and the units that comprise it, and Korea, which is seen mainly in the context of its role as a vassal within the Chinese tributary order, or as a victim of the Japanese entry into European “international society.” Moreover, the focus on the major civilizations and powers has deflected attention from the Asia-wide linkages in maritime Asia, notably the interactions in the Indian Ocean region.

7.2. RECONCILING ASIA WITH “ALL THAT EXISTS”

Some argue that the existing Western IRTs need not be displaced, but enriched with the inclusion of other histories and experiences (Acharya and Buzan 2010). Other IRTs, using the label of “post-Western,” are in need of radical surgery: while Western IRT needs to be “critically transcended” (Shimizu 2011, 67; see also Shani 2008),⁷ does this necessitate disavowal of all that exists?

A case against this seemingly extreme position can be made on three grounds. First, and perhaps the weakest, comes from those who defend the relevance of Western IRT on the basis that despite their distinctive cultures and historical trajectories, Asian

states and societies have been engaged in close interactions with the West for several centuries and have become increasingly exposed to Western values, institutions, and practices in international relations, thereby making it possible to explain their behavior in terms of Western IRT (Ikenberry and Mastanduno 2003, 421–22). This is not entirely persuasive, given the level of disjuncture between the analytic projections of mainstream theories and the emerging security dynamics of Asia. A second defense of existing IRTs is that some if not all their foundational concepts as they exist now—such as power, sovereignty, security, institutions, and rules (norms)—serve as common points of reference for all in the IR community. Using these concepts does not mean accepting them uncritically; the challenge must be identifying how their meaning and application varies across time and space.

Third, when it comes to dealing with the non-Western world, IRT is hardly monolithic or unchanging. Not all Western IRT scholars have neglected non-Western phenomena, as Stephen Walt's *Origin of Alliances* demonstrates (Walt 1987).⁸ As a relatively new IRT, constructivism has been especially important in opening space for scholarship on the non-Western world (Acharya 2009a; Barnett 2002; Acharya and Stubbs 2006; see also chapter 4), especially on Asia because of its stress on culture and identity. New variants of realism, such as subaltern realism (Ayooob 1997, 2002), neoclassical realism (Cha 2000), and defensive realism (Tang 2008, 2010) have rendered realism more relevant to Asia (see chapter 2). Increasing trends toward economic interdependence, multilateral institutions, and democratization—pathways to order that liberalism identifies and prescribes—make such theory potentially more applicable to Asia (see chapter 3). It may be further argued that as mainstream IR theories increasingly engage with and apply themselves to Asia as a result of the region's growing economic and strategic importance, they will improve in their capacity to conceptualize Asia.

But so far the record of application and adaptation is not inspiring: a few examples can illustrate this. Many realists liken China's rise to Germany's in the late nineteenth century and anticipate that Europe's past could become Asia's future (Friedberg 2000). Another strand of realism, structural realism, views the rise of China from the prism of America's past, especially the regional hegemony of the Monroe Doctrine (Mearsheimer 2006). Both analogies are based on misconstrued similarities between the conditions that led to America's regional hegemony and Europe's wars of the nineteenth and early twentieth centuries on the one hand, and the conditions prevailing in Asia today on the other.⁹ The liberal perspective at its optimistic end hopes that the "American-led liberal hegemonic order" (Ikenberry 2011, 3) would endure, because it has an "unusual capacity to accommodate rising powers" through its "sprawling landscape of rules, institutions, and networks" (Ikenberry 2011, 345). Already a major beneficiary of that order, China not only has plenty of "incentives and opportunities to join" that order, but also to share in its leadership as US power declines. Hence, the chances of China "actually overturning or subverting this order are small or non-existent" (Ikenberry 2011, 345). But this narrative, which is basically an elegant contemporary restatement of the old hegemonic stability theory, ignores the substantial Asian resistance to the American conceptions of and approaches to regional order in Asia during

the Cold War—such as from India and Indonesia—and the distinctive contribution of Asian approaches to order that had nothing or little to do with American preferences. For example, the most influential strands of Asian regionalism, such as ASEAN and ASEAN Regional Forum (ARF) evolved not because of American indifference or opposition, but despite it. Also, while the American-centric perspective expects that rising powers would join or otherwise adapt to the American-led order, it does not tell us in what ways and to what extent that existing order might adapt and change to accept the rising powers and whether the domestic politics of the reigning hegemon would allow such power-and status-sharing, especially if China remains stubbornly authoritarian. In short, none of the perspectives give much space to the agency of Asian actors: they simply confirm the American-centrism of IRT.

Constructivism can claim to be a less Western-centric perspective on Asia's security order than realism and liberalism. After all, constructivists focus on Asia's interactions, past and present, as well as institutions that are underpinned by locally constructed norms and identities. Yet constructivist efforts (Kang 2003; Qin 2010) to use historical Sino-centric interactions in East Asia to conceptualize its emerging security order have been challenged because of the vastly different rules and institutions of international order that exist today and that make even a benign China-dominated order implausible. Moreover, perspectives that speak of the communitarian effects of Asian regional institutions (Acharya 2009a) and the "socialization" of China (Johnston 2008) have been accused of being too optimistic and naive (Friedberg 2011, 192–93). More importantly, mainstream constructivist explanations of norm diffusion have been challenged and reformulated to overcome their neglect of the agency of local actors (Acharya 2009a, 2009b).

These limitations of efforts to apply and modify existing IRTs necessitate making the more transformative conceptual and methodological advances identified by the proponents of NWIRT. Two areas may be mentioned. The first is the need to ground IR theory in world—in this case Asian—history (Buzan and Little 2010). The second is acknowledging the existence of fundamentally different forms of units—states and societies—whose domestic organization and external interaction behavior do not correspond to the Westphalian ideal and cannot be captured by concepts derived from it. Asia offers important possibilities for these advances. Insofar as the first aspect is concerned, the *longue durée* of Asian history—featuring Persia if one adopts a broader conception of Asia—is especially significant as it represents units and systems that could form the basis of a distinctive pattern of international relations and order. IR scholars have increasingly highlighted the Warring States, the tributary system and *Tianxia* (Qin 2010; Yan 2011) as the basis of a Chinese IRT, covering not just China but the wider East Asian sphere (Kang 2003, 2010). But, as opposed to historians, less has been written by IR scholars about the historical states systems of India—the Mauryas (Watson 1992) and the Moghuls; and Southeast Asia, featuring the Mandala system (Acharya, 2000, 2012), which not only was different from the Sinic units, but also consisted of a different regional pattern of IR, including sovereignty and interstate relationships. One claim here is that the Southeast Asian system

produced less violence than in the European order, although similar claims have been made about the Chinese tributary system. The Sinic system did overlap and intrude into the Mandala system, although the latter was derived from Indic historiography and was more compatible with it. One outcome of this compatibility was that Western colonial powers found it easier to deal with Southeast Asian countries on an equal footing than with China.

7.3. ASIAN EXCEPTIONALISM AND WESTERN UNIVERSALISM

If Western IRT is to be rejected or transcended, what might take its place? It is tempting to build theories around the distinctive features of Asia’s history, culture, and practice of international relations. After all, while Western IRT has a tendency to universalize, Asian contributions often tend to ride on exceptionalism: how Asia differs from other regions.

Keohane (1988) celebrates and Cox (2002, 53) deplores IR’s deep complicity with Enlightenment rationalism and universalism. Key examples are the ideas of human rights, progress, collective security, and rational choice methodology. Universalism in this sense implies “true for all time and space—the perspective of a homogeneous reality” (Cox 2002, 53). “Applying to all” in the sense of Enlightenment universalism also meant concepts representing the highest value superseding any other individual or institution, and the denial of exception on the basis of national or cultural origins. This certainly explains some of the ethnocentric tendencies in mainstream IRTs. Enlightenment universalism and rationalism have their darker sides—chief among them being the suppression of diversity, marginalization of local cultures, and the production of Western imperialism (Muthu 2003; Outram 2005). Its application to Asia, especially of the “standards of civilization” criterion, led to the exclusion of China and India from the society of civilized states, and the eventual acceptance of Japan. The manner and repercussions of this exclusion/inclusion have constituted an important and frequent basis of theoretical work in both Japan and China (Suganami 1984; Suzuki 2005; Gong 1984; Zhang 1991). More recently, as we have seen, the universalism of Western IRT has also been a false universalism. Whether in the liberal areas of human rights or EU-derived regional integration, or in the realist models of multipolarity and hegemony, theories and concepts imbued with Western universalism have fared poorly in Asia, thereby challenging the claim of a homogeneous reality.

Will Asian exceptionalism fare better as a basis for theorizing the rise of Asia? As Asia’s rise leads to a greater incorporation of local, national, and regional histories, culture, and identity into theoretical discourses, there is every chance that it will

accentuate claims about Asian uniqueness. This is already happening, as with “Asian values,” the “Asian view” on human rights, the Asian model of democracy, and the “ASEAN Way” of regionalism. Claims about China’s distinctive past, including the *Tianxia* worldview, the tributary system, and the radical and revolutionary movements of the nineteenth and twentieth centuries are becoming a major source of efforts to develop a Chinese school of IRT (Qin 2010).

However, such claims about Asian exceptionalism are weakened not just by the cultural and political diversity of Asia, but also by the shallowness of exceptionalist constructs. Asia’s uniqueness can be overstated, including the extent of its informal regionalism, and so can Asian democracy and human rights. These views are changing over time, from the 1990s and 2000s, consistent with democratization. Both tendencies—exceptionalism and universalism—will remain and need to be balanced. The rise of Asian exceptionalism is also a mixed blessing in a normative sense. Exceptionalist claims are frequently associated with the political agendas of the ruling elite and are susceptible to governmental abuse—a point convincingly made by the critics of the “Asian values,” “Asian human rights,” and Asian democracy concepts, which were used as justifications for authoritarianism in Asia. Asian governments have relied on an exceptionalist framework—the “ASEAN Way,” for example—to slow down progress toward more institutionalized multilateral political and security cooperation in the region.

Just as exceptionalism in the domestic sphere can lend justification to authoritarianism, exceptionalism in Asian IRT could justify dominance of great powers over the weak. One strand of Japan’s prewar pan-Asian discourse that was founded upon the conception of “Asia for Asians” illustrates this tendency. The other strands of Japanese pan-Asianism were more egalitarian and anti-imperial, but the overall effect of Japanese constructions was to discredit pan-Asianism as a movement. China’s evocation of the tributary system is pregnant with similar possibilities, since the pacific nature of that system remains seriously contested, and the Chinese “peaceful rise” discourse has invited growing skepticism over its assertive—some would say aggressive—policy in the South China Sea. Just as US exceptionalism—seemingly benign and popular domestically—is associated with the Monroe Doctrine and its self-serving global interventionism, Chinese exceptionalism carries the risk of introducing a new and dangerous parochialism to Asian IR discourse and practice.

Hence, even as the rise of Asia leads to greater questioning of the dominant status of existing Western IRTs, the challenge of incorporating Asia within IRT is unlikely to be met simply by viewing Asia as a unique theater of IRT where only theories derived from Asian history and culture apply. This might mean replacing one kind of provincialism with another that generates its own biases and distortions as glaring as the tendency to explain Asia in terms of Western IRTs. Just as Asia cannot be analyzed solely as an extension of the norms and institutions of European international society, Asian security order cannot be understood solely in terms of its own past or its immutable geographic and cultural matrix.

7.4. DEPROVINCIALIZING IRT

Instead, IRT in Asia as elsewhere may be better served by what can be called deprovincialization in the sense of divesting a region of its exclusively provincial characteristics. This means two things. The first involves retreating from the dominant conceptual and geographical point of reference used by contemporary scholarship in shaping Asian conceptions of IRT, namely, Westphalia and its myriad European offshoots, such as the nation-state and the balance of power. This also means abandoning the tendency to view the contemporary Asian international system simply as an extension of the European-derived “international society,” or a subset of Westphalia “writ large” (Bull and Watson 1984). This view denies agency to Asian states, societies, and civilizations, rendering them as passive recipients rather than as active agents and builders of ideas, rules, and institutions of regional and international order. While hardly accurate in the past, it will be regarded increasingly less so in the era of Asia’s rise (table 7.2).

The second aspect of deprovincialization involves avoiding the temptation to investigate Asia purely through its indigenous history, culture, and intraregional interactions to the neglect of wider global trends. A quick glance at Asia’s postwar security order would show a marked intrusion of economic, political, and security trends consistent with the wider global picture. In the 1950s the Asian security order was marked by economic nationalism, security bilateralism, and political authoritarianism. Today, these have been replaced by economic liberalism and interdependence, growing multilateralism—coexisting with bilateralism—and democratization. These forces do not displace indigenous culture and identity, but modify them and generate behavior and interactions that cannot simply be studied from a purely indigenous matrix.

Deprovincialization does not depend on transcending Western IRT, but on identifying congruence between it and local ideas and practices. This could happen through a process of “constitutive localization” (Acharya 2004, 2009b), a dynamic two-way process in which foreign ideas do not dominate or disappear, but blend into the local setting. A closely related mechanism of deprovincialization is “subsidiarity,” the diffusion of locally constructed rules and practices transregionally or globally. This may be employed by local actors “with a view to preserve their autonomy from dominance, neglect, violation, or abuse by more powerful central actors” (Acharya 2011a, 97).

Both mechanisms are fundamental to recognizing Asian agency, which in turn is crucial to accommodating Asia properly within IRT and understanding the impact of the rise of Asia for IRT. If Westphalia and Europe secede from functioning as the benchmark against which all forms of interactions are judged for their authenticity or even normalcy, then we grant agency to states and societies in Asia and elsewhere that may develop international or regional orders through other types of ideas, rules, and interactions. Hence, open and outward-looking regionalization is a pivotal aspect of developing a NWIRT relevant to Asia or other regions of the world. Here, agency can be both material and ideational, with the latter sometimes being even more important.

Table 7.2 Perspectives on Asian Regional Order

	I ^a	II ^b	III ^c	IV ^d	V
Structure	Multipolar	Uni-multipolar	Asymmetric multipolarity, with continued US primacy, if not hegemony	Sinocentrism	Regionalization—open and outward looking
Agency	Great powers	China (coercive)	United States and its alliances	China (benign)	Asian actors, both major and weaker states, regional institutions (ASEAN and related institutions)
Main ordering effect	Competition and balancing	Monroe Doctrine by China, containment by United States	Lingering effects of US hegemony	Bandwagoning with China	Regional interdependence and interactions will shape great power rivalry
Prognosis	Europe's past, Asia's future	America's past, Asia's future	China co-opted into American-built liberal international order	Asia's past, Asia's future	Localization and fusion of international norms and institutions into Asian context
Theoretical underpinning	Realism	Neorealism	Liberalism	Constructivism	NWIRT

^a Friedberg 1993–1994, 2000.

^b Mearsheimer 2006.

^c Ikenberry 2010.

^d Kang 2003; Qin 2010.

An agent-oriented narrative should describe how both state and nonstate actors, through their material and ideational means, construct, reject, reconstitute, and otherwise exercise influence over the global order. Agency in this wider sense involves not just reinterpreting and modifying existing rules, institutions, and practices of international relations, which are familiar to Western IRT as it exists today, to suit the local Asian context, but also creating new models from the local context and applying them in a wider international setting. It is clear that when confronted with Western concepts, institutions, and practices of IR, the responses of Asian states and societies have not been one of outright rejection. Rather, and often through their own initiative, they have borrowed, modified, and localized Western ideas and practices of statecraft to

suit their context and need. In some cases, they have also developed entirely new rules, institutions, and practices that are not only applicable to Asian regional matters, but also exportable to the wider world.

There are a number of such examples already to be found in Asia’s recent past. The first concerns the twin concepts of nonintervention and nonalignment. Asia’s use of nonintervention serves as a prime example of localization (Acharya 2009b), whereas its development of nonalignment exemplifies norm subsidiarity (Acharya 2011a). A second example concerns Asian regionalism. Despite its shortcomings, it has been a useful counter to rampant Eurocentrism in the literature on comparative regionalism, and has pointed to alternative pathways to regional cooperation that have resonance in other parts of the developing world. A third example may be found in concepts of human development and the offshoot, human security, developed in Asia by Pakistani economist Mahbab-ul Haq and Indian economist and Nobel laureate Amartya Sen (see chapter 33). The human security concept was borrowed by Western donors such as Canada and Norway as the basis of their foreign policy, thereby attesting to the global applicability of concepts with a firm—if not exclusively—Asian origin. As Asia’s power rises, other forms of agency would develop consistent with deprovincialization, including a growing role in global governance. While this role is stymied today by the preoccupation of significant Asian players such as China, Japan, and India with national power—their status aspirations and competition—there is little question that Asian actors will increasingly weigh in on matters of global order and governance. One would thus need to identify new tools for capturing the flow of ideas and other sources of influence between Asia and the rest of the world. Thus, aside from considering how external ideas and trends fit into Asia, effort has also been expended in the opposing direction, using concepts and praxis from Asia to understand and explain broader international trends. This will constitute a core challenge to Asia’s theory-builders as they grapple with analyzing and explaining Asia’s rise in the global order.

7.5. CONCLUSION

Theory development in and about rising Asia is likely to be contested and marked by divergent pathways. In this chapter I have outlined three possible but by no means exhaustive ways in which the rise of Asia might affect IRT. The first assumes the continued relevance and dominance of existing and Western-centric IRTs, albeit with marginal extensions designed to fill the intellectual gaps. While not implausible—IRTs such as realism, liberalism, and some versions of constructivism are not going to disappear or give up without a fight—this is unlikely to be the dominant course. Unless sincerely and seriously redressed, the underlying ethnocentrism and disregard of local agency will render existing IRTs increasingly irrelevant. The second pathway, which calls for radical surgery or transplantation of Western IRT, carries dangers, especially if it is based on concepts and practices drawn exclusively from Asia’s own

culture, history, and regime preferences. Such Asian exceptionalism creates an ambiguous basis for theory development. It renders theory development skewed in favor of the larger civilizations and powers, privileging their ideas, culture, and geopolitical exploits, and ignoring international systems and orders such as the maritime world of the Indian Ocean and the role of the smaller actors—as in Southeast Asia—whose participation has been a central element of postwar order-building in the region. Moreover, the diversity of Asia in physical, political, cultural, and other terms poses a huge conceptual and practical challenge to theory development, especially if it is to be based on cultural exceptionalism.

But a third pathway is possible and more likely: a process of deprovincialization in which existing Western-centric theories are localized to fit Asian history and praxis, while local historical and cultural constructs and contemporary practices of foreign policy and intraregional relations are universalized and projected to a world stage. This pathway does not imply that IRT in Asia or theoretical developments in Asia should simply be made to conform to or serve the interests of mainstream IRTs, be it realism, liberalism, or constructivism, or the critical theories. To a greater extent than Johnston (2012), I believe that this third pathway leaves room for significant innovation, at least for offering a powerful challenge to deeply held assumptions of existing IRTs. It will entail efforts to provide a greater place for Asian voices and realities that could help to redefine and broaden the conceptual and methodological tools of contemporary IRT. Such an outcome, which would challenge and enrich, rather than displace, IRT as it exists today, could be the singular path for the rise of Asia in the study of international relations.

NOTES

1. Wang thus raises the question of whether China with its traditional hierarchical view of international relations might challenge the Westphalian concept of state equality.
2. In this paper, I use the shorthand of IR for international relations, IRT for international relations theory, and NWIRT for non-Western international relations theory.
3. Ikenberry considers Westphalian sovereignty as an important foundation of US liberal hegemony and its erosion as a trigger for the current crisis of authority in the American-led liberal hegemonic world order (Ikenberry 2011, 7, 21).
4. The “rise of Asia” is contested, especially regarding the extent to which Asia may rise (Acharya 2010a).
5. The meaning of “theory” is relevant here, as there are differences between the American understanding of theory that leans toward positivism, and the more reflectivist understanding found in Europe. Whereas the former demands that theory “sets out and explains the relations between causes and effects” and that “theory should contain—or be able to generate—testable hypotheses of a causal nature,” the European understanding takes as theory “anything that organizes a field systematically, structures questions and establishes a coherent and rigorous set of interrelated concepts and categories” (Acharya and Buzan 2010, 3). Although there are certainly Asian scholars who understand theory in the American sense, or in both ways, the softer understanding of IRT is perhaps more popular in Asia.

6. Even the tributary system as an international order was not examined until recently, including by Watson (1992). (See also chapter 6).
7. The “non-Western” versus “post-Western” distinction, while not trivial, could be overstated. Both share the view that IRT as it stands now is too Western-centric and must be made more inclusive. The idea of NWIRT calls for fundamental conceptual shifts in contemporary IRT. One irony is that some of the “critical” theories—such as postmodernism, poststructuralism, Marxism, Gramscian theory, and even postcolonialism—that form the basis of the preference for “post-Western” are themselves rooted in Western intellectual discourses (Acharya 2011b).
8. In justifying his selection of Middle East case studies to develop a theory about the origin of alliances, Walt noted: “international relations scholars have long relied on historical cases and quantitative data drawn from European diplomatic history without being accused of a narrow geographic, temporal, or cultural focus” (Walt 1987, 14–15).
9. Briefly stated, these differences include the absence in Asia today of the competition for colonies that was a major cause of World War I; the greater cost of breaking the production-driven economic interdependence found in Asia today compared to Europe’s trade-based interdependence in the early twentieth century; and, today’s presence of significant challengers (United States, Japan, and India) to Chinese regional hegemony relative to the absence of such challengers to US hegemony in the nineteenth-century Western Hemisphere (Acharya 2011d).

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PART III

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INTERNATIONAL
POLITICAL ECONOMY
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*A. Foreign Economic Relations
and Policies*
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CHAPTER 8

JAPAN'S FOREIGN ECONOMIC POLICIES

MIREYA SOLÍS

8.1. INTRODUCTION

DURING the past quarter-century, Japan's foreign economic policies have experienced major changes in a number of key areas: rebalancing of its core policy triad (trade, investment, economic assistance); geographical redirection of its trade and investment flows; greater activism in seeking out a voice in global economic governance; and departure from an exclusive focus on multilateralism in order to advance trade liberalization and financial crisis management through regional and bilateral forums. The shifting character of Japan's economic diplomacy opens up a number of interesting research questions: What is driving this marked degree of policy innovation? To what extent have policy departures been implemented effectively? What is the interplay between international and domestic factors encouraging new directions in Japanese economic diplomacy or, conversely, constraining Japan's ability to play a more active leadership role abroad?

In order to answer these questions, the analysis in this chapter unfolds as follows. Section 8.2 provides an overview of the more important shifts in Japan's economic diplomacy in terms of policy tools, geographical reach, and institutional platforms emphasized at different points in time. Section 8.3 offers an analysis of the drivers of reform in Japanese foreign economic policy and an assessment of the obstacles that have hindered the implementation of new policy directives. The fourth section builds upon the findings of the earlier sections in relation to the shifting patterns and drivers of Japanese foreign economic policy to elucidate theoretical and empirical implications for future trends in Japanese economic diplomacy.

8.2. HISTORICAL TRENDS IN JAPAN'S FOREIGN ECONOMIC POLICIES

8.2.1. Rebalancing the Core Policy Triad

The story of Japan's "miracle," that is, its success in rebuilding the country in the aftermath of World War II, is well known. During this period it achieved high rates of economic growth and rising standards of living for its population as many of its manufacturing industries acquired international competitiveness and captured ever larger export markets. The United States played a key role in Japan's economic transformation both by providing a security umbrella that allowed Japan to focus on economic reconstruction, and by acting as its main trading partner and facilitating Japan's entry into the GATT in the late 1950s, which greatly facilitated its export takeoff. Japan's prowess as a trading nation was the hallmark of its postwar foreign economic policy, and it reached new dimensions in the 1980s as its trade surpluses escalated from 2 trillion yen in 1981 to 13.7 trillion yen in 1986.¹

The dramatic increase in Japan's trade surpluses further exacerbated disenchantment among Japan's trading partners regarding the lack of reciprocal access to the Japanese market. Out of concern over its trade deficit with Japan, the US government took action on two fronts. With the view that an undervalued yen was artificially boosting Japan's export competitiveness, the United States orchestrated currency interventions by five large industrialized countries in the so-called Plaza Accord of September 1985 to bring about a depreciation of the dollar. A few years later the Bush administration engaged Japan bilaterally in the Structural Impediments Initiative (SII). The thrust of this initiative was directed at the role of various nontariff barriers—which are nontransparent and difficult to quantify—in blocking access to the Japanese market. For example, an inefficient distribution system, high land prices, and exclusionary business practices were identified as obstacles for American products reaching Japanese consumers (Schoppa 1997, 8).

While the record of the SII talks in removing access barriers was mixed, the Plaza Accord produced a sharp revaluation of the yen, approximately 51 percent between 1985 and 1987. This substantial currency shift brought about a major shock to the Japanese economy and triggered the first major realignment of the core policy triad: the boom in Japanese overseas investment. To be sure, Japanese corporations had invested abroad since the early 1960s, but the flow of outward investment as a response to the currency shock was unprecedented: it increased from \$3.6 billion in 1983 to \$34.2 billion in 1988 and \$48 billion in 1990.² In essence, Japanese corporations sought to tackle the adverse effects of the high yen by either establishing production/assembly facilities in main consumption markets (e.g., the automobile investment wave in the United States) or to shift the production of components to different East Asian countries, and frequently to assemble them in China for re-export to industrialized markets. Thus, the Japanese

production networks that have de facto produced a high level of economic integration in the region were established (Solís 2004; Hatch and Yamamura 1996).

Japan's emergence as a creditor nation gave much greater heft than previously to another core component of its foreign economic policy kit: official developmental assistance (ODA). Early in the postwar period the Japanese government had emphasized economic cooperation with neighboring countries to avoid isolation and to facilitate the overseas expansion of Japanese corporations. ODA emerged as a hallmark in the diplomacy of a civilian power, and with its rising financial strength, Japan emerged as the leading aid donor among industrialized countries throughout the 1990s. However, critics of Japan's economic assistance program leveled two main charges: (1) mercantilism, by which the tying of aid and the focus on infrastructural projects were deemed to generate a steady stream of contracts for Japanese corporations (Arase 1995); and (2) lack of purpose, in that the Japanese government had not articulated a clear vision of the goals of its assistance programs (Stein 1998). The Japanese government proved responsive to these criticisms and introduced major reforms: untying 98 percent of all aid commitments by the late 1990s; increasing humanitarian assistance; and issuing an ODA charter that embraced principles such as sustainable development, environmental protection, democratization, and human rights (Hirata 1998; Solís and Urata 2007).

However, as the Japanese economy slowed down with the bursting of the bubble in 1991, budget deficits increased and aid fatigue set in. The ODA budget experienced cuts throughout the 2000s, so much so that the 2011 ODA budget was equivalent to only 49 percent of the budget for 1997. Japan's ODA disbursements in 2010 totaled \$11 billion, placing Japan in fifth place among leading donors in the world. The goal of increasing the ratio of ODA to gross national income to 0.7 percent seems increasingly out of reach as Japan, at 0.2 percent, ranks almost at the bottom of the list of the OECD's Development Assistance Committee members (MOFA 2011). Hence, budgetary cuts and an increasing focus on the tasks of domestic reconstruction in the aftermath of the Triple Disaster of March 2011—earthquake, tsunami, nuclear crisis—do not bode well for a major reactivation of Japan's overseas economic assistance program.³

8.2.2. Shifting Geographical Scope

The geographic scope of Japan's economic relations has also shifted markedly over the years (see Dent chapter more generally on trade trends in Asia). Table 8.1 provides an overview of the main areas of destination for Japan's trade and investment flows over the past quarter-century. From this table, it becomes clear that in the late 1980s the United States continued to occupy the position of top economic partner of Japan. Almost 37 percent of Japanese exports were destined for the American market, US products represented 21 percent of total imports in Japan, and close to half of all Japanese outward investment was directed to the United States. By the year 2011, the United States had been demoted to the number two destination market for exports (with 15.5 percent of the total) and source of imports (with 8.9 percent of the total). The

Table 8.1 Evolution of Japan's Trade and Investment Flows

	1987						2007						2011					
	Exports		Imports		FDI		Exports		Imports		FDI		Exports		Imports		FDI	
	Exports	Imports	Imports	Exports	Imports		FDI	Exports	Imports	Imports	Exports		Imports	FDI	Exports	Imports	Imports	Exports
Asia	50.6 (21.9)	39.7 (26.3)	n.a.	149.1 (35.3)	112.8 (33.3)	13.1 (50.2)		298.8 (41.8)	248.1 (39.9)	19.4 (26.4)			409.2 (49.6)	358.3 (41.9)	39.5 (34.1)			
China	8.3 (3.6)	7.5 (5.0)	0.2 (1.0)	21.7 (5.1)	41.8 (12.3)	1.9 (7.3)		109.3 (15.3)	127.8 (20.5)	6.2 (8.4)			161.8 (19.6)	183.9 (21.5)	12.6 (10.9)			
Asian NIEs			1.7 (8.6)			5.3 (20.3)				6.0 (8.2)					9.3 (8.0)			
Hong Kong	8.9 (3.8)	1.6 (1.1)	n.a.	27.3 (6.5)	2.2 (0.6)	1.8 (6.9)		38.9 (5.4)	1.4 (0.2)	1.1 (1.5)			42.9 (5.2)	1.5 (0.2)	1.5 (1.3)			
Rep. of Korea	13.3 (5.7)	8.2 (5.4)	n.a.	26.1 (6.2)	14.6 (4.3)	0.2 (0.8)		54.3 (7.6)	27.3 (4.4)	1.3 (1.8)			66 (8.0)	39.8 (4.7)	2.4 (2.1)			
Singapore	6.1 (2.6)	2.1 (1.4)	n.a.	20.3 (4.8)	5.9 (1.7)	2.6 (10.0)		21.8 (3.0)	7 (1.1)	2.2 (3.0)			27.2 (3.3)	8.7 (1.0)	4.5 (3.9)			
Thailand	3.0 (1.3)	1.8 (1.2)	n.a.	14.6 (3.5)	9.6 (2.8)	2.0 (7.7)		25.6 (3.6)	18.3 (2.9)	2.6 (3.5)			37.5 (4.5)	24.5 (2.9)	7.1 (6.1)			
Indonesia	3.0 (1.3)	8.5 (5.6)	n.a.	10.2 (2.4)	14.6 (4.3)	1.6 (6.1)		9.1 (1.3)	26.3 (4.2)	1.0 (1.4)			17.8 (2.2)	3.4 (0.4)	3.6 (3.1)			
Malaysia	2.2 (1.0)	4.8 (3.2)	n.a.	14.5 (3.4)	11.4 (3.4)	1.0 (3.8)		15.1 (2.1)	17.4 (2.8)	0.3 (0.4)			18.8 (2.3)	30.5 (3.6)	1.4 (1.2)			
Philippines	1.4 (0.6)	1.4 (0.9)	n.a.	8.7 (2.1)	5 (1.5)	0.3 (1.1)		9.5 (1.3)	8.7 (1.4)	1.0 (1.4)			11.2 (1.4)	8.9 (1.0)	1 (0.9)			
Vietnam	0.2 (0.1)	0.1 (0.1)	n.a.	1.3 (0.3)	2.2 (0.6)	0.3 (1.1)		5.7 (0.8)	6.1 (1.0)	0.5 (0.7)			9.6 (1.2)	11.6 (1.4)	1.9 (1.6)			
India	2.0 (0.9)	1.5 (1.0)	n.a.	2.2 (0.5)	2.7 (0.8)	0.5 (1.9)		6.2 (0.9)	4.2 (0.7)	1.5 (2.0)			11.1 (1.3)	6.8 (0.8)	2.3 (2.0)			
United States	85 (36.7)	32.0 (21.1)	9.6 (49.4)	118.4 (28.1)	76 (22.4)	7.4 (28.4)		145.6 (20.4)	72.3 (11.6)	15.7 (21.4)			127.8 (15.5)	76.2 (8.9)	14.7 (12.7)			
Europe	3.8 (1.6)	3.0 (2.0)	n.a.	4.0 (0.9)	5.2 (1.5)	2.6 (10.0)		20.2 (2.8)	13.4 (2.2)	21 (28.6)			22.1 (2.7)	23 (2.7)	39.8 (34.4)			
World	231.5 (100)	150.9 (100)	19.5 (100)	421.9 (100)	338.8 (100)	26.1 (100)		714.9 (100)	621.9 (100)	73.5 (100)			824.4 (100)	854.7 (100)	115.7 (100)			

Source: Export and import data from IMF Direction of Trade Statistics and FDI information from JETRO.

Note: Asian NIEs includes Hong Kong, the Republic of Korea, Singapore, and Taiwan.

largest share of Japanese overseas investment continued to be channeled to the United States, but it had clearly lost its dominant share and was down to 12.7 percent.

The diminishing importance of the United States in Japanese foreign economic transactions is explained by the rising share of Asia—in particular China. In the trade front, Asia as a whole represented 22 percent of exports and 26 percent of imports in 1987, but by 2011 these shares had increased to approximately 50 percent and 42 percent respectively. Within the Asian region, important shifts also occurred. Asian newly industrialized economies (NIEs) have consistently been an important market for Japanese products—their share of total Japanese exports peaked in 1997 at 17.5 percent, and in 2011 they mostly retained their share at 16.5 percent. However, their importance as suppliers of imports to Japan has decreased over time: from 7.9 percent in 1987 to 5.9 percent in 2011. The importance of Southeast Asian markets grew quickly in the late 1980s and 1990s, so that the share of total Japanese exports jumped from 4.3 percent in 1987 to 11.7 percent in 1997—a share that they retain today; but again there is a slight drop in the share of Southeast Asian countries in Japanese imports from 11 percent in 1987 to 9.3 percent in 2011. The possibility of trade flows with Central Asia increasing in the future is indicated by the growing attention the region has begun to receive as a potential supplier of key resources such as oil, gas, and rare metals. The most remarkable transformation is in the China-Japan trade relationship. In 1987, China did not rank high as a trade partner for Japan, representing only 3.6 percent of exports and 5.0 percent of imports. But by 2011 China had catapulted to become Japan's largest trading partner, with 19.6 percent of exports and 21.5 percent of imports.

Regarding overseas investment flows, in the late 1980s China received a minor share of Japanese capital, compared to Asian NIEs with an 8.6 percent share. In fact, following the yen appreciation there was a major wave of Japanese investment in both NIEs and Southeast Asian countries (which in 1997 received 20.3 percent and 19.8 percent of total Japanese investment respectively). Since then, Southeast Asia has continued to receive around 12–13 percent of Japanese investment due to the continued desire to relocate component manufacture to these countries, while the share of Asian NIEs contracted to 8 percent. In the past twenty-five years, the role of China in the strategies of Japanese multinational corporations experienced significant transformation. The importance of China as a site of operations for Japanese corporations has grown dramatically. This was initially due to Japan's interest in the emergence of China as a major export platform with low labor costs and preferential policies for import of components, which could be used for the assembly into finished goods destined for industrialized markets.

Later, Japan was lured by the possibility of servicing local markets due to growing income levels. China's share of Japanese FDI increased from 1 percent in 1987 to 7.3 percent in 1997, and 10.9 percent in 2011. Japanese multinational corporations have also exhibited interest in India, whose share of FDI flows from Japan has hovered around 2 percent. Although the trade relationship with India is still modest, the increase in Japanese exports with the 2011 enactment of the bilateral trade agreement (representing 1.3 percent of total exports), and the potential for larger investments by Japanese

companies as India eases restrictions on multinational corporations and improves its business infrastructure, could generate growing levels of economic exchange. Overall, however, the bulk of Japan's regional economic diplomacy continues to be in Northeast and Southeast Asia, followed at a considerable distance by other players in the region such as India and Central Asia. Finally, the last major reorientation in the geographical distribution of Japanese foreign direct investment occurred in Europe, where the share of Japanese FDI grew from 10 percent in 1997 to 34.4 percent in 2011, as many companies sought to secure a place in an increasingly integrated European continent.

8.2.3. Seeking a Voice in Global Economic Management

Japan's penchant for a greater role in global economic management was first manifested in its funding campaigns of international financial institutions (IFIs) such as the World Bank and IMF during the 1980s. As Searight (2002, 173) notes, gaining greater visibility in international organizations allowed Japan to achieve a stature more commensurate with its economic prowess, and to do so in a way that did not threaten its Asian neighbors by enmeshing itself tightly in a multilateral framework. Relying on its financial muscle, the Japanese government organized capital recycling campaigns that rapidly increased Japan's funding shares and voting powers. For instance, Yasutomo (1995, 66) estimates that in the early 1990s Japan was providing close to 30 percent of all the World Bank's capital inflows, and by 1984 Japan had leaped to second largest shareholder. The same was true for Japan's status by 1990 as the second largest shareholder in the IMF.

However, the strategy of injecting capital into these Bretton Woods institutions in order to secure greater authority had its limits. Two main constraints are evident. First, because the United States remained the largest shareholder, possessing sufficient shares to retain a veto power on key issues, there were *de facto* limits on the extent to which Japan's share could grow. Second, because the Japanese government's ideas on development and financial crisis management did not find a receptive audience, Tokyo soon became disillusioned with its ability to affect IFI operations. For instance, an open rift ensued between the World Bank and Japan on development philosophy in the early 1990s. While the former emphasized liberalization and privatization as key reforms for developing countries; the latter advocated a larger role for government in guiding development through indicative credit, warned about the risk of market failure, and urged case-by-case prescriptions on privatization (Wade 1996; Yasutomo 1995).

Another bitter clash between the United States and Japan took place at the time of the 1997 Asian financial crisis as both countries reached opposite conclusions on the origins of the crisis and the policies required from the IMF. The United States diagnosed Asian countries as suffering from crony capitalism and urged austerity measures, while Japan blamed speculative capital and recommended liquidity injections to stabilize markets. Since these heated debates of the 1990s, Japan has not tried to increase its voting share in international organizations to gain greater influence. In

fact, the governance debate in IFIs has shifted toward giving emerging economies a larger voice, and in 2008 China led the charge in the IMF, demanding 6 percent redistribution of votes from overrepresented to underrepresented countries.⁴

With the onset of the global financial crisis (GFC), Japan opened a new chapter in its relationship with the IMF. At the time there were great concerns regarding the insufficiency of IMF resources to deal with a crisis of this magnitude, but Japan's hefty contribution of \$100 billion helped to secure the goal of the G20 to treble the Fund's resources (Sanford and Weiss 2009), and in the spring of 2012 Japan committed an additional \$60 billion to the Fund to address the continuing problems in Europe. The Japanese government also contributed \$22 billion to keep the wheels of international trade running, and provided an additional \$20 billion to help shore up Asian economies ("Transcript" 2009). Japan's activism during the GFC was facilitated by convergence in the international community around key ideas Japan had advocated since the Asian financial crisis (AFC). There is now greater acceptance of the notion that unfettered movement by speculative capital is creating increasingly dangerous financial turmoil, and the IMF has also reformed its practices to introduce flexibility and avoid stringent conditionality for all cases (Katada 2009; Kawai 2009).

But it is not at all clear if Japan will play a leading role in devising the contours of the new global financial architecture. The G20 assumed the key role of stewardship committee and has debated central issues such as global imbalances and international financial reform. Japan, however, has not played such an active role in the G20 compared to China and Korea. For instance, China has been at the center of the debate on foreign exchange management and global imbalances, and Korea played a visible role as the first Asian country to host the G20 summit in November 2010. Three main reasons explain Japan's uncomfortable transition to the G20 summit process: (1) Japan lost its privileged position as the sole Asian voice that it held in the G8;⁵ (2) international summitry requires leader rapport, but the high turnover of Japanese prime ministers hindered Japan's ability to maintain this; and (3) the Japanese government did not formulate a distinct set of policy proposals on the structural reforms needed for a more robust financial architecture (Katada 2009; Solís 2011; Ito 2010).

8.2.4. New Institutional Platforms: Regional and Bilateral Initiatives

A key mantra of Japanese postwar foreign economic policy was its strict adherence to multilateralism. However, since the late 1990s Japan has opened a new chapter in its foreign economic policies by espousing regional and/or bilateral initiatives to deal with financial crisis management and advance trade liberalization.⁶ In the case of finance, the Japanese government acted on what it perceived as an insufficient response from the IMF and the United States to the AFC by announcing its plan to establish an Asian Monetary Fund (AMF). However, due to the opposition of the United States—which feared moral hazard through weaker conditionality—and of China—which was not

prepared for Japan to seize the lead in regional diplomacy—Japan had to abandon the AMF initiative.

The desire of many East Asian governments to shield the region against financial instability, however, was not extinguished; a new effort was launched in 2000 through the Chiang Mai Initiative (CMI) to put together a network of bilateral currency swaps worth \$80 billion to help to anchor a regional economy in crisis (see also Grimes chapter). In order to appease the concerns that had undermined the AMF effort, the CMI was explicitly linked to the IMF by establishing that only 10 percent of funds could be released without the IMF's seal of approval. The CMI has matured over time as governments in the region have increased the size of committed funds (worth \$240 billion as of May 2012), has loosened the link to the IMF so that 40 percent can be used before seeking its approval (*Wall Street Journal* 2012), and finally has agreed on multilateralization in the aftermath of the GFC (Ciorciari 2011). With this last step, specific funding quotas were assigned for the first time: China and Japan both with 32 percent, Korea with 16 percent, and ASEAN with 20 percent. This gave rise to a weighted voting system, with China and Japan exercising veto power since a de facto two-thirds majority vote is required for the release of funds (Grimes 2011). Further progress was made in the area of institutionalization with the establishment in Singapore of the ASEAN+3 Macroeconomic Research Office (AMRO) as part of the multilateralization effort, and there is now increased discussion concerning the possibility of expanded functions in surveillance and in further institutional development (Ciorciari 2011; Kawai 2009; see also Grimes chapter in this volume).

While Japan has been at the forefront of the regional financial integration process—planting the idea of the AMF scheme, contributing sizable funds, and co-chairing AMRO with China—the future deepening of the CMI presents the Japanese government with two fundamental challenges: (1) Can co-management with China work smoothly and efficiently? and (2) should the link with the IMF eventually be severed to create a truly autonomous regional institution? Both questions are ultimately inter-related since the Japanese government has been reluctant to abandon the link with the IMF without significant strengthening of surveillance capabilities, but the Chinese government has balked at the notion of a more intrusive form of monitoring (Grimes 2011; Henning 2009).

In the case of trade, the Japanese government engineered in the late 1990s an about-face in its long-standing position that preferential trade agreements (PTAs) were harmful to the multilateral regime, and started to negotiate its own PTAs (Solís 2003). This major policy departure was a response to the negotiation impasse at the GATT/WTO, as well as an attempt to counter possible disadvantages to Japanese companies in foreign markets from the proliferation of rival preferential trade agreements.

The Japanese government aimed to formulate a distinctive approach to trade liberalization and economic integration in East Asia. Japan advocated an ambitious agenda in the rules area of these trade agreements through the inclusion of WTO plus commitments in services, investment, finance, government procurement, and intellectual property. Moreover, the Japanese government pitched the idea that it offered a unique

package in its trade negotiations by including an economic cooperation chapter when it negotiated with developing nations. Japan sought to distinguish its PTA model from China's by endorsing a more comprehensive issue scope and by adopting a more legalistic approach (in terms of defining precise obligations actionable through dispute settlement mechanisms). But it also offered a different interpretation of where the boundary for East Asian trade integration lay. China favored a narrower geographical area confined to the ASEAN+3 countries, whereas Japan insisted on incorporating India, Australia, and New Zealand, in part to balance China's influence.

Eventually, the Japanese government set its sights on larger trading partners, especially the United States and the European Union, and prescribed increasingly ambitious numerical targets. In July 2006, the Koizumi cabinet determined that it would negotiate preferential trade agreements to cover 25 percent of Japan's total trade value by the year 2010 (Yoshimatsu 2012, 199). In its "Comprehensive Strategy for the Rebirth of Japan," released in July 2012, the Noda cabinet raised the expectation by announcing a much more ambitious figure: 80 percent by the year 2020 (National Policy Unit, 2012). However, the 13 Japanese FTAs signed so far have come short of these loftier goals, as they represent only 17 percent of Japanese exports, and Japan lagged behind other countries: China (21 percent), EU (30 percent), United States (36 percent), and South Korea (38 percent) (*Nikkei News* 2011). This underperformance reflected the difficulty of Japan's PTA policy in gaining traction in different areas. Except for some token programs for trained nurses, Japan's inability to open its agricultural market and accept inflows of foreign workers from Southeast Asia significantly dulled the appeal of its PTAs. In advancing PTAs with industrialized nations, neither the European Union nor the United States responded enthusiastically to Japan's entreaties to negotiate a preferential trade agreement. The Bush administration was skeptical that bilateral trade negotiations with Japan could succeed given its inability to undertake agricultural market opening, and the Europeans were interested in discussing rule harmonization but not a PTA, due to concerns over a massive inflow of Japanese cars.⁷

Japan tried to re-energize its trade policy by exploring membership in the Trans-Pacific Partnership Agreement (TPP),⁸ and also by promoting a trilateral agreement with China and Korea, and a 16 nation East Asian trade agreement, known as the Regional Comprehensive Economic Partnership. For Japan, the stakes of TPP participation were very high, as it will help to avoid marginalization from the key initiatives in international trade; restore a level playing field for Japanese companies in overseas markets, especially as other countries have moved faster in securing preferential terms of operation through their PTAs; advance domestic structural reforms to enhance competitiveness; and leverage its own trade diplomacy by increasing its appeal as a PTA counterpart. The trade agreement with China and Korea was also deemed of key importance since they are large economic partners, and the Japanese business community has long advocated a PTA with China to improve market access conditions and a more transparent regulatory framework (Solís 2007). However, it took Japan two and a half years to finally announce on March 16, 2013, that it wanted to join the TPP, and

given the thorny diplomatic relations with China and South Korea due to history and territorial disputes, the fate of the East Asian trade initiatives is not very clear.

8.3. DRIVERS OF CHANGE IN JAPAN'S FOREIGN ECONOMIC POLICIES

There have been significant changes in the past quarter-century in terms of realignment within Japan's core policy triad, geographical redistribution of its trade and investment relations, greater assertiveness in advocating distinct views on development and economic assistance, the parameters of trade integration, and financial crisis management; in addition to Japan's willingness to use its financial prowess to gain a larger say in IFIs and boost its financial resources in times of world economic turmoil. Moreover, Japan has been willing to deviate proactively from its near-exclusive focus on global regimes. Japan has already come a long way from its initial strategy to use the legal remedies available at the WTO to defend its domestic measures and challenge the trading practices of other nations (Pekkanen 2008). More recently, Japan abandoned its exclusive focus on multilateralism to develop restricted membership institutions as part of an East Asian regional economic architecture. These historic initiatives indicate a strong penchant for policy activism and highlight how far Japan has moved from its passive stance as a "reactive state," which had previously characterized its economic diplomacy (Calder 1988). However, the overview above also demonstrates that the Japanese government has experienced great difficulty in recasting the role of the state in regard to economic development in aid programs, and in influencing the design of cutting-edge rules on trade, international financial rescue, and the new international financial architecture. Hence, we are in need of a foreign policy model that can capture Japan's checkered record of signaling new policy departures but coming short in their implementation.

In order to zoom into the drivers of Japanese foreign economic policy, the analysis here borrows the approach of Ikenberry, Lake, and Mastanduno (1988) of laying out at different levels of analysis the factors shaping a country's economic diplomacy. As these authors explain, a system-centered approach focuses on how policymakers navigate the opportunities and constraints embedded in the international system. Hence, the relative economic capabilities of states, interactions among the larger economic players, and the role of international regimes are key variables in this approach. In contrast, a society-centered argument views foreign economic policy as driven fundamentally by domestic politics—in particular the actions of interest groups capable of overcoming collective action problems and deploying their financial contributions or votes to advocate their demands. In this school, the state is merely the arena in which societal groups weigh their battle to shape a country's foreign economic policy. The state-centered approach rejects the notion of a marginal state by highlighting the

importance of institutions in aggregating, empowering, and disempowering societal demands, and by underscoring the autonomous preferences of public officials. State officials have at their disposal several strategies to gain control over foreign economic policy: they can redefine domestic issues as being under the purview of international negotiations and commitments, they can build new institutions to advance their agenda, and they can encourage the mobilization of groups in society. On the other hand, stalemate among clashing domestic groups and the presence of competing goals in the government's agenda can significantly limit the influence of state actors (Ikenberry, Lake, and Mastanduno, 1988).

This analytical framework provides a useful departure point from which to identify determinant factors of Japanese foreign economic policy across levels of analysis. But beyond an inventory of influential forces, the analysis here aims to identify the triggers for policy departures and the causes behind limited implementation, in addition to pointing to synergy effects as interacting variables operate at the international, societal, and state level.

8.3.1. Systemic Arguments

International factors have weighed heavily in the evolution of Japan's foreign economic policy. External crises in particular—understood as both threat and opportunity—have acted as the most important catalysts for policy innovation. Several examples abound in this regard. For example, the sharp yen appreciation in the mid-1980s threatened the export competitiveness of broad swaths of the Japanese manufacturing sector, and triggered an unprecedented flow of overseas investment to relocate production. The Asian financial crisis in 1997 and the global financial crisis in 2008 underscored the potential perils of unregulated financial markets in a globalized economy, triggering the development of a regional liquidity mechanism and substantial capital injections into the IMF. The unwieldy proliferation of PTAs risked placing Japanese corporations at a disadvantage in foreign markets and leaving the Japanese government behind in this wave of regional economic diplomacy. This led to reconsideration regarding a previously taboo policy option: selective and discriminatory liberalization.

Policy departures were swifter not only when the Japanese government perceived adverse international trends—sharp yen appreciation, trade diversion, or speculative capital—but also when it concluded that underperformance of multilateral institutions was aggravating the problem. For instance, the Japanese government viewed with concern the endorsement of structural adjustment loans in the World Bank as an attempt to use conditionality to implement policies concordant with the Washington Consensus, prompting the government to articulate a distinctive view on the role of aid and development. The decade-long inconclusive Doha Round raised significant concerns about the inability of the WTO to break negotiation logjams, creating incentives to explore regional and bilateral trade agreements. Finally, the Japanese government criticized the IMF for misdiagnosing the AFC and aggravating the situation with

deflationary policy prescriptions. It offered an alternative through the AMF scheme, and later supported the Chiang Mai Initiative. In contrast, when the Japanese government was more satisfied with the more flexible lending practices in the IMF and the emerging consensus on the merits of greater regulation of capital flows, it played a decisive role in boosting the financial resources of the Fund.

International regimes have shaped Japanese economic diplomacy in one further way: through nesting effects. In essence, room for institutional innovation is greater when there are fewer strictures imposed by the overarching multilateral regime. As a case in point, the AMF initiative subsided quickly once fears surfaced that it would undermine the IMF's position of lender of last resort; the CMI was born with a clear line of subordination to the IMF in that the majority of funds would not be released without approval from the Fund—a link that has been gradually loosened over time. In contrast, the lax rules on regional trade agreements in the WTO have given Japan and other countries considerable latitude regarding the depth, coverage, and quality of their PTAs, and the consequent growth of these agreements has been explosive (Pekkanen, Solís, and Katada 2007).

Relative economic capabilities and interactions with other leading economic players have also been influential, but they are less helpful in explaining policy activism and underscore instead the structural limitations to Japanese economic power that hinder implementation of new initiatives. Undoubtedly, Japan's economic takeoff to become the second largest economy in the world and its ability to recycle trade surpluses to become a leading creditor nation and donor of overseas economic assistance underpins its leadership potential. The first inklings of Japan's shift toward an activist foreign economic policy—its “funding for shares” campaign in the World Bank and IMF—reflect precisely an attempt to acquire the international stature and voice in key global institutions to match its elevated economic ranking. And yet, as Japan's economy entered a prolonged economic slump in the 1990s and in 2010 was overtaken by China in its overall economic ranking, Japan also launched new policy initiatives that aimed to secure institutional arrangements before further decline undermined its bargaining power, most notably the CMI (Katada and Solís 2008). Hence, both the rise and decline of economic power can be associated with policy activism.

Interactions with other leading economies have in many ways curbed Japan's leadership attempts. For instance, Japan was unable to redirect the operations of the World Bank and the IMF because the United States disagreed with Japan's proposal and continues to hold the voting shares controlling most of the important decisions within these institutions. A decade later, Japan could not launch the AMF due to opposition from the United States and lack of support from China. And the multilateralized CMI represents an uncomfortable Sino-Japanese condominium, as both countries maintain contrasting perceptions of surveillance or further institutionalization that could impose a sovereignty cost. Competitive dynamics have also been important in the trade front. For several years Japan and China have endorsed alternative blueprints for East Asian integration (only more recently agreeing on the RCEP formulation), and

Korea negotiated trade agreements with the United States and the European Union that placed Japanese companies at a disadvantage in those markets. Whether the three Northeast Asian countries can downplay these competitive dynamics and conclude a trilateral FTA that could serve as a steppingstone for a broader East Asian trade grouping remains to be seen. On the other hand, the United States has now articulated an alternative vision for Asia-Pacific integration through the Trans-Pacific trade negotiations, and both countries share key interests in the TPP project: to disseminate a high-standard economic integration paradigm and to prevent being sidelined by China in the process of Asian regional integration. However, domestic politics in both countries conspired to prevent Japan's admission earlier in the negotiation process. On the US side, automobile companies in particular have opposed Japan's entry (*Inside U.S. Trade* 2012). A broader analysis of the role of domestic politics in Japanese foreign economic policy follows.

8.3.2. Societal Arguments

Two considerations seem paramount in understanding the role of societal actors as drivers of Japanese foreign economic policy: (1) the strength of internal advocates for activist international economic policies, which hinges on preference intensity, mobilization capability, and lobbying resources (Katada and Solís 2010); and (2) the emergence or not of a domestic stalemate among advocates and detractors. A couple of examples serve to illuminate the first point. As Japan moved to untie its foreign aid to conform to Western standards, Japanese companies saw their share of ODA contracts dwindle. Therefore, when the Japanese government implemented budgetary cuts to its aid program, the business community did not seek to stop this retrenchment. In this case, low preference intensity explains the absence of a champion for a more robust aid program, but in the case of finance, mobilization hurdles hindered the actions of societal advocates. As Katada notes, the severe Japanese banking crisis of the 1990s and the process of mergers that ensued reconfigured the banking sector. This dramatic restructuring—along with the loss of the Bank of Tokyo, traditionally the bank with the most foreign expertise, to a bank merger—left the banking industry unable to make substantial demands on the government regarding its international financial initiatives. The muted voice of the Japanese banking sector was evident in its inability to advocate more forcefully for the AMF, even though Japanese banks needed an orderly exit mechanism; and in the lack of input to the government on ongoing deliberations in international forums such as the Basel Committee and the G20 regarding the new financial architecture (Katada and Solís 2010; Katada 2012).

The trade case, on the other hand, highlights the immobilizing effects of interest group gridlock. The Japanese business community, through its umbrella organization, Keidanren, has been the most active proponent of free trade agreements. Japan has sought to avoid trade diversion, to partake in international rule-making on trade

and investment, to consolidate regional production networks in East Asia, and to overcome the competitive disadvantages created by energy uncertainty and a high yen; these actions have dictated greater globalized production and have propelled Japanese industrial interests to advocate for an ambitious preferential trade policy.⁹ The traditional conduit for business influence has been financial contributions (Curtis 1975): in 2003 Keidanren decided to reinstate political donations that had been phased out a decade earlier due to concern over corruption. Nevertheless, the 1994 electoral reforms, which introduced public subsidies for parties, significantly reduced the appeal of the revived corporate donations. For instance, in the 1960s, Keidanren provided 90 percent of Liberal Democratic Party (LDP) funds, but only 12 percent in 2005 (Yamamoto 2007, 203), and the Democratic Party of Japan (DPJ) was even less dependent on corporate contributions. At the same time, industrial interests confronted the determined opposition of the agricultural lobby (the agricultural cooperatives through their political arm, Zenchū), which has made the argument that large-scale liberalization will destroy Japanese agriculture.

To be sure, important changes have taken place since the heyday of the agricultural iron triangle. Zenchū can no longer routinely deliver the hard farm vote to the LDP, has seen its organizational strength diminish due to deregulation measures—such as the loss of its monopoly over rice distribution—and as relations with the LDP became more distant, has been struck by the new realities of electoral turnover, with the DPJ winning a historical victory in August 2009. Moreover, the DPJ did not have an agricultural policy tribe equivalent to the LDP's, largely because Ozawa Ichiro had centralized the apportionment of pork-barrel projects and the party's policymaking structure comprises a looser organization (George Mulgan 2012).

However, farmer interests still exert powerful influence in Japanese politics and trade policy for two main reasons: the continuing importance of the agricultural vote and the construction of a broader anti-FTA coalition. A key component to the success of the DPJ's electoral strategy in 2009 was to bypass Zenchū and appeal directly to the farmers by offering a more generous direct payments program. Furthermore, for the past half-decade, most rural electoral districts have alternated their support for political parties, in effect acting as a swing voting group, thereby compelling politicians to cater to this constituency. As the national debate in Japan on prospective TPP membership grew increasingly heated, Zenchū skillfully framed its opposition as extending beyond the defense of narrow agricultural interests to protect core Japanese economic and social institutions, and enlisted the support of other actors such as the Japan Medical Association and the Consumer Union of Japan.

This heated domestic stalemate between advocates and detractors clipped the wings of Japanese PTA policy during its first decade. But a purely societal approach is not sufficient to understand the impact of domestic politics on Japanese foreign economic policies. For example, the overview above explained how electoral rules have empowered certain constituencies over others, and how they have decreased the reliance of parties on corporate contributions. Factoring in the role of political institutions and state actors is, therefore, the next task.

8.3.3. Statist Arguments

The state has loomed large in Japan's foreign economic policy as it has received credit for plotting industrial policies capable of lifting Japan's position in the international division of labor, as posited by the model known as the "developmental state." Without revisiting the debate on the pros and cons of this model, it is sufficient to note here that many of the policy tools that the Japanese government used to guide private investment in the early postwar period have disappeared as Japan's economy internationalized (i.e., foreign exchange quotas, fixed interest rates, restrictions on inward investments). Hence, an account of how state-level variables impact Japan's economic diplomacy in the postdevelopmental period should take into account three interrelated variables: the degree of state autonomy from interest groups and/or politicians; the extent of interbureaucratic conflict; and the level of centralization of decision-making in the political executive.

Again, finance and trade represent polar cases. In the former, the state has enjoyed a great degree of autonomy from interest group lobbying and politician intervention, and the decision-making circle has been narrow, with the Ministry of Finance (MOF) responsible for key initiatives. As noted before, the banking industry did not operate as an active lobby in the area of financial regionalism, and a detailed account of the AMF proposal reveals that it was engineered by MOF as it responded to IMF/US policies that it regarded as attempts to dismantle the Asian development model (Lee 2006). Grimes (2009, 103) also offers a state-centric explanation of Japan's endorsement of the CMI, whereby the Japanese government used this initiative to achieve both regional currency cooperation (and promote the internationalization of the yen) and regional hedging by diminishing the dependence on the IMF and the United States in resolving future crises. The latest episode of Japanese activism—hefty contributions to the IMF during the GFC—also underscores the concern of the bureaucracy with protecting its autonomy and avoiding meddling by politicians. Handled as a reallocation of its foreign exchange portfolio, the contribution to the IMF did not require a vote by the Diet, and bureaucratic discretion was upheld (Holryod and Momani 2012).

In sharp contrast, trade bureaucrats housed in the Ministry of Economy, Trade and Industry (METI) have not exerted such control over PTA policy. METI officials endorsed this departure in trade policy to accomplish two main goals: (1) to obtain use of the same policy tools that their counterparts enjoyed, by developing multitrack trade policies with multilateral, regional, and bilateral negotiation fronts (Solís 2009); and (2) to use these agreements to push for needed domestic reforms, particularly in the agricultural sector (Munakata 2001). Due to jurisdictional overlap, however, METI officials have had to compromise with other ministries, in particular the Ministry of Agriculture, which is heavily influenced by agricultural policy politicians (*zoku*) who take a vocal defensive posture (Solís 2010). Moreover, the campaign to enhance the power of the Prime Minister to break such iron triangles faltered under the DPJ. The party's stated goals of asserting politicians' control over the bureaucracy, increasing party discipline, and centralizing the decision-making system went by the wayside.

The LDP under Prime Minister Abe has had greater success in centralizing trade policymaking as Zenchu was been unable to find another national party to veto TPP membership, and by establishing TPP headquarters in the Cabinet in order to overcome bureaucratic sectionalism. The final payoff of these institutional reforms in terms of domestic market opening and leadership role in international trade negotiations will have to be assessed at a later date.

8.4. IMPLICATIONS AND FUTURE TRENDS

Extrapolating from the analysis above, we can identify combinations of variables *across* levels of analysis that are either supportive of foreign economic policy innovation or can hinder Japan's leadership attempts. The lineup of variables favoring foreign economic policy activism includes international crises that threaten core Japanese interests coupled with disenchantment with the performance of existing international institutions; a strong domestic advocate that welcomes the policy departure; and streamlined decision-making involving a single ministry that can handle the issue in a technocratic manner. In contrast, Japan's foreign economic policy initiatives are unlikely to flourish when they face resistance from leading countries—there is apathy among potential backers at home, deep polarization among domestic groups, and a cumbersome decision-making process due to overlapping bureaucratic jurisdictions and *zoku* politicians' intervention.

Going forward, at least three main issues will be of central importance for the future of Japanese foreign economic policy. First of all, flexing its financial muscle to achieve greater visibility in the management of the global economy may become increasingly difficult if the economic reforms of Prime Minister Abe (popularly known as Abenomics) do not deliver the expected results and the government's debt situation dictates further budgetary retrenchment. In that scenario, Japan would be hard pressed to find its voice in debates concerning future financial architecture and to become a focal point for Asian economic integration. Economic revitalization is, therefore, critical to Japan's leadership potential. Second, Japan's foreign economic policy will require recalibration to account for the more diffuse international system as emerging economies have consolidated their position in the G20 and seek governance reforms in the IFIs. We may expect Japan to continue with institutional strategies that seek to secure its place in global economic management and regional institutional building. Third, forging a domestic consensus on the benefits of deeper economic integration with other countries—while addressing the adjustment burden of disadvantaged sectors—and on the value of Japan's supply of international public goods in the midst of fiscal retrenchment will be essential to sustain an active Japanese foreign economic strategy.

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NOTES

1. Ministry of Finance figures.
2. For data sources see table 8.1.
3. Critics of ODA point to the staggering cost of reconstructing damaged infrastructure in affected coastal areas in the northeast, estimated to be around \$222 billion (Kakuchi 2012).
4. For an overview of these reforms, which have not yet entered into force, see International Monetary Fund 2012.
5. Several Japanese government officials have emphasized the core role of the G8 with the image of concentric circles. The G8 can act more cohesively as a group of like-minded industrialized countries, while coordination with emerging and developing countries can be achieved in the outer circle, the G20 (Dobson 2012).
6. The first major (trans)regional initiative was the establishment of APEC in 1989. However, APEC operates under the principles of voluntarism and open regionalism (nondiscrimination), so it is different from the preferential regional diplomacy discussed in this section.
7. Interview with Keidanren officials, Tokyo, June 2008.
8. TPP membership grew from Singapore, Brunei, Chile, and New Zealand, to include the U.S., Malaysia Vietnam, Australia, Peru, Mexico and Canada. The TPP has garnered a lot of attention because of its promise to rule out sectoral exclusions and systematically tackle nontariff barriers. It is still unclear whether the final TPP agreement will be able to match the ambitious levels of liberalization it advertises. See Ravenhill and Capling (2011), Elms (2012), and Solís (2011).
9. The level of business interest in each FTA varies depending on the economic stakes involved. For a theoretical model that explains the selective pattern of Japanese business FTA lobbying see Solís 2013.

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CHAPTER 9

CHINA'S FOREIGN ECONOMIC RELATIONS AND POLICIES

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THE evolution of China's foreign economic performance and policy is one of the biggest stories of the late twentieth and early twenty-first centuries. China's trajectory has had repercussions domestically, regionally, and internationally, and at the level of markets and governmental institutions. As this chapter illustrates, though, there are really two stories, and the narrative regarding the drivers of these phenomenal foreign economic changes often appears to head in diametrically opposed directions. Following a framework distinguishing state-centered, societal- or market-centered, and system-centered approaches to foreign policymaking (Ikenberry, Lake, and Mastanduno 1988), one story emphasizes a liberalizing China that has taken world markets and economic institutions by storm, and indeed allows markets to constitute a primary actor. The second story centers on the Chinese state as the central actor, and tells of its attempt to control the globalization process and achieve empowerment through it.

Both stories are crucial for understanding China's highly successful and yet, in crucial respects, deeply ambivalent integration into the global economy. Moreover, both trends of market-based globalization and statist control are deepening; neither the liberal nor the statist/realist vision has triumphed. Ultimately, the Chinese party-state remains in the driver's seat mediating liberalizing and statist trends, and indeed appears comfortable with the sometimes uneasy coexistence of the two visions.

This chapter lays the foundations for understanding China's foreign economic policy, focusing on the key measures of globalization, the state's ideological and policy objectives, and the influence of unique Chinese policy processes. It proceeds to describe the most consequential policies. The chapter further discusses China's growing and largely cooperative participation in international and regional economic institutions. It concludes by returning to IR theory to suggest that neither liberal nor realist approaches can be discarded in the study of China, although ultimately the liberalism inherent in China's globalization serves a statist approach.

9.1. THE BASIC ELEMENTS OF CHINA'S FOREIGN ECONOMIC INTEGRATION

While the narrative of China's rapid and deep integration into the global economy has been told many times, it is nevertheless a stunning tale (Branstetter and Lardy 2008; Lardy 2002; Naughton 2007). China's integration over the past thirty-five years has been characterized by breathtaking speed, broad scope, and extensive influence, both on China and on the rest of the world. Although it would be impossible in this chapter to describe the full impact of integration, it is instructive to highlight some of the most prominent elements. From the early 1500s to the early 1800s the Chinese economy was the largest in the world, despite the strong limits that the dynastic state imposed on foreign economic interactions. Internal and external struggles knocked China off its trajectory in the early part of the nineteenth century, a decline that continued through the Maoist era (Maddison 2001). When Deng Xiaoping initiated the "reform and opening" program (*gaige kaifang*) of domestic and foreign economic policy reforms in 1978, two years after Mao Zedong's death, the PRC economy was largely autarkic. From the 1949 Revolution until the modest re-engagement with the West of the early 1970s, foreign trade—never at more than 10 percent of GDP (Naughton 2007, 377–78)—was minimal and geographically limited (mainly to the Soviet bloc in the 1950s). Both inward foreign direct investment (FDI) and outward FDI were nonexistent. Chinese participation in international financial and capital markets, despite links to the capitalist financial center of colonial Hong Kong, also was absent. China was not a significant economic player in the Asian region, in terms of flows of goods and services, or in regional economic organizations, although in general these were weak. With regard to global governmental organizations, the PRC was absent from the table at the General Agreement on Tariffs and Trade, the International Monetary Fund, and the World Bank.

But by 2012, this picture had completely altered. The change was steady and incremental, integrating different realms of economic behavior (trade, inward investment, participation in global financial markets, outward investment) in a rather chaotic—stepwise yet unplanned—progression. In summary, reform and opening of the market radically altered the sheer size of the Chinese economy. In 2010 China surpassed Japan to become the second largest economy in the world, after the United States (excluding the European Union as a single economic bloc). The PRC had also become the second largest trading nation after the United States, and the world's largest exporter and manufacturer (World Bank 2012). The ratio of trade to GDP skyrocketed to 64 percent in 2005, much higher than the norms of approximately 30 percent for other continental economies (Naughton 2007, 377).

Along with the increase in trade came China's integration into cross-border production networks involving especially Asia's newly industrialized areas such as Hong Kong, Taiwan, and Korea. In the early reform years, the reform policies successfully

mobilized China's main comparative advantage—an abundance of low-cost and relatively skilled labor. This comparative advantage in labor was combined with foreign technology, to China's remarkable advantage. Although China still serves largely as an assembly location, and labor remains an important advantage, this, too, began to change by 2000; Chinese production for export had moved up the value chain, from agricultural and simple manufactured products such as textiles and toys, to higher-technology machinery and equipment, such as electronics and automobile parts. Moreover, not content in the least to remain at the low end of the value chain, the PRC government has redoubled its efforts to be sure that participation in the China market is contingent upon the upgrading of its technological capacity. In fact, the acquisition of foreign "advanced" technology was from the beginning central to China's motivation for opening to the outside world, and remains a central motivation today (Cao, Suttmeier, and Simon 2009).

The attractiveness of the Chinese labor market for low-cost production brought in foreign capital, first from Hong Kong, and later from the West, Taiwan, and elsewhere in Asia.¹ By the mid-1990s the PRC was the top recipient of FDI in the world, monopolizing the flow of foreign capital that otherwise might have gone to other developing countries. Major multinationals, embroiled in a competition not to be left out of China, believed they had to invest early to gain government favoritism and access to the domestic market.

China's integration in the global economy had begun by the mid-1990s to move beyond the realms of manufacturing trade and direct investment. Attainment of membership in the World Trade Organization (WTO) in 2001 required China to open its economy to foreign participation in the small but growing domestic financial services sector. This included, for example, foreign investment in China's fledgling stock markets and in commercial banking and insurance sectors, though access was not achieved at a rate satisfactory to most foreign firms (Green 2003).

Until the turn of the century, the direction of China's growing international economic integration was primarily outside-in. But particularly as export earnings led to the growth of tremendous state-held foreign exchange reserves, and as many large Chinese state-owned enterprises amassed great wealth, the resources available for China to turn outward exploded. A sovereign debt fund, the China Investment Corporation (CIC, formed in 2007) became a major conduit through which the Chinese government converts its foreign exchange holdings to purchases, including of US government debt. China now rivals Japan as the largest foreign purchaser of US government debt, although their holdings remain far less than the amount of US debt held by US government and private sources. CIC also has invested state foreign currency reserves in private overseas vehicles, such as private equity firms and hedge funds. Thus, while private Chinese firms have retained a rather negligible profile in international capital markets, the Chinese government and SOEs have made an extensive foray into high-stakes international capital markets.

A greatly remarked-upon aspect of China's "going out" policy has been its outward foreign *direct* investment (OFDI), marked by Chinese firms purchasing assets

and operating abroad. By a significant measure the absolute quantity of OFDI is quite low. From 2000 to 2007, in the first years of the OFDI takeoff, Chinese direct investment outflows totaled less than 1 percent annually of total global outflows, and only about 20 percent of its inward FDI (Rosen and Hanemann 2009, 6). Regardless of the global weight of Chinese OFDI, however, it represents a new level of global economic integration for China. The Chinese state has been heavily involved by drafting plans and guidelines to direct investment, requiring permissions to avoid excessive duplication of investment, and specifying preferred targets (Southeast Asia, Saudi Arabia, South Africa, Russia, Canada, and Australia) and industries (Heilmann and Schmidt, forthcoming, 69). While Chinese firms naturally are interested in uncovering new sources of growth and reaping a share of profits historically realized by multinational corporations (MNCs) investing abroad, the impact of China's investment in developing countries—especially in Africa—and its concentration in resource extraction has created much debate over whether such investment promotes development abroad or constitutes Chinese neoimperialism. In reality, the picture appears mixed, as Chinese firms combine political and market logics in their overseas investment strategies. While such firms often benefit from Beijing's explicit incentives to invest abroad, the choice of location appears to be driven less by geopolitical competition with the United States than by commercial factors and market opportunities (Gonzalez-Vicente 2012; Hanemann and Rosen 2012). Commercial and resource factors also have meant that Chinese investment in the Asian subregion has been uneven. As of 2012 Australia was the biggest recipient of Chinese OFDI.² Other large projects were located in Central Asia, most related to resource extraction (Gonzalez-Vicente 2012). In contrast, Chinese OFDI totals in Southeast Asia and India, reflecting investments mainly intended to facilitate trade, were significantly lower. However, Chinese investment in manufacturing in these two regions can be expected to increase as labor and production costs inside China rise.

There is a pronounced regional dimension to China's international economic integration, particularly at the level of market transactions. PRC firms—both state-owned enterprises (SOEs) and non-state-owned—have been vertically integrated into networks built by regional and multinational firms, that is, they participate in cross-border value chains. By 2012, China had become the center of Asia's supply chain (IMF 2012). As noted, this integration has been especially, but not exclusively, important for China's export industries. But it also has been important for other Asian economies, as China in many years has run a trade deficit with other Asian nations, especially Japan and Korea, upon which it relies for the intermediate goods to process for re-export (Branstetter and Lardy 2008, 669). Overall, while China's economic performance is central to that of the Asian region, it is important to note that this manufacturing integration is much more pronounced for China's role in East and, increasingly (given the labor cost trends noted previously), for Southeast Asia, and much less significant as regards India and Central Asia.

Regionalization has been supported by the PRC government's eagerness to conclude bilateral free trade agreements as well as the ASEAN free trade agreement with China,

Japan, and Korea (ASEAN+3). Yet in an important sense the flag has followed trade and not vice versa. China's integration has also proceeded at the level of the international and regional organization. From its starting position as a nonparticipant, Beijing is now an active presence in numerous institutions spread across Asia (APEC, ASEAN+3, Asian Development Bank, etc.) and around the world (Inter-American Development Bank, Bretton Woods organizations, G20, etc.).

Although this analysis emphasizes the role of explicit state policy in fostering the changes in Chinese overseas economic integration described above, it is worth noting two conditions that are often overlooked. First, though difficult to quantify, China's economic integration has been largely transacted through market-based mechanisms. For example, China's integration into global value chains has genuinely been market-led. While it is natural to ask whether Chinese state policy affects the level of the playing field (and indeed many argue that it does), in a fundamental sense China's global integration has been primarily market-mediated. Second, Deng Xiaoping and other government reform leaders who designed China's opening to the outside world were able to take advantage of a propitious set of global conditions. The reorientation of China's economy coincided with an era of relatively open trade and investment flows, such that Chinese goods faced few export barriers, and investments and technology could flow in relatively freely. The mobilization of China's comparative advantage, its relatively low-cost and skilled labor, occurred at a time when China could realize payoffs in international markets; it faced seemingly insatiable demand for the goods it produced at lower cost than those with whom it would compete—such as Mexico and Taiwan. Loose credit in the OECD countries, and transportation and logistical advances (and even the advent of global retail giants such as Walmart) further propped up demand for Chinese goods as they ascended the value chain. The geographic luck of the mainland's location near flows of capital from overseas Chinese in Hong Kong and Taiwan is also notable. In short, Chinese domestic conditions and global economic conditions were right for a capable PRC leadership to act.

9.2. CHINA'S FOREIGN ECONOMIC POLICY OBJECTIVES: GLOBALIZATION AND STATE STRENGTH

China's foreign economic policy has been driven as much by the leadership's pragmatic appraisal of conditions as by ideology. Yet understanding the party-state ideological line helps to draw the broad arc of policies that at close range looks highly chaotic. This section outlines the core set of policy objectives, seen as the two competing threads that have dominated over the past three decades: market-based liberalization and control by the party-state.

9.2.1. Globalization as a Tool of Economic Modernization

China's reform minded-leaders in the late 1970s adopted an instrumental view that preferred greater integration into the global economy. Integration would be useful insofar as it served China's economic modernization: beyond that, it should be limited. Indeed, the original Dengist vision was to only adopt what was useful from the outside. Seeing in retrospect how far China's integration has proceeded, the limits on the early globalizing vision are jarring. Nevertheless, even a modest opening required ideological justification in Party dogma. In addition to the claim that post-Mao China's major need was not class struggle but economic modernization, reformers argued that to achieve modernization, the Party was justified in drawing on Western economic concepts of comparative advantage and the international division of labor (Pearson 1991a). Such justification released China from worries of exploitation associated with relying on inexpensive labor. Moreover, the reformers knew that the international market could provide what was needed most for modernization: foreign technology.

The view that China needed cooperation with the international community, and particularly the West, to achieve the preeminent goal of modernization was summed up in Deng Xiaoping's overall foreign policy line advocating "peace and development," meaning that China needed peace, specifically cooperation with the United States, and especially in the Asian region, if it were to achieve development. The commitment to integration would come to be seen nowhere as much as in its effort to join the WTO, which ended successfully in 2001 after thirteen years of negotiation and significant PRC concessions. Although leading up to and following the global financial crisis of 2008 Chinese academics have sometimes challenged Deng's position of peace and development, it has remained dominant. And to good effect: China has been one of the greatest beneficiaries of a liberal trade order in the post-World War II era (Ikenberry 2011).

9.2.2. The Need for Party-State Control of Globalization

Not surprisingly, China's globalizing foreign economic policies from the start had the objective of serving China's needs as determined by the party-state. At the same time, though, there were concurrent worries that integration would lead to exploitation of China by international capital and, even more, by dominant states in the world order. In other words, although the choice to integrate with the global economy may appear inevitable, rational, and obvious to outsiders, especially in retrospect, concerns abound. Deng's reassurance that China's status as a socialist power was secure was meant in part to address worries regarding domination. Maoist rhetoric about cultural contamination from capitalism was not easily erased. Perhaps even more potent was the active concern based on China's "century of humiliation" and subjugation to imperialism, and the conclusion that, but for past foreign oppression, China would have obtained its rightful place in the world order. In the security realm these fears translated into the idea that the ultimate goal of the United States was to contain China. In

foreign economic policy, the fear was of cultural contagion, and that the normal workings of the capitalist world economy would function to keep China poor if no protective steps were taken. In practice, this meant that where China opened its economy, such as in the Special Economic Zones (SEZs) along the coast, screens must be put up to keep out the “spiritual pollution” such as prostitution that attended capitalism. China would avoid financial dependence on foreign institutions, particularly IMF debt. And China’s state would need to write laws and regulations guaranteeing the country fair treatment by investors.

The obverse of concerns about foreign economic integration weakening China has been growing discussion from the late 1990s that such integration can be a tool for strengthening the Chinese state and nation. In other words, to the extent that integration can help China become modern it is also a tool for building comprehensive national power, which by its nature must include economic strength. The clearest sign of this objective was the push by Premier Zhu Rongji to build state-owned national champions that could compete with dominant multinational corporations in a given sector.

9.3. CHANGE IN CHINA’S FOREIGN ECONOMIC POLICY INSTITUTIONS AND PROCESSES

China’s integration into the global economy is often noted to have precipitated a flurry of formal laws and policies, which themselves have been melded with extant processes of state planning and policymaking. Yet China’s path to becoming a global economic powerhouse also was heavily influenced by distinct Chinese governing processes, many of them informal. These processes generally existed in prereform China, but have remained highly relevant to the post-Mao foreign economic reforms (Naughton 2007; Zweig 2010). This section addresses several of the most notable institutional and policy characteristics: the absence of an initial blueprint; flexibility and experimentation; gradualism; and policy reactivity. The first of these characteristics is simple. Deng Xiaoping and the reformers had a number of ideas regarding the direction in which they wanted to move the economy, and how, but provided no comprehensive blueprint. This point has often been noted (e.g., Garnaut 2004) but remains astounding given how effective the reforms have been. Deng and his reformers drew on piecemeal models, such as the Export Processing Zones elsewhere in Asia, but no grand international model for rapid growth of a continental economy yet existed—no model, that is, except for Stalinism, which they had rejected.

The absence of a blueprint may have been a virtue, for it allowed the full use of the second characteristic: flexibility and experimentation (Heilmann 2008; Zhu 2012). From the start of the open policy, leaders stressed that the reform process would be experimental, and experiments would be judged based on what worked in practice.

This led to the famous dictum, “Who cares whether the cat is black or white, as long as it catches mice.” The first major step of the open policy was the establishment of the SEZs to create links to the Asian region, yet also be sequestered from the rest of the economy until the influence and benefits of incoming foreign investment could be gauged. Only after the zones were deemed successful—a political judgment as much as an economic one—was the scope of foreign investment expanded to important coastal cities. Experimentation also was reflected in a process whereby laws on a given issue were written only after experiments had been tried and deemed successful.

Absence of a blueprint and policy flexibility were the key hallmarks of the third characteristic, gradualism. Gradualism is usually contrasted with the later shock therapy strategy of reform, which advocated rapid and simultaneous market transition and privatization (Adams and Brock 1994). In China, gradualism was a political response by reform leaders both to bring about economic growth and to consolidate political power. Particularly during the 1980s struggle for consolidation of power by the reform leadership, partial reforms could be used to create loyalty among groups who would benefit (such as farmers), but avoid antagonizing interests (such as those of SOE workers) that might derail the reform leadership. Once the reformers obtained benefits from early low-hanging fruit, they could buy time for further and potentially more controversial later reforms. This strategy clearly operated in the foreign economic sector: permitting FDI in small collective enterprises on the coast produced payoffs in employment, foreign currency, and technology—payoffs used to build support before confronting major SOEs with foreign competition (Breslin 2009).

Finally, Chinese foreign economic policy processes have been reasonably responsive to world events. This is particularly true of events that highlighted Chinese vulnerability to global economic and political forces, which in turn have sharpened attention to the views of those most wary of Western attempts to contain China's rise. Several watershed moments can be identified. Chinese leaders were shocked, following the Tiananmen crackdown of 1989, by the diplomatic isolation and even more long-standing sanctions preventing the export of advanced technology by Western nations to the PRC. After a decade of focus on nonstate enterprises as the cornerstone of development, including promotion of township and village enterprises that sat at the heart of the export sector, the Tiananmen reaction resulted in a resurgent technocratic response that would play out in the national champions strategy (Huang 2008). The Asian Financial Crisis of 1997–98 elicited a similar reaction. Although the PRC economy itself was spared from the crisis, China's leaders shared other Asian nations' disappointment over the lack of a favorable Western response, and became more keenly aware of the vulnerability to global economic fluctuations driven by wealthy Western countries. Disappointment led China to explore regional financial alternatives to the dominant IMF-led system, eventually resulting in the Chiang Mai Initiative (Grimes 2008). Throughout the 1990s, the very difficult negotiations over PRC membership in the General Agreement on Tariffs and Trade and, subsequently, the WTO, also left the imprint of a global economic system that was not hospitable to China. Finally, the global financial crisis, as with the Asian Financial Crisis, increased dissatisfaction with the global financial system; but coming

at a time of great Chinese economic strength, the crisis served to increase Chinese confidence that the dominant global financial system was subject to redesign, at least in part by China. This reactivity—great sensitivity and attentiveness to the international economic and geostrategic context and its impact on China’s modernization trajectory—has been a major source of policy feedback and adjustment.

While China’s distinct policy characteristics have had a major impact on the evolution of China’s open policy, at the same time global economic integration has influenced the formal institutions and processes of the party-state (Lampton 2001). Most obviously, the dramatic success on international markets, and the lack of an alternative model to market-based compliance if China is to become wealthy, led to the adoption of hugely different norms and expectations about economic behavior.³ Chinese firms, and the state, for all intents and purposes have had to be rule-takers. More specifically, operations of the Chinese state that affect foreign firms are subject to greater scrutiny by those foreign firms and foreign press. A key example is the process for listing on foreign stock exchanges, which requires disclosure of information about the firm desiring listing (Green 2003). While attention is often drawn to the less-than-perfect transparency in these situations, the magnitude of change from prior secrecy is substantial. Similarly, membership in international economic organizations, notably the WTO and IMF, has come with new expectations for information disclosure.

As a corollary, the system has become much more porous to nonstate actors, though more so to influence from firms than from PRC civil society groups, as well as to local governments that have strong interests in the foreign economic policy (Kennedy 2005). Chinese entities pressuring the government still often have close ties to the state, either because they are state firms managed by the Chinese state asset management system, or due to a revolving door between firm and state for top staff. Nevertheless, the points of access to outsiders, and even more the expectation that outsiders should have access, is a significant change.

Exceptions to the view that China has been influenced by the outside world are well known. The debate over whether China plays by the rules of the market in the WTO, or on issues such as currency valuation, receives enormous attention, particularly in the United States. While governments acting on behalf of their country’s firms may legitimately question whether trade partners are perfect market actors, or whether state interventions are WTO compatible, it is incontrovertible that, compared to PRC behavior prior to 1978, Chinese norms, rules, and practices have changed enormously.

9.4. THE EVOLUTION OF CHINA’S FOREIGN ECONOMIC POLICIES

The previous sections have set the context—key results, objectives, and policy processes—for understanding China’s foreign economic policies in the reform era. What,

then, have those policies been?⁴ Drawing from the previous discussion, and following the two story lines of liberalization and statism, this section provides some generalizations about broad policy directions.

9.4.1. Key Liberalizing Policies: A Brief Description

In the 1980s and 1990s, the overall direction of Chinese policies on trade and inward FDI was for liberalization. Yet the policy story was not wholly straightforward; gradualism and the domestic politics of trade meant that the steps toward liberalization came in fits and starts and often existed in tandem with new restrictions. For example, while overall tariff levels fell in the 1980s, the government raised tariffs on some commodities (Branstetter and Lardy 2008, 634–44). Nontariff tools such as licenses and import quotas came to be used frequently, and a separate system protected Chinese firms not producing for export. In contrast, governments gave special exemptions freely. For example, export-oriented firms tied to regional production networks were permitted to import parts for processing and re-export duty free. Much of this complexity can be explained by the strategy used by reformers to secure political support as described previously. Moreover, big state-sector firms were largely protected from international competition, whereas the export sector, dominated by small and medium enterprises, was greatly liberalized (Breslin 2009).

The desire to enter WTO, however, led throughout the 1990s to a great liberalizing of the trade and investment policy regimes, and a seemingly greater commitment—at least on the part of the top leadership—to global integration. As a result, Chinese export firms responded with tremendous growth. With regard to FDI, while investment began to flow into low-technology projects from Asian partners (especially in Hong Kong and Taiwan), reformers knew that to attract Western firms with advanced technology the government had to use inducements. In the area of foreign exchange convertibility, for example, while in the 1980s the government refused to allow firms earning renminbi to convert it to foreign currency for repatriation, it came to understand that multinationals were withholding investment; thus, eventually the government substantially relaxed currency exchange controls as they affected repatriation (Pearson 1991b).

While the 1980s were characterized by this push-pull dynamic in the trade and investment sectors, policy reached a dramatic turning point with Deng Xiaoping's "Southern Tour" (*nanxun*) in 1992–93. Whereas the negative Western reaction to Tiananmen had emboldened conservatives who wished to slow the pace of reform and opening to the outside world, Deng took a decisive step to solidify the policies, legitimate even greater experimentation based on past success, and move the reforms forward. With this turning point, changes in the open policy occurred rapidly. The impact of the renewed commitment appeared in stark terms: exports increased by 60 percent in the two years after 1993, and inward FDI in that year amounted to more than the previous fourteen years combined (Breslin 2009, 86).⁵

China's formal accession to the WTO in 2001 marked another major liberalizing watershed. In the years leading up to accession, extensive reforms cut tariff and

trade-related nontariff barriers, and led to formal rule-making. In addition to formalizing many of these liberalizing moves, the accession agreement itself promised on varying schedules to open Chinese sectors (agricultural, industrial, and service) that were previously closed to foreign competition. The agreement also committed China to adhere to protection of intellectual property related to trade. It is widely argued both inside and outside China that the commitments made by China were deeper than those required of any other developing country. Moreover, it is generally agreed that by opening China wide to foreign competition the Jiang Zemin–Zhu Rongji government was attempting to foster deep reforms in domestic, primarily state-owned, firms that had resisted change (Wang Yong 2007). As noted previously, the decade of the 2000s marked not just the aftermath of WTO accession but also the turn outward by Chinese firms. In 2000, the Chinese government formally announced its “Go Global” policy, significantly easing administrative hurdles for OFDI.

9.4.2. Policies to Strengthen State Control of Foreign Economic Interactions

Parallel to opening and liberalization, there was also the advent of policies designed to strengthen the state and enhance PRC national power. In other words, a retreat of the state in realms such as trade has been accompanied by the restrengthening of the state to enhance other goals. Policies reflect a sharpened sense of where state capacity should be improved and where the state should remain in control.

In 1997, the CCP introduced a major policy initiative that influenced the nature of state intervention in the economy under the slogan “grasp the large and release the small” (*zhuada fangxiao*). Along with WTO entry, the policy was a key tenet of Zhu Rongji’s effort to restructure the industrial economy that had far-reaching consequences. Small and medium-size enterprises were freed for privatization, or prior de facto privatization recognized, and along with new entrants they formed the basis of China’s private economy.⁶ These firms, essentially freed to act according to market signals, have dominated the export sector. The policy’s targeted impact on state-owned enterprises was just as dramatic. The government would consolidate control, through the formation of large enterprise groups, of large state-owned enterprises in strategic industries such as telecommunications, banking, and electric power. There also were efforts to increase state capacity to manage the performance of the newly reorganized firms through two novel superministries tasked with guiding state interests in the economy, and to create globally competitive national champions. Active reorganization of key industries also occurred, insofar as the state picked three to five winners in each sector and took steps to assure their market success (Naughton 2007, 301; Pearson 2005). In short, the aim of restructuring was not to reduce state control but to make it more effective.

In addition to bolstering state actors, such policies also serve to reinforce state control over China’s integration into the global economy. In some areas, the PRC government has moved more slowly than many anticipated, whereas with other policies

the state has consolidated its control. Perhaps the best examples of the former category—slow-moving reform—are the maintenance of a closed capital account and the undervaluation and nonconvertibility of the renminbi. The PRC government has long expressed commitment to the desirability of eventually opening the capital account and making the currency convertible. The Asian Financial Crisis and, even more, the global financial crisis of 2008, increased PRC caution on the capital account; yet controls on both inflows and outflows of capital have been relaxed. With regard to currency, the Chinese government continues to intervene heavily through massive purchases on foreign exchange markets. Nevertheless, several steps such as cross-border trade settlement using the renminbi, including with major trading partners such as Brazil, and the issuance of renminbi-denominated bonds in Hong Kong and by foreigners in mainland China, have allowed PRC further to explore currency internationalization. These have been early steps in the process of currency convertibility. Following its hallmark gradualism, the government has taken small steps, and often quietly, even while the direction of change seems clear (Prasad and Ye 2012).

Beijing has consolidated controls in some areas, confounding the hopes of post-WTO liberalization. We see this trend, for example, in relation to foreign investment in strategic SOEs in the Chinese domestic market. In the energy sector such as domestic oil and electricity production, foreign investment remains highly restricted, and its permission relies heavily on provision of specific and advanced technologies—such as for shale gas recovery—by the foreign firm. The Chinese government is planning for and has poured enormous amounts of funding into projects aimed at developing and applying advanced technology, notably the sixteen mega-projects, including those for nuclear energy, numeric-controlled machinery, and manned spacecraft and lunar probes. Some of these projects anticipate using foreign technology, but in others the drive for indigenous innovation is particularly strong. Once again, embedded in this set of policies is the idea that global firms that control advanced technology will be the most competitive (Cao, Suttmeier, and Simon 2009). These visions compete with the parallel goal of providing employment opportunities and a modestly well-off standard of living for China's huge population, and suggest that the need for superior management of the economy by the Chinese government will not abate any time soon.

9.5. CHINA'S INTERACTION WITH REGIONAL AND GLOBAL INSTITUTIONS: EMPOWERING AND CONSTRAINING

China's interactions with regional and international-level organizations (IOs) have thickened over the reform era (Johnston 2003; Kent 2007; Medeiros 2009; Ross and Zhu 2008) (see also trends in Asian regionalism including China in Part IIIB of this

volume). Have these lively interactions constrained China's behavior or empowered the Chinese state? The answer, unsurprisingly, is both.

China has been empowered by its global economic integration, insofar as this integration has been a major driver in China's growth and, by extension, perceptions of its national power. Whether China's interactions with IOs have themselves been empowering, or China's growing strength is itself the key source of empowerment, is difficult to parse, though certainly the latter plays a major role. What *is* clear, however, is that as of the early 1970s the Maoist government came to believe that it would gain more as a participant within the dominant system than outside of it: that it was no longer served by a revolutionary agenda in international affairs (Johnston 2003; Kim 1999). While understanding that China inevitably would need to adapt to IOs, leaders have seen IO membership as important for legitimizing the CCP and for reassuring other global actors. For example, the establishment of the ASEAN+3 mechanism helped to reassure China's Asian neighbors regarding Chinese cooperative intentions. The search for legitimacy was a substantial driving force behind China's long quest to join the WTO, and to do so on concessionary terms. As a result of WTO accession Chinese exports surged and the economy entered a period of great wealth creation.⁷

At the same time as the reform government committed itself to integration into regional and global regimes, it remained aware of—and subject to—the constraints and expectations that membership brings. The 1997 and 2008 financial crises, as noted, have conveyed troubling realizations of the vulnerability that regime membership brings to China. China's WTO membership has also made constraints very clear. For example, the PRC was required to adjust sovereign administrative and legal processes, including the writing of numerous new laws (e.g., the 2004 Foreign Trade law), the creation of regulatory organizations and a new Ministry of Commerce, and extensive requirements for transparency (Breslin 2009, 98). Membership in the global economic regime also has opened the PRC to pressures from international governmental and nongovernmental organizations to, for example, comply with global product standards and improve labor conditions and product safety (Yang 2004; Santoro 2009). Increased global economic participation, and dependency on China's international interactions has also constrained Chinese diplomatic options. Nowhere is this clearer than in Southeast Asia, where the need for reassurance that China is not trying to dominate the region has limited interactions mainly to win-win relations in diplomacy. Indeed, Beijing has not wrested the best terms for itself out of its FTAs in the region because of this pressure.

While Chinese leaders and analysts appear to have accepted the need for significant adaptation to regional and global institutions (e.g., Ren 2009), there remains strong wariness that other nations, particularly Western powers, hope IO membership will enmesh China in a liberal order. Moreover, PRC analysts are not wrong to regard enmeshment as a core goal of Western engagement of China. An explicit rationale for making China one half of a G2 dyad was to align PRC interests with those of the United States. Similarly, in the IMF, Western powers' consideration of including the renminbi

in the basket of Special Drawing Rights currency is explicitly intended to give China a direct stake in—and responsibility for—global financial stability.

Despite empowerment for China resulting from IO membership, and reason for it to feel suspicious of enmeshment, the PRC has not been emboldened to leverage any new-found power. Rather, Beijing has tended to avoid risks and confrontation. However, this may be changing in the wake of the 2008 Global Financial Crisis (Foot and Walter, ch. 4). In the IMF, for example, even as Chinese dissatisfaction with its vote share grew in the mid-2000s, and while China was critical outside of IMF and G20 meetings, it was reasonably cautious in promoting its interests and couched its claims on behalf of all developing countries. Rather than engaging in direct confrontation, Beijing has more often hedged. It also joined myriad organizations, perhaps leading it to overreach its capacity to act meaningfully in them, but certainly allowing a perch from which to view proceedings. Beijing also has helped to create new institutions such as the Chiang Mai Initiative and the ASEAN+3 that in the future could provide it with more options. China's reticence may change as the economy continues to grow; because Beijing perceives itself as institutionally weak relative to its economic might, it will arguably gain confidence in with the development of greater institutional capacity. Thus far, however, China's overall behavior in economic IOs can be characterized as cautious, reflecting a continuing ambivalence about how best to assert its power and status without jeopardizing the international cooperation that has been a major source of its economic rise.

9.6. THE UTILITY OF THEORETICAL APPROACHES IN IR TO EXPLAIN THE EVOLUTION OF CHINA'S FOREIGN ECONOMIC POLICY

A subtheme of this volume is to ascertain what theoretical approaches best explain the evolution of a country's policy behavior. In the case of China's foreign economic policy, and limiting the question to include liberal versus realist approaches (as discussed in chapters by Mastanduno and Haggard in this volume), the answer is, as before, that both approaches are applicable.

Much of China's behavior exhibits an adherence by China's most influential reform leaders to liberal beliefs in the market and the ability of the international system to foster cooperation beneficial to China. The much deeper than expected opening of China's trade and inward FDI regime in the 1980s and 1990s was the first marker of this liberal-leaning change. Government reform leaders' unrelenting quest to accede to the WTO in 2001 was in a significant sense the capstone indicator of China's commitment to break from past practices of managed economic interactions. Rather than undermine the liberal order, China's accession signified its recognition of how much

the country could benefit from it, and its wish to keep it open as China grew in economic power. The trend toward liberal integration continues apace as the quantity of China's market-based economic transactions increases, and with it the domestic interests of firms and regions benefiting from globalization. Globalization also has undermined some sacred cows of the Maoist era. For example, the desire to be self-sufficient in grains to preserve the nation's food security and protect farmers has been replaced by recognition that China does not possess a comparative advantage in grain. This has led to a policy, as would be expected in a market-oriented society, to promote imports based on market factors while ameliorating the costs to those harmed.

Yet at the same time, although the process of China's growing participation in a liberal order has been substantial, it is also clear that the state remains a crucial actor—indeed, the central actor. Most notably, state ownership has been consolidated and extensive efforts undertaken to improve its quality. The state remains a crucial actor in all major economies: as director, actor, and owner. Yet in China the commitment to the political economy of statism—state ownership, state control, and state benefits—appears deeper compared to other leading economies, and also appears to be growing stronger and more confident.

The assertion here, then, is that both trends—toward liberal integration and statism—are deepening. We can reconcile these two seemingly contradictory trajectories in two ways. First, as noted, Chinese policy since the 1990s has segmented the economy into sectors that it should relinquish and those that it should grasp with respect to the market. Much of the liberalizing activity has occurred in those small and medium private enterprises that have been cast off to the market, including most of the export sector. Economic officials recognize that even large state firms to some degree should be disciplined by the market if they are to become internationally competitive. The other segment, that which must be “grasped,” consists of strategic industries viewed as crucial to national interests, usually for military or economic security or because they are related to the Party's propaganda function, for example, information technology. Much of the state reorganization of the late 1990s and early 2000s was conducted in order to enhance the government's managerial and supervisory capacity over these industries. These industries have also received state support in the quest to make them national champions.

Second, the coexistence of liberal and realist approaches reflects a genuine ambiguity among Chinese officials and citizens about China's place in the world economy, the feared consequences of moving away from a relatively stable world order, and the threats posed by integration. This ambiguity is perhaps related to an insecurity based on the unforeseen rapidity of China's ascent and the vertigo its rise must have caused. There is undoubtedly a tactical dimension as well: as leaders continue to reiterate the relevance of the “peace and development” line, they are suggesting that China needs more time for its economic development to progress under the stability provided by an Asian US security umbrella. The hesitation to establish a liberal order at the level of state ideology is also a manifestation of the institutionalized memory of pre-Communist China's exploitation at the hands of the West and Japan—a memory kept alive in Party narrative and

in textbooks. It is not merely historical memory, however, but also a deep realist perspective of the world that fosters Chinese concerns about its ultimate place in a liberal order. Chinese analyses of the country's economic growth tend to conflate economic strength with international status and give rise to questions of power.⁸ Analyses of the dominant liberal order almost universally discuss the ways in which this order benefits US power, and since (in realist terms, to which Chinese analyses of power adhere) power is zero-sum, an order that benefits US power can only hurt Chinese power. For example, efforts by the United States to build a Trans-Pacific Partnership (a multilateral free trade area) in the Asia-Pacific are interpreted in China as threatening to China's status and, indeed, an explicit attempt by the United States to constrain China in the region.

At the same time, however, the Party is clearly not ready for a real or extensive transition to a *different* order from the dominant liberal order; even though some academics and officials discuss such an alternative, there has been no substantial ideological break from that order. Despite criticism of a unipolar economic order under US leadership, official ideology has permitted no serious imagining of what a multipolar order would truly look like, much less an economic order dominated by China. Instead, state efforts are primarily directed at making instrumental use of the liberal order. At the level of the region, China positions itself somewhere between encouraging others who might envision a regional order that China itself dominates and those who prefer continued US domination.

Chinese ambivalence manifests itself in a reluctance to take on outright leadership in regional or international economic organizations but, instead, to focus on practical, win-win initiatives that may provide a hedge for China. They build up China's future options to counter US power, particularly in the Asian region, but do not make a decisive break with the current liberal order.

9.7. SUMMING UP: THE STATUS QUO AND TRENDS FOR THE FUTURE

There is ample reason to believe the fundamental tension between China as a committed economic liberalizer and China as a committed statist will continue despite political transition to a new ruling administration in 2012. The Communist regime is too invested in both directions. Even if the economic leadership is successful at reducing Chinese dependence on the export market in favor of domestic consumption, exports will remain a potent source of economic dynamism and employment in the foreseeable future. Perhaps even more important, international sources and markets will remain crucial to China's acquisition of advanced technology, despite efforts to promote indigenous innovation; and international destinations will remain prime crucial targets for Chinese investments. China, then, has no viable alternative to participation in the liberal economic order.

At the same time, the PRC government is not ideologically predisposed to ignore the concern that by acceding to the dominant order it will lose power and autonomy. This realist impulse makes the leadership ambivalent about the possibility of true international cooperation with other global powers and wary of vulnerability in the Chinese economy, as it experienced with the Tiananmen sanctions. The remaining hope is that by gaining power within the dominant system, that order will allow China to maintain autonomy. As a result, China has joined the economic institutions of the new order and invested in new institutions, especially in the Asian region; it has begun to internationalize the renminbi, build regional bond markets, and create non-US-based organizations.

Finally, China's foreign economic policymaking occurs against the backdrop of urgent economic issues at home, including generating domestic sources of consumption and economic security nets, assuring employment, and dealing with environmental degradation. Buying breathing room to address these problems will require peace in the region and the absence of conflict with the United States. In this light, to hedge and be cautious about taking on new international obligations seems quite rational.

NOTES

1. Some analysts have estimated that 30–50 percent of reported FDI consists of investment by overseas offices of PRC firms using foreign status to obtain the better treatment accorded foreign investors (Xiao, 2004).
2. In fact, Chinese government data on OFDI is not fully transparent (Rosen and Hanneman, 2009).
3. There is a debate about whether there is a “China Model” (advocating an expansive state role) that offers an alternative to a so-called “Washington Consensus” (limited state role) about the relationship between state and market in developing economies (Pan, 2009. For a critique, see Huang, 2011 and Pang, 2009).
4. A summary of the most consequential policies is Branstetter and Lardy (2008).
5. Although the export sector grew rapidly throughout the reform era, we cannot say that China's overall growth was “export-driven.” Rather, the major source of growth has been domestic capital investment and consumption (Branstetter and Lardy 647–8).
6. The 1998–2004 period saw the sell-off of state assets, often at low prices, and often to officials and firm managers.
7. However, many of the global and domestic economic conditions that would increase exports would still have been present without WTO membership.
8. Indeed, analysis within China of the country's role in the global economy seldom strays far from realism-dominated views of the international system.

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CHAPTER 10

THE FOREIGN ECONOMIC POLICY OF A RISING INDIA

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THE Indian economy has undergone a dramatic transformation: as a leading emerging market, the rising India of today looks very different from the India that was derided for decades for its “Hindu rate of growth.” In good measure, this transformation is the result of India’s turn to more open economic policies, particularly via trade liberalization, which in turn allowed it to exploit the benefits of globalization.

India’s market opening thus presented a major turning point in its history. But pundits have perhaps gone several steps too far in assuming what this transformation really means. Some have hailed it as India’s full embrace of the liberal norms espoused by the West, and evidence of a convergence of India’s interests with those of the established powers (Mohan 2003). Critics have also pointed to signs of convergence and socialization, but have bemoaned this process as having deprived India of the critical policy space that it had exploited successfully in the past (Chimni 2010). Supporters and critics alike, however, present a vision of increasing conformity of India’s behavior with the established norms that underpin global economic governance. My chapter confronts this conventional wisdom and offers an alternative interpretation of India’s foreign economic relations.

In the first section of this chapter I highlight the achievements of the Indian economic miracle, and also present a brief explanation for these developments. In section 10.2, I analyze the challenges that a rising India continues to face. These challenges are serious enough to lead us to question the inevitability of the growth trajectory assumed by the mainstream accounts, and by implication, the growing political conformity with the existing global order that these accounts predict. In section 10.3, I investigate India’s foreign policy behavior across two different economic organizations. India’s interests in committing to a policy of deepening economic liberalization are clear, but it is overly simplistic to translate such interests in analyses of India’s foreign economic policy without an understanding of their cultural context. Even in international institutions that have proven particularly conducive to Indian

participation, Indian negotiators have not abandoned old ideologies and alliances in return for improved voice (see Stubbs and Mustapha chapter more generally on ideas). India has been described as a power “that can’t say yes” (Cohen 2001) with good reason, and I argue that the explanations for this lie partly in its development trajectory and partly in its negotiating culture. A suspicion of economic liberalization, even though India’s growth miracle is founded on it, is pervasive across different domestic institutions that have inputs in the making of India’s foreign economic policy. Ministries, interest groups, and NGOs sing from this same hymn sheet, and share a developmentalist orientation both domestically and internationally. As this section illustrates, it is clear that India is unlikely to play ball if the main purpose of the game is to convince it to provide existing public goods. In section 10.4, I investigate the extent to which India’s refusal to provide the global public goods that the West demands of it is perhaps matched by a willingness to provide some alternative public or club goods. I find that India’s foreign economic relations with other developing countries have been considerably less confrontational than those with the established powers, and have been accompanied by a greater willingness of Indian negotiators to take on the burden of providing certain club goods. Importantly, India’s willingness to bear the costs of this selective leadership takes place within a multilateral context rather than a regional one. However, I also argue that as far as its willingness to provide new and alternative global public goods goes, India’s foreign economic policy is still very much a work in progress. The final and concluding section summarizes the findings of this chapter, and flags its potential policy implications. I focus particularly on how the West may be able to secure greater commitment and leadership from India.

10.1. INDIA’S ECONOMIC MIRACLE

India’s depressing growth rates from 1950 to 1980 averaged at about 3.5 percent annually. Bhagwati and Panagariya compare India’s dire economic position in the 1970s and 1980s to the Soviet Union, “which exhibited high and increasing savings and investment rates but whose growth rate kept falling...there was blood, sweat, and tears, but no results” (2013, ix). In the Indian case, Bhagwati and Panagariya attribute the poor economic performance to four key factors: (a) excessive and “Kafkaesque” regulation of private investment and production; (b) an overextended, inefficient, and loss-making public sector that nonetheless enjoyed monopolies; (c) “obsessive self-sufficiency defined trade policy” with high levels of protectionism for domestic manufacturing; and (d) restraints on foreign direct investment (FDI) (2013, xii).

The international face of these domestic economic policies was borne out most clearly in India’s approach to the General Agreement on Tariffs and Trade (GATT). India was one of the twenty-three original signatories to the GATT, and had also

participated actively in the Havana Charter negotiations. This activism, however, should not be mistaken for buying into the norms that underpinned the postwar international trade regime. Throughout the history of the GATT, India led the charge of the developing countries in challenging the most fundamental principles of the regime. In 1954 Sir Raghavan Pillai outlined in the GATT's plenary meeting the "special facilities which underdeveloped countries need in order to fulfil their industrial development program." Pillai highlights not just the specific mechanisms, but also offers an early and eloquent enunciation of the normative claim underlying the specific demands: "Equality of treatment is equitable only among equals. A weakling cannot carry the same load as a giant" (Pillai 1954). India participated, and even led the Informal Group of Developing Countries in the GATT to espouse the development concerns of the Third World. It was instrumental, along with other developing countries, in the creation of the United Nations Conference on Trade and Development (UNCTAD) in 1964, as an alternative forum to the GATT and as an institution considerably more sympathetic to the cause of the poorer countries. Here, in the 1970s, India participated actively in the call for the radical New International Economic Order (NIEO), which presented an overt challenge to the existing international economic regimes on multiple fronts—including trade, aid, and investment—by appealing to principles of distributive justice (UN 1974).

These economic policies may have won India some political clout as an upholder of Third World solidarity and a leader of the "Non-Aligned Movement," but they also generated high costs. Under Nehru the policy environment within India was—relatively speaking—liberal, but even in the first decade when growth rates were slightly higher than 4 percent, Indian politicians and negotiators blocked their country's pathways to growth due to their suspicion of international trade. Panagariya thus writes,

India's single most important mistake was to ignore the critical importance of international trade for a poor, developing country. Rather than turn to outward-oriented policies that exploited the export potential in labour intensive-products... India pushed import substitution and deeper and deeper into a diverse set of goods including machinery. Moreover, an ever-tightening licensing policy scuttled domestic competition as well, and therefore the efficiency effects such competition brings.

Combine Nehru's emphasis on self-sufficiency within a domestic context where Mahatma Gandhi had espoused the goal of *Swadeshi* and we find that independent India bore not just indifference to international trade, but antipathy. The period 1965–81 saw "socialism strike with a vengeance," with annual growth rates plummeting to 3.2 percent (Panagariya 2008) and further stifling the Indian economy.

Some attempts were made to reform the regime in the 1980s, but it was the balance-of-payments crisis of 1991 that allowed the government publicly and openly to embrace a program of reform. Especially important parts of the reform package related to industrial policy and trade policy. The central government's controls on a range of

industries were dismantled, the practice of industrial licensing reduced, and changes were made to the Monopolies and Restrictive Trade Practices Act to encourage investment. Trade policy reforms included the abolition of import licensing on capital goods and intermediate goods, in 1993, along with the shift to a flexible exchange rate regime. Compared to policies that had explicitly thwarted foreign investment in the 1970s, the efforts to simplify regulations and facilitate this in at least some sectors represented an important change in policy (Ahluwalia 2002).

As a rule the Indian economy had grown at moribund rates, with the exception occurring in the late 1980s when improved growth rates were financed by an unsustainable accumulation of debt. However, the trade reforms of the 1990s had a dramatic effect that was sustained: India now became one of the fastest growing economies in the world. Its economy grew at a very healthy 6.7 percent in the first five years after the 1991 reforms, and continued at 5.4 percent in the next five years, despite the stormy regional economic environment resulting from the East Asian financial crisis (Ahluwalia 2002). It retained its growth trajectory in the 2000s, and its growth rate soared to 9.3 percent in 2005. Despite taking an immediate hit from the global financial crisis, its growth rate bounced back quickly to 8.5 percent in 2009 and 10.5 percent in 2010.¹ This growth has translated into considerable poverty reduction; Bhagwati and Panagariya, for instance, argue that the poverty ration declined from 44.5 percent in 1983 to 27.5 percent in 2004–5 (2013, 35). Foreign direct investment has risen dramatically, from a meager \$100 million in 1990–91 to over \$60 billion in 2007–8 (Bhagwati and Panagariya 2013, 31). And India has signaled its growing prowess to the world by declaring in 2003 that it would limit the number of partners from which it would accept bilateral aid to Germany, Japan, Russia, the United Kingdom, and the United States, and offer a debt relief package to the Heavily Indebted Poor Countries (HIPC)s with substantial overdue payments to India (Price 2004).

These economic developments have had important repercussions for India's position abroad. Its growing importance was recognized in the "Outreach Group" of the G7, and it has come into its own as a member of the G20 leaders' level grouping. In some multilateral institutions it has even prompted a process of reform. The WTO offers us a classic example of this. While Indian activism in the multilateral trading regime dated back to the early days of the GATT, which won it a place in Green Room consultations, it has now acquired a de facto permanent seat at the High Table of the WTO. Hence, in the GATT, informal authority toward decision-making rested with the so-called Quad group that comprised the EU, United States, Canada, and Japan; today, we hear of the "New Quad," the "Five Interested Parties," the G6 and the G7. In all these forums in the WTO, India is a constant member, along with the EU, the United States, Brazil, and in recent years, China. Even the IMF and the World Bank, which have proven considerably slower than the WTO to adapt to the changing balance of power, have taken on reforms of quota shares; India is one of the beneficiaries of this reform process, along with other emerging markets. The story that we have thus far is hence not only of India's growing economic potential, but also of increasing influence in the major institutions of multilateral economic governance.

10.2. THE LIMITS OF THE MIRACLE

While the evidence is clear that India's position at the aggregate level, and indeed in terms of poverty reduction, is significantly better in comparison to the prereform phase, the nirvana of development remains largely elusive. A short visit to almost any city in India, to say nothing of rural India, provides ample examples of daily power cuts, severe water shortages, lack of Wi-Fi access and phone landlines—so much for a booming economy in telecom services!—and other serious limitations of basic infrastructural facilities that the average Indian has to contend with. Corruption levels remain high, with India scoring the ninety-fourth position out of 176 countries in the Corruption Perception Index for the year 2012.² In the World Bank's Ease of Doing Business Index, it ranked a lowly 132nd out of 185 countries, and scored particularly badly on the enforcement of contracts—184th and lower than Angola, in position 183—dealing with construction permits—182nd—and starting a business—173rd.³ This is not a climate conducive to investment. Trade tariffs, while lower than they were pre-reform, remain very high. A comparison with China is illustrative: China's simple average bound tariffs are at 10 percent—with 15.7 percent in agriculture and 9.2 percent in nonagricultural market access—whereas India's are bound at 48.7 percent, with 113.1 percent in agriculture and 34.6 percent on nonagricultural market access.⁴ And amid the structural and policy bottlenecks, as well as the difficult external environment, growth has slowed, hovering between 5 and 6 percent since 2012. The IMF placed the blame for this slowdown squarely on “rising policy uncertainty,” “delayed project approval and implementation,” and “supply bottlenecks” (IMF 2013).

In good measure, these difficulties are an inevitable result of an incomplete process of reform. Reform, as Bhagwati and Panagariya argue, needs to go further, both on the more fundamental “Track 1,” which denoted “reforms aimed at accelerating and sustaining growth while making it even more inclusive,” and the important but derivative “Track 2,” comprising “reforms to make redistributive programs more effective as their scope widens” (2013, 96). Limitations of the reform process are reinforced by cultural constraints. For instance, Jim O'Neill (2011, 73) writes, “Among Indian elites, I often find a resentment of Western practices, development among them.”

Just how deeply ingrained the resistance to liberalization and market opening is can be illustrated by one example. In 2003, when this author asked a senior Indian trade negotiator why India had refused to make concessions at the Cancun Ministerial of the World Trade Organization, he answered, “It is easier for our minister to come back home empty-handed as a wounded hero, rather than to come back with something after having had to make a compromise.”⁵ Shishir Priyadarshi (2005) provides further detailed evidence of the negative public perception of the WTO in India, despite the fact that India has established a very sure footing in this organization and has reaped

significant gains from its membership, including access to global markets and the use of the Dispute Settlement Mechanism.

O'Neill further points out that of the BRIC countries India attracts the least foreign investment, in part because of its "mystifying bureaucracy." The retail sector offers one example of the structural as well as cultural difficulties that foreign companies have encountered in securing access to Indian markets. O'Neill writes: "If India were ever to allow Tesco or Walmart into the country, it would undoubtedly improve productivity in retail and reduce agricultural waste. But the politicians worry about the effect on Indian society, so they revert to protectionism and block foreign companies." In December 2012 the government finally won a drawn-out battle on this issue when the Parliament finally passed legislation allowing 51 percent foreign ownership in multibrand retail enterprises, and 100 percent in single-brand enterprises. How effective this market opening will turn out to be remains to be seen as it leaves considerable leeway at the hand of state governments to implement the legislation.

The above limitations in the Indian economic miracle generate interesting implications for understanding India's foreign economic policy and relations. Most interestingly, and contrary to the predictions offered by Mohan (2003) and Chimni (2010), India's developmental constraints suggest that it is unlikely to emerge as a pliant or accommodating negotiating partner for the West anytime soon, even if its aggregate interests might suggest otherwise. The simple fact of India's position in the development hierarchy automatically brings it into conflict with the developed world at least in the short run; add to this the variable of cultural difference and values, and we may end up with a noncooperative relationship—at least in some issue-areas—in the longer term. These cultural factors have deep roots and often outweigh the plausible but simplistic interest-based narrative. The next section investigates the extent to which these differences are borne out in India's relations with the established powers across two areas of multilateral economic governance.

10.3. INDIA'S FOREIGN POLICY BEHAVIOR ACROSS DIFFERENT ECONOMIC ORGANIZATIONS

In this section we investigate India's behavior in two different multilateral economic organizations: the WTO and the IMF.⁶ The two offer us potential scope for comparison given the different degrees of adaptability that they have shown toward accommodating India and rising powers at the core of their decision-making processes. They also show the limits of naively dividing material and ideational explanations in the making of foreign economic policies.

10.3.1. India in the WTO

The most powerful example that we have of India's continued confrontation with the established powers—and the norms that they represent—is its negotiation behavior in the WTO. There is some irony in using this case study: the multilateral trade regime is one that has adapted its *de facto* decision-making processes to accommodate the changing balance of power. Trade liberalization, moreover, has served India well; even the limited amount of opening that it instigated in 1991 injected new life into its economy by improving competitiveness, attracting investment, and facilitating poverty reduction. Hence this is the one institution where we would expect to see the kind of conformity that Mohan (2003) applauds and Chimni (2010) regrets, but which both predict. In fact, India's behavior in the WTO, even after it has come to occupy a seat at the high table of decision-making and its stakes in the system are high, remains far from this predicted outcome.

From the start of the Doha negotiations—the first round of trade negotiations to be launched under the auspices of the WTO, and one that has been plagued by deadlock—India has advanced the cause of development. As a leading member of the Like-Minded Group, it worked hard in the run-up to the Doha Ministerial to highlight the costs that developing countries had incurred from having to implement the Uruguay Round agreements, and fought against the launch of a new round. It was ultimately isolated, and the round was launched in 2001 in spite of its opposition (Narlikar and Odell 2006). At the Cancun Ministerial Conference in 2003, India, Brazil, and China joined forces to constitute the G20 coalition. This coalition comprised an interesting mix of developing countries, all of which were united in their cause of seeking market opening in the agricultural markets of the West. India represented the defensive interests of developing countries in this coalition, and also became an active member of the G33 coalition that sought the protection of developing countries' markets from import surges in agriculture. India, along with other developing countries, was also vociferous in its opposition to the inclusion of the Singapore Issues, namely government procurement; competition policy; investment; and trade facilitation. The ministerial ended in deadlock, with disagreement over the Singapore Issues being the immediate cause, but with several unresolved issues following closely behind on which India had—along with several other developing countries—signaled a strength and readiness to lock horns with the United States and the EU (Narlikar and Tussie 2004). Coalitions that displayed an unprecedented ability to remain united during the final stages of the ministerial negotiations were an important indication of this readiness, and India was a leader of these coalitions (Narlikar and Tussie 2004; Narlikar and van Houten 2010; Narlikar 2013).

The negotiations lumbered along, missing deadline after deadline for completion. Through this process, India, along with Brazil and China, came to acquire a position of importance—the *de facto* equivalent of permanent seats at the UN Security Council—at the heart of the WTO's decision-making processes. This, however, did not produce

buy-in from India negotiators. A trade round that was scheduled to be completed by 2005 continued in a stop-start fashion until a major turning point in 2008.

In July 2008, trade negotiators came closest thus far to completing a Doha deal. The United States tempered the recalcitrance it had displayed earlier and agreed to cap its agricultural subsidies. Several countries were tempted to accept the deal on offer. However, India led the charge of developing countries in seeking greater protection for their markets via the Special Safeguard Mechanism (SSM), and also insisted that the United States' offer of capping its agricultural subsidies at \$15 billion was inadequate. In doing so, India's position diverged from that of its G20 ally, Brazil, which argued in favor of a compromise. India's reaction to the prospect of compromise was not positive. One veteran journalist reports it as one of shock:

[Kamal Nath, India's chief negotiator] couldn't believe that his erstwhile G20 comrade in arms was failing to back him up. At last the inherent contradictions in the Brazilian-Indian alliance were coming to the fore . . . it became clear that Nath was the only G7 participant who was firmly saying no. (Blustein 2009, 267)

Brazil was subsequently brought into line with India's position of rejecting the offer; the G20 retained its unity, and the negotiation ended in deadlock. For this deadlock, India attracted a good deal of criticism in trade circles and in the media, and its chief negotiator was given the title of "Dr. No" for his refusal to make concessions in the July talks. India was willing to be the target of international opprobrium for its steadfast negotiating position and incur the costs of delaying the benefits of a completed deal; this also potentially jeopardized the credibility of the regime, insofar as recurrent deadlock can lead negotiators to turn to alternative forums.

Kamal Nath provided some justification for his country's refusal to make concessions in the July talks:

For us, agriculture involves the livelihoods of the poorest farmers who number in the hundreds of millions. We cannot have a development Round without an outcome which provides full comfort to livelihood and food security concerns in developing countries . . . The poor of the world will not forgive us if we compromise on these concerns. These concerns are too vital to be the subject of trade-offs.⁷

The reason for such defensiveness regarding agriculture might not make sense at first glance; agriculture is not India's most productive sector. Its contribution to GDP has been declining, and constituted 16.6 percent in 2009–10. By tying its hands via WTO commitments in this low-productivity sector the Indian government neglected the opportunity to implement vital reform in the area. But its politicians and diplomats were reluctant to follow this course of action, given the fact that until as recently as 2010–11, 52 percent of India's total workforce was employed in agriculture (WTO 2011). India's weaknesses in the manufacturing sector—further reinforced by poor infrastructure, an inadequate welfare system, and the problems highlighted earlier in this chapter under section 10.2—act as serious deterrents to ensuring a transition of agricultural workers into alternative sectors of employment. India's booming economy in

information technology services does not offer an obvious alternative, not least because of the low literacy levels in the country. Hence even though in aggregate terms Indian interests would have benefited from the deal on offer, Kamal Nath's angry rhetoric had at least some legitimate cause in the short-term costs of transition: were the millions of small farmers in India subject to sudden import surges, they would be deprived of their livelihoods with no alternative means of survival available to them:

All manner of objections are being raised to our right to safeguard livelihood concerns of hundreds of millions. Are we expected to stand by, see a surge in imports and do nothing? Do we give developed countries the unfettered right to continue subsidizing and then dumping those subsidies on us jeopardizing lives of billions? The position of developed countries is utterly self-righteous: they have enjoyed their SSG (and want to continue it) but our SSM must be subject to all sorts of shackles and restraints. This self-righteousness will not do. If it means no deal, so be it. (WTO 2008)

India's position in the development hierarchy thus provides a part of the explanation for its reluctance to make concessions in the WTO. We see this also in its coalition alignments with other developing countries in the organization. As Indian negotiators themselves are in the habit of pointing out, India is one of the fastest-growing economies in the world, but the precarious existence of a large proportion of its population—25 percent still living below the poverty line—and low per capita income mean that it cannot be expected to take on the commitments that the West demands of it, nor can it be expected to assume international responsibilities akin to those of the developed countries.

In addition to these structural constraints, the cultural variable is perhaps also worth flagging at this point. In a negotiation culture where the use of a strict distributive strategy is commonplace and acceptable, moralistic framing highly regarded, and a suspicion of liberalization still pervasive (Narlikar 2013; Narlikar and Narlikar 2014), Minister Nath received a hero's welcome at home on his return, irrespective of the international criticism (Lakshmi 2008). We see this suspicion clearly reflected in the domestic drivers of India's foreign economic policy; what Stephen Cohen calls India's "Just Say No" attitude finds support from both the business sector and civil society. Julius Sen notes:

Trade and business associations should be the key demanders in Indian trade policy formulation. To be sure they are widely consulted, but they are by no means the initiators or driving force for the generation of ideas or of negotiating options (though this situation is slowly changing). They are used as a sounding board for ideas and as a way to build a domestic consensus in favour of a position that the government has already taken, rather than as institutions capable of putting forward negotiating ideas. (Sen 2004, 2)

It is not just the business associations that reinforce the government's positions, but also NGOs that share the protectionist orientation of India's negotiators. Hence, for

example, Shishir Priyadarshi (2005) cites a former official of the Ministry of Agriculture stating the following about the role of NGOs: “The views expressed by the civil society representatives are always protectionist in nature. According to them, Indian agriculture is simply not trade-driven; their only objective is, therefore, to ensure that the livelihood of the subsistence farmers is protected.” Sen’s findings reinforce this observation about the role of NGOs in the foreign economic policy process: “Their inputs therefore tend to reinforce the defensive stance taken by the Indian trade negotiators instead of helping to shift their approach to a more participatory one” (Sen 2004, 3).

Even interest groups and other actors within India—which may be expected to take on a more proactive stance on economic liberalization—in general share the government’s reserve in embracing the norms espoused by the WTO. The suspicion of liberalization and a persistent commitment to alternative Third Worldist values—even in a regime that has facilitated India’s dramatic growth—appear to run deep and remain widespread.

10.3.2. India in the IMF

If India has shown a less than conciliatory attitude in its negotiations in the WTO, then it is hardly surprising that it has shown even greater skepticism toward and reluctance to take on new responsibilities in the IMF. As an institution that takes its decisions on the basis of weighted voting, the IMF has traditionally and intrinsically allowed less input from developing countries, in contrast to the WTO and the GATT, which have operated on the principle of consensus. Further, the IMF’s governance structures and processes have not shown the same high level of adaptability to the changing balance of power that the WTO has.⁸

In 2012, amid the outbreak of the Eurozone crisis—when European leaders had hoped that the BRIC countries would contribute proactively toward facilitating recovery via an increase in their IMF contributions—India had rather different ideas. In April 2012 India’s finance minister at the time, Pranab Mukherjee, addressed the IMF’s International Monetary and Financial Committee:

we feel that EU efforts should continue to play the primary role for its members as and when the situation so demands. We feel that IMF assistance should only underpin the EU’s efforts and play a catalytic role in order to provide confidence to investors.... We would also stress that any financial contributions made should be voluntary and not in any way linked with future voice or governance reform. (Mukherjee 2012)

Further, contrary to the assumption that India’s turn toward economic liberalization would make it more conciliatory and conformist in various multilateral institutions, India’s agenda for IMF reform remains strong. For example, while insisting on the *voluntary* nature of additional resources that countries including India might offer, and isolating these contributions from quota revisions, it has joined the BRICS group in

insisting on the understanding that its new contributions, for example, its June 2012 contribution of US\$10 billion “are being made in anticipation that all the reforms agreed upon in 2010 will be fully implemented in a timely manner, including a comprehensive reform of voting power and reform of quota shares” (BRICS 2012b).

India has also offered important alternatives to the existing regime on aid, for instance via its conditionality-free aid to African countries. In fact, India’s relations with Africa present not only an alternative to multilateral aid based on the Washington Consensus principles, but also a potential alternative to Chinese aid based on the “Beijing Consensus” model (Broadman 2007, 2008; Narlikar 2010). This practice of creating the Best Alternative to Negotiated Agreement (BATNA) is a classic distributive tactic, and far from the integrative bargaining that we might expect a rising India with conformist intentions to make.

India’s attempts to create BATNAs are also reflected in its participation in the BRICS grouping. The BRICS Interbank Cooperation Mechanism is an agreement for extending credit facility in local currencies, and similarly has the potential to decrease the reliance of the BRICS on the US dollar.⁹ The Delhi Declaration of 2012 advanced the possibility of creating a new BRICS Development Bank—a plausible, if not yet concrete, challenge to other multilateral lending institutions (BRICS 2012a).¹⁰

10.3.3. *Similarities in India’s Policy and Position across the Two Institutions*

The previous two subsections have illustrated that even though India has committed to a path of economic liberalization, it has not been co-opted by the West.¹¹ The similarity in India’s foreign economic policy and negotiation behavior across the WTO and the IMF is worth emphasizing. In neither institution do we see India caving in to the established norms that these organizations represent, nor do we see it making material concessions to signal its willingness to provide the public goods that these institutions were designed to provide: free trade in the case of the WTO; and the stability of the international monetary system in the case of the IMF. The cross-institutional comparison is important because it shows that India’s caution is not limited to the IMF—an institution that has shown only limited accommodation toward it—but extends to the WTO—an institution that has made far-reaching changes in adapting its governance structures to the rising powers. This behavior derives partly from India’s position in the development hierarchy, and in good measure from a deep-rooted and widespread skepticism of economic globalization that runs through key domestic institutions and also informs India’s negotiating culture.

In its negotiations in the WTO, India’s dissatisfaction with the existing deals on offer is clear, and it is joined by other developing countries in the refrain of “No deal is better than this deal.” For its resistance to making concessions that would facilitate multilateral market opening, it has attracted the ire of the developed world, particularly the United States. For instance, US trade representative at the time Robert Zoellick categorized the “can do” and “can’t do” countries at Cancun, with Brazil, India, and China falling into the latter category; and in the same office Susan Schwab made more pointed reference to Brazil, India, China, and South Africa as “elephants hiding behind mice” (Schwab 2011).¹²

At the heart of this criticism is the resentment of Western countries that India and the other rising powers are not pulling their weight in the provision of global public goods.

India's response to this criticism has been defensive. Shyam Saran, for instance, writes the following:

The activism of India or other emerging countries on certain regional and international issues may not always be aligned with that of the Western countries. This does not make such activism irresponsible, just as lack of enthusiasm for Western actions on certain issues, which India from its standpoint may consider injudicious, also cannot be criticised as irresponsible conduct... The same argument can be made about the global financial and trading systems, which have been put in place and are dominated by the industrialized economies of the West... If the emerging countries have been able to achieve rapid growth in their economies, they have been able to do so despite the constraints imposed on them by the global economic and financial systems rather than because of them. The sub-text here is that since the existing regimes have enabled the emerging economies to develop, they should acquiesce in the rules and regulations set by the Western countries rather than seek to modify or alter them. This is not a valid assumption. There may be rules that emerging economies may find acceptable. There may be others they may want to see modified so as to reflect their interests. (Saran 2012)

Saran's argument is effectively that India may be willing to provide certain public goods, but not necessarily those prescribed by the developed nations. India's position in multilateral trade negotiations certainly reflects this logic. But what is starkly absent from these negotiations is a clear vision of what *alternative* global public goods India might be willing to provide.¹³ India's behavior in the trading regime thus far demonstrates that it remains committed to the cause of development for itself and also its allies from the developing world, but this has resulted in its demands for concessions from the West with the offer of few concessions in return. It remains to be seen how it might be able to translate this commitment into a willingness to engage in international reciprocity rather than rely exclusively on demands of the developed world.

India's position in the IMF is similar in that there is no clearly articulated vision of the international monetary system that India has to offer. But in the BATNAs that it has been cultivating—such as in its commitment to increase reliance on local currencies as part of the BRICS grouping and the parallel decrease in reliance on the dollar—we can see that at least when dealing with a smaller group of countries, India is showing more willingness to share the responsibility of a different level and type of economic governance.

10.4. VARIATIONS IN FOREIGN ECONOMIC POLICY: DEALING WITH SMALLER PLAYERS

The previous section has demonstrated that India has not displayed cooption in the WTO or the IMF, irrespective of the differences in the extent to which the two

institutions have adapted to its rise. This means that Indian foreign economic policymakers have not yet embraced the idea that a rising India should carry a significant share of the burden of the global public goods that these institutions provide. Importantly, however, we have already come across some examples of the willingness of Indian negotiators to carry the burden of a different kind of responsibility when it comes to dealing in small groups, especially when the groups involve smaller players. India may be a reluctant contributor to the provision of global public goods—hence also its demand for Special and Differential Treatment, which persists today in the demand for Less Than Full Reciprocity, and constitutes a critical exception to the reciprocity principle that underpins the trade regime—but it seems to be a ready provider of club goods to its allies.¹⁴ Two examples that were touched upon earlier—one from the WTO and the other from the IMF—are now discussed in greater detail below.

As highlighted in the previous section, India has been reluctant to make concessions to the developed countries in the WTO, even though such concessions are essential if the Doha Round is to be concluded successfully. But when working in coalitions within the same organization, it has proven itself willing to bear the costs of leadership. These include research and organization costs, which initiators and leaders aiming to organize coalitional action must bear. They also include the costs of allowing some free-riding for smaller players to help maintain the unity of the coalition, thereby reducing their temptation to defect. An example is the G20 coalition, which incorporates not just India's own defensive position on agriculture with Brazil's more offensive one, but also logrolls the demands of smaller developing countries, particularly the least developed countries (LDCs) on Special and Differential Treatment. Such logrolling is a costly process, especially as it makes it difficult for India to make concessions: concessions on Special and Differential Treatment would risk the defection of the LDCs from the coalition. Nonetheless, it willingly carries and defends this logrolled agenda of the developing world. India's offer of a Duty Free Tariff Preference Scheme for LDCs forms a part of the same strategy of allowing free-riding for one's weaker allies.

In the case of India's role in the IMF, while there are interesting ideas emanating from the BRICS group—for example, schemes that might potentially challenge the hegemony of the dollar—it is just too early to determine whether these ideas constitute alternative club goods that the BRICS, either as a grouping, or individual countries within the grouping, might be willing to bear the costs of providing.

India's relations with another BRICS country—China—provide a case in point. China is a major trading partner for India, along with the European Union and the United States, and bilateral trade between China and India has hovered in the \$60–\$75 billion range over the last couple of years. India has cooperated with China over multiple economic issues via the BRICS grouping, and also via coalitions such as the G20 in the WTO. But the relationship between the two is not a straightforwardly cooperative one. The unbalanced nature of India-China bilateral trade has also generated considerable concern among Indian policymakers. Bilateral talks have aimed to redress this imbalance (Krishnan 2013). The two countries offer different governance models to the world, and also bring different development models to Africa—as discussed later in

this section. Just as important is the history of one major war between India and China, and persistent border disputes in a nuclearized context, which places the China-India relationship among the most difficult within the professed camaraderie of the BRICS countries.

It is worth noting at this point that just as India's relations with China present a mix of cooperation and conflict, its relations with its South Asian neighbors also do not indicate that India is ready to play the role of the benign hegemon that provides public goods to its region or willingly embraces the deep enmeshment of regional economic ties. This is not to say that India is not privy to several regional economic agreements,¹⁵ and being a party to these it is no different from other countries, developed and developing. Recent years have, in fact, seen a surge in regional trade agreements, which has coincided with the recurrence of deadlocks in the WTO, suggesting a turn toward regionalism in the face of flailing multilateralism (see generally Part IIIB in this volume; and also Aggarwal and Koo chapter).

But the circumstance of India having signed economic agreements with some of its neighbors in the region does not automatically translate into meaningful economic cooperation or integration. Instead, as a recent study notes, "South Asia is unique among the major geographic regions in the world for its low level of intraregional trade," with the share of intraregional trade in total world trade of the member countries of the South Asian Association for Regional Cooperation (SAARC) being 5.2 percent, in contrast to 26.5 percent for the Association of South East Asian Nations (ASEAN), and 20.5 percent for the Mercado Comun del Sul (MERCOSUR), in the period 2009–11 (Athukorala 2013). The low levels of integration in South Asia are unsurprising given the difficult geopolitical disputes in the region, ranging from boundary conflicts and clashes caused by cross-border waterways to nuclear competition. It is also not a coincidence that in the WTO a number of India-led coalitions have included some of its neighbors, for example, Pakistan in the Like-Minded Group, but the membership of these coalitions has never been restricted to the region. Nor has India pushed for regional causes in multilateral forums, in contrast to its support for the cause of the LDCs and African development.

Against the ambiguous evidence provided by the BRICS grouping, and India's reluctance to provide regional public goods, we do have a powerful example of India's willingness to provide some vital club goods, and thereby offer to weaker countries a useful BATNA against the IMF. This example lies in India's engagement with African countries.

Indian officials often emphasize in interviews that India's engagement with Africa is far from new (Broadman 2008; Narlikar 2010; Vickers 2013). Indian officials point to long-standing continuities in India's foreign economic policy toward Africa, which go back to the ITEC program that was launched in 1964. The main difference that they alert us to is the difference in Indian abilities to assist Africa between then and now. "We simply didn't have enough resources to do this in the 1960s. Now we can." Officials also stress the differences between India's investment strategies in Africa versus China's: "While we also have energy considerations etc., our model is different. The

Indian way is the softer way” (cited in Narlikar 2010, p. 456). There is considerable academic and policy analysis that reinforces this point. India’s trade and investment in Africa are not limited to the resource and energy-rich North and West Africa, but also extend to East Africa. It provides preferential treatment to LDCs, thirty-three of which are in Africa, and fourteen in East Africa. Harry Broadman (2008) writes of Chinese firms in Africa as “creating business entities that are vertically integrated, buying supplies from China rather than local markets, and selling in Africa mostly to government entities. They rarely facilitate the integration of their workers into the African socio-economic fabric.” In contrast, Indian firms in Africa are “less vertically integrated, prefer to procure supplies locally or from international markets (rather than Indian suppliers), engage in far more sales to private African entities, and encourage the local integration of their workers.”

India’s willingness to allow free-riding for its allies and maintain coalition unity in the WTO, and its engagement with Africa through aid, trade, and investment, together illustrate that it has proven itself willing to incur the costs of the provision of certain club goods. This is important because it demonstrates that India is not reluctant to assume international responsibilities per se, but that it sees itself as owing its responsibility to smaller and weaker players rather than the international system as a whole. Although India’s relationship with less-developed country players across Asia is a work in progress, there remains the possibility that the patterns of its interactions with Africa may extend to Southeast Asian countries in the future.¹⁶ Notably, however, India’s assumption of its selective leadership is on the multilateral stage rather than the regional one: coalition unity in the WTO, and engagement with Africa against the backdrop of the multilateral aid regime. The willingness to provide club goods, tempered by the provision for a multilateral setting, is important because it suggests that Indian foreign economic policy is targeted at establishing a global role for India, in contrast to a role of regional predominance, or even the pursuit of a regional route to global power.

10.5. CONCLUSION

While India’s turn to liberalization in 1991 presented a landmark moment in its history, this chapter has argued that the nation’s foreign economic policy orientation, and also its negotiation position, show vital continuities with the past. Economic liberalization has not resulted in its transformation into a pliant trading partner with the West. India’s willingness to fight for the cause of development persists, as do its coalition loyalties with other developing countries, while its newfound and growing economic power ensures that it has an increasing ability to sustain coalitions and block agreements. These patterns can be seen across international organizations: as this chapter has demonstrated, it is not just the IMF that has failed to produce an easy buy-in from India, but also the WTO. The cross-institutional comparison shows us that

India's wariness of tying its hands multilaterally derives not from the opportunities that it enjoys in the governance structures of the two institutions, but rather is more deep-rooted in the culture of its negotiations. This also means that simply reforming the structures and processes of global economic governance—as has been done in the WTO—will not automatically obtain regime conformity from India.

The chapter has also traced the roots of India's reluctance to assume greater responsibility in the WTO or the IMF to two sources. The first is domestic: limitations of the reform process and inadequacies of development make it difficult for Indian foreign policymakers and negotiators to commit more resources internationally. The second is ideational. In a negotiation culture where memories of past slights run deep and Third World coalitional loyalties die hard, it is perhaps not so surprising that a rising India has continued to throw in its lot with its allies from the developing world. We see this in the coalitions that it has formed and led in the WTO, and which have contributed to the deadlocks of the Doha negotiations, and we see it in its search for BATNAs to the IMF's aid regime and dollar hegemony. This has not been an easy route for Indian negotiators to take, and India has attracted considerable flak for what is seen to be a refusal to accept the burden of greater international responsibility that comes with rising power. Analytically this means that an emphasis on interest-based explanations alone in understanding India's foreign economic policy behavior is misplaced at best.

Importantly, at a practical level this chapter has offered several nuances that soften the critique that India is a party-spoiler in international negotiations. It is true that it has been reluctant to accept the burdens of providing global public goods such as free trade or stability of the dollar and euro. But it has proven willing to accept the costs of providing club goods to other developing countries. We have seen this in its coalition behavior in the WTO and also in its aid, investment, and trade strategy in Africa. This type of behavior may also extend to developing countries elsewhere in Asia in the future.

It is worth noting that the supply of these club goods is sometimes antithetical to the provision of the global public goods that the West would have India contribute. Hence, for example, strong coalitions make it difficult for India to afford the concessions necessary to reach a Doha deal, and offering conditionality-free aid to African countries weakens the hold of the IMF on them. So what can Western negotiators do to engage India in a more constructive manner, short of waiting for India to achieving the nirvana of development and a complete rewriting of its negotiating culture?

First, it is vital that Western foreign policymakers and negotiators rethink their assumption that India, or indeed the other rising powers, will simply redefine their interests as aligned with those of the established powers if they are given a place of influence in various institutions of global governance. The case of India and the WTO patently exhibits the flaws of such thinking. If we demand that India make a greater contribution to providing global public goods, it is vital that we give Indian thinkers and practitioners the opportunity for input regarding the public goods that they are being asked to provide. Establishing mechanisms where the rising powers of the South have greater agenda-setting power will also help both sides to move beyond the

redundant calls of “No deal is better than this deal” and “Not these public goods.” The established powers would have to create this space, and the rising powers would be expected to make use of this space to specify which public goods they would accept greater cost-sharing for. Similarly, to say that “no agreement is better than this agreement” would not suffice: India and its allies would need to specify what alternative deals they would be willing to accept, based on concessions from both sides.

Second, the West has attempted some reform of multilateral governance, and as this chapter has illustrated, the results have been limited. The reason for this may derive from the fact that reform in the organizations has occupied two polar ends. At one extreme we see the IMF—and indeed the UN Security Council—where the pace of reform has been very slow, even glacial. The resentment of the rising powers toward these institutions is understandable. At the other extreme we see that the WTO has fundamentally transformed its governance by bringing in the rising powers from the margins to its core, but has only exacerbated the problem of deadlock. Perhaps what is needed is conditional reform based on a bargain. India and the other rising powers may legitimately expect reform of international institutions that secures them greater input and influence if they, in turn, take on greater responsibility. “Reform for Responsibility” (RfR)¹⁷ is predicated on the assumption that India would be able to suggest changes to the global public goods that are currently provided by the international organizations, that is, the first recommendation.

As this chapter has argued, while India’s negotiating stance in the international economic organizations offers clarity concerning what India does not want, there is less clarity on the alternative type of global economic order that India might prefer. To engage meaningfully in the RfR agenda, considerable rethinking would also be needed on the part of the Indian foreign policy establishment.

NOTES

1. World Bank data, <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>. Accessed May 28, 2013.
2. <http://www.transparency.org/country#IND>. Accessed May 27, 2013.
3. <http://www.doingbusiness.org/rankings>. Accessed May 27, 2013.
4. www.wto.org. Accessed May 27, 2013.
5. Interview by the author, May 2003.
6. For insightful analysis of the rising powers and global governance, see Kahler 2013.
7. TNC Meeting, Statement of Kamal Nath, July 23, 2008.
8. The Board of Governors of the IMF approved a major package of reforms of quota shares in 2010, which would make the BRIC countries the top ten shareholders in the organization: see <http://www.imf.org/external/np/exr/facts/quotas.htm>. Accessed June 5, 2013. Once implemented, these changes will impact significantly on the IMF’s governance structure. However, they are still less far-reaching than the informal changes adopted in the WTO, which have resulted in the replacement of Canada and Japan with Brazil and India—and subsequently, also China—and hence resulted in a fundamental transformation of the old Quad.

9. <http://www.bricsindia.in/about.html>. Accessed May 27, 2013.
10. The latest BRICS in South Africa summit reiterated the commitment to establish a BRICS Development Bank, but fell short of launching the initiative or presenting details of structure and functioning, including the contributions of capital by different countries: BRICS 2013.
11. Chimni 2010, for instance, has argued that “with the inauguration of neo-liberal reforms in 1991 Indian FEP moved away from the Nehruvian framework that had as its goal an independent and self-reliant path of development. India is today lending uncritical support to a liberal international economic order in the belief that it will help sustain high growth rates. . . . it is regrettable that in the wake of the global economic crisis India made no attempt to articulate an alternative vision of the international economic order. It instead accepted to be co-opted by the developed world in exchange for membership in G-20 and other limited concessions that have been used to legitimize an unjust international economic system.” This chapter argues that a close examination of India’s behavior in at least two international organizations—the WTO and the IMF—suggests quite the opposite. Even concessions towards India that are more meaningful and significant than a seat at the G20, involving de facto reform of WTO decision-making, have failed to produce buy-in from India.
12. Schwab attributed this description to an African delegate to the WTO in her article: 2011, 108.
13. We have seen India resorting to regional trade agreements, but in this it is far from alone. They may represent cultivation of BATNAs when the multilateral negotiations are stalled, but they do not represent an alternative or distinctive vision of global economic order.
14. Club goods, unlike public goods, are partially excludable and rivalrous.
15. A list of these can be found at http://business.gov.in/trade/trade_agreements.php. Accessed July 5, 2013.
16. “Ahead of India Visit, Joe Biden Welcomes India’s Emergence in SE Asia and Beyond,” *Indian Express*, July 19, 2013. <http://www.indianexpress.com/news/ahead-of-india-visit-joe-biden--welcomes-indias-emergence-in-se-asia-and-beyond/1143995/>. Accessed July 21, 2013.
17. This idea was first developed in Narlikar (2013).

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CHAPTER 11

SOUTH KOREA'S FOREIGN ECONOMIC RELATIONS AND GOVERNMENT POLICIES

MYUNG-KOO KANG

SINCE its industrial takeoff in the early 1960s, South Korea (hereinafter Korea) has become a major trading nation in the global economy. Its trade volume has increased almost 3,000 times from \$357 million in 1961 to \$1.06 trillion in 2012 (KITA, Trade Statistics portal). During the same period, what used to be an aid-dependent economy has become an aid-providing economy. By 2011, the total volume of Official Development Assistance (ODA) increased to over \$1.3 billion (Korea Eximbank, ODA Statistics portal). Korea's international investment position has enlarged significantly as well. At the end of 2012, outstanding foreign assets amounted to \$842 billion and foreign liabilities to \$945 billion, which altogether far exceeded the gross domestic product (GDP) for the year—\$1.1 trillion (Bank of Korea, Economic Statistics portal). How did Korea achieve such a remarkable transformation? How did Korea's foreign economic relations evolve as successfully during this period?

This chapter addresses these questions by focusing on the role of the Korean government in formulating and implementing economic policies toward trade and investment. The Korean government was the rule-setter in building domestic institutions and defining government-business relations. Until the 1980s, it employed an export-oriented development strategy and directed private firms to focus on exports by controlling both domestic and foreign financial resources. This pattern of government dominance then changed gradually from the early 1990s with the arrival of democratic regimes and the growing economic power of many business actors. The Asian financial crisis of 1997–98 then triggered a drastic policy shift to further economic liberalization; domestic interest groups gained increasing prominence in the formulation of foreign economic policies. Nonetheless, the Korean government remains a principal rule setter in the country's economic policies.

The Korean government was also a rule-adjuster in foreign economic relations, combining both reactive and proactive strategies in a changing international environment. Power configurations in international politics have confined the scope and direction of Korea's foreign economic policies. During the Cold War period, the Korean government tried to take advantage of the US hegemonic order wherein Korea could secure favorable trade and investment relations with the United States in return for actively participating in US-led security alliances. With the collapse of the Cold War system, the focus of Korea's trade and investment relations has increasingly shifted toward Asia. Responding to this structural change, the Korean government has worked to develop multilateral ties in its global and regional economic relations while still remaining loyal to the country's existing bilateral relations with the United States and other former principal trading partners—Japan and the European Union (EU).

This chapter has three sections. The first section reviews the institutional foundations that supported Korea's export-oriented development strategy. The second section examines the changes that took place in Korea's trade relations and policies from the early 1980s to the present. The third section explores the sequence and consequences of deregulation for cross-border capital flows both before and after the financial crisis of 1997. The chapter concludes with a brief discussion of the key challenges that the Korean economy has faced and will face in its foreign economic relations.

11.1. THE INDUSTRIAL TAKEOFF: THE 1960S AND 1970S

Korea's industrial takeoff occurred under a military dictatorship, the leadership of which was committed to economic development (Kim and Vogel 2011; Lee 2005). Korea experienced one of its exceptionally strong presidencies during this period. President Park's position rested at the top of three major branches of the state—executive, legislature, and judiciary. He had the power to dissolve the National Assembly and appoint one-third of its members using the *Yushin* constitutional revision in 1972. He also held complete power over the nomination of party candidates for legislative elections. No other individuals or groups exercised effective veto power in the legislative process. As a result, the president's decisions were critical in formulating and implementing the government's policies in general, particularly its economic policies.

Park was firmly committed to economic development, and pursued this goal consistently. He proclaimed "economy first-ism" (*gyungjejeiljuwi*) as the guiding goal of the government's economic policies (Park 1962a); he launched a Five-Year Economic Development Plan in January 1962. This plan stayed in place until 1996 and was based on the idea of "guided capitalism." Park believed that the government should direct and discipline the private sector, not only through moral persuasion and the instillation of party members in the sector, but also through government fiat (Park 1962a, 1962b). Using this guiding idea,

the Park administration (1961–79) tried to create a government-directed model for economic development (Amsden 1989; Jones and SaKong 1980; Kohli 2004). This approach embraced a mixture of economic planning and market-conforming institutional elements, which resembled the models followed in Japan, Taiwan, and other Asian countries during their own high economic growth periods (Deyo 1987; Johnson 1987).

11.1.1. Consolidating the Export-Target System

The Park administration shifted its developmental strategy from import-substitution to export-oriented industrialization in the mid-1960s following the failure of the initial economic reforms in the early 1960s and political pressure from the US government (Haggard, Kim, and Moon 1991; Tadashi 1991). The nation's entire economic system was redesigned to support exports. Indeed, promoting exports was the single most important goal of the economic policies pursued during the Park administration. Park repeatedly emphasized that promoting exports was the only way for Korea to escape the poverty trap and build a strong and wealthy nation (Park 1970, 1971).

The Park administration introduced an export-targeting system in early 1962 and then strengthened its functions by employing an export-oriented developmental strategy in the mid-1960s. The Ministry of Commerce and Industry (MCI) set an annual target for total commodity exports in the early part of each year and allocated that annual export target to related industrial associations. The MCI monitored the export performance of those targeted areas and reported to the Monthly Export Promotion Conference, which was first established in February 1965 and remained in service until the end of 1979. Through this Monthly Conference the government was able to pressure all export-related firms in Korea to achieve their targeted export volumes.

President Park personally presided over the Monthly Conference to ensure that it would be the final decision-making apparatus on export-promotion measures and investments. All cabinet members, heads of major financial institutions, business association leaders, and representatives of major export firms attended the conference, and the president often decided major policies or measures during the conference. It thus functioned, on the one hand, as a mechanism to compel the economic ministries of the government to achieve their targeted performance criteria, and on the other hand, as a communication channel to strengthen government-business cooperation with the goal of promoting exports (Kang 1996); it often resulted in collusive ties between government and the business elite (Ha and Kang 2010).

11.1.2. Consolidating the Government-Directed Financial System

Chronic capital shortage—especially lack of foreign capital—was one of the critical impediments that had to be overcome in order to foster more exports. In the 1960s a

formal financial sector was yet to be developed fully, and as a result, financial activities were mediated primarily in the curb market (Cole and Park 1983). Further, Korea was suffering from a shortage of US dollars that were required to import raw materials and energy resources for export-processing businesses. To overcome this unfavorable financial situation, the Park administration decided to create a government-directed financial system.

The first step the Park administration took was to nationalize all commercial banks following the military coup in May 1961. The administration then established various government-controlled special financial institutions. It expanded the functions of the Korea Development Bank, which had been established in 1954, to provide long-term loans to the export-related manufacturing sectors. Another measure was to place the Bank of Korea under the direct control of the Ministry of Finance (MOF). As a result, all financial intermediaries quickly lined up under the direction of the MOF, and the government gained monopolistic controlling power over credit allocation (Cole and Park 1983; Woo-Cumings 1991). The government further maintained a multiple interest rate system, applying far lower interest rates to loans provided to export-related, manufacturing sectors than for ordinary commercial loans (Kim 1991, 143). It also provided various kinds of policy loans—the usage of which was rigorously controlled by the government—to support the export-related manufacturing sectors. In the 1970s these policy loans constituted about half of the total credit provided by domestic financial institutions, and the government further allocated the majority portion of those policy loans to export-related industrial sectors (Bahl, Kim, and Pak 1986; Cho and Kim 1997).

The Park administration countered the lack of available foreign capital by establishing a government-guaranteed foreign borrowing system. Under this scheme, Korean firms seeking to borrow from abroad first had to obtain the approval of the Economic Planning Board, which in turn sought approval from the National Assembly for the issuance of guarantees that would cover repayment of foreign loans. The borrower was ultimately supposed to repay the loans, but in the event of default the government would repay the loans because the borrower was underwritten by both the Korea Development Bank and the Bank of Korea (Cole and Park 1983, 60).

This government-guaranteed system enabled the Park administration to pursue an investment-driven development strategy, as it could now fill the widening gap between gross domestic savings and investments by borrowing funds—both public and commercial loans—from abroad. Indeed, growing foreign debt was one of the key features of Korea's investment-driven economic growth in the 1970s. The total external debt rose rapidly during this period, from a negligible amount of \$89 million in 1962—which was only 3.8 percent of gross national product (GNP)—to more than \$27 billion in 1980, or about 48.2 percent of GNP (Cho and Kim 1997, 43).

This program also enabled the Park administration to channel foreign loans toward selected strategic industrial sectors and their firms. The government chose particular private firms and gave them a privileged right to access foreign loans. For example, during the heavy and chemical industrialization period (1973–79), the government designated key industrial sectors—such as steel, machinery, shipbuilding, and chemical industries—and

channeled both foreign loans secured by government approval and domestic bank loans toward selected firms and compelled favored firms to invest in the strategic industrial sectors (Kim 2004). Those heavy and chemical industrial sectors needed a large scale of initial investment to build facilities, and at the same time, private firms could not borrow foreign and domestic commercial loans without the government's approval.

The Park administration preferred these government-controlled loans to other forms of inward foreign investment. One of the critical underlying motivations was to minimize foreign ownership—mostly Japanese—as well as more general foreign control of domestic industries (Cole and Lyman 1971). The Korean government did not want to lose its control or its power to allocate foreign capital to its own selected strategic industrial sectors and firms. This policy pattern regarding foreign capital was different from some other Asian countries and their pursuit of development strategies reliant on foreign direct investment (FDI) that have appeared in the instances of China and other Southeast Asian economies over the past two decades.

11.1.3. The Influence of Geopolitics

The geopolitical environment during the Cold War era constrained Korea's foreign economic relations, yet enabled Korea to access US markets more easily. For example, US foreign aid, provided under the aegis of the Korea–United States Mutual Security Act of 1953, was the most important economic resource for the Korean economy in the 1950s. Excluding technology aid, the amount of US foreign aid from 1953 to 1960 totaled \$1.9 billion: roughly 72 percent of the national budget, and about 80 percent of domestic capital accumulation during that period (Lim 1985, 49). This dependence on US foreign aid in the 1950s limited the capacity of the Korean government to initiate its own long-term economic development plans, as the foreign aid was provided only sporadically (Lee 2002). For instance, the Kennedy administration (1961–63) reduced the total amount of foreign aid to Korea, and that policy shift made it more difficult for the Park administration to secure foreign exchange, specifically US dollars.

The geopolitical context of the Cold War system, however, provided a favorable economic environment for Korea. Korea's participation in the Vietnam War clearly highlights the peculiar characteristics of the Cold War, in which trade-offs often occurred between the security interests of the United States as a hegemonic power and the economic interests of Korea and other East Asian economies (Castells 1992). During the period from 1965 to 1973 when the Korean government dispatched more than 300,000 troops to the Vietnam War, the share of the US market in Korean exports was more than 50 percent. By participating in the Vietnam War, Korea received increased US military assistance, which amounted to 7.2 percent of GNP in 1965 (Woo-Cumings 1991, 85–93), and many commercial loans from other advanced countries were secured with the help of the US government (Kim 1975, 263–4).

Under the bipolar global order of the Cold War era, it was critical for the Korean government to launch development strategies that could help it to gain recognition and

substantial economic support from the United States (see also Snyder and Easley chapter). The Park administration undertook relentless efforts to become a loyal participant in the US-led military and strategic alliances in Asia, and in return for this commitment Korea gained favorable access to US markets. This structural and geopolitical condition was critical to the success of Korea's export-oriented development strategy. However, this peculiar pattern of economy-security relations began to change gradually in the early 1980s as the United States began to suffer from chronic current account deficits and the Korean economy became further integrated into the global economy. Responding to this changing external environment, the Korean government pursued a series of economic liberalization moves; foreign economic policies changed as well, increasingly emphasizing multilateral and regional trade relations.

11.2. GROWING TRADE VIA DIVERGENCE FROM THE 1980S TO 2012

The export-oriented development strategy set out by the Park administration was based on a mercantilist view of international trade in the sense that the Korean government projected trade relations as a zero-sum game and made relentless efforts to produce trade surpluses. This mercantilist view has had lasting impacts on Korea's trade policies even after the democratic transition in the late 1980s, regardless of political regime type. Indeed, one of most critical legacies of the Park administration to succeeding administrations was that they could not escape from the ongoing imperative of producing trade surpluses through promoting exports.

However, Korea was not able to produce trade surpluses until the mid-1980s, despite continued efforts to promote exports. One of the primary reasons for this delay was the country's poor natural resource endowment. Korea had to import most of the raw materials for its export-processing economic activities and energy resources used for industrial purposes. Another structural reason was the limited number of trading partners. Korea's trade relations were overwhelmingly concentrated on the United States, Japan, and the European Union (EU) until the early 1990s. Its trade dependency on the US economy increased in the 1980s, and trade relations with these principal trading partners then peaked in 1990.

The collapse of the Cold War system created historical impetus for Korea to diversify its trade relations away from longtime partners. In August 1992 Korea normalized full diplomatic relations with China, an adversary during the Korean War (1950–53). Since that normalization, Korean-Sino economic relations have deepened remarkably. China became Korea's largest trading partner in 2005, and Korea's trade relations with China have been the largest source of Korean trade surpluses for the past decade. Meanwhile, the Association of Southeast Asian Nations (ASEAN) became Korea's second largest trading partner in 2010.

11.2.1. Change in Trade Relations

The greatest changes in Korea's trade relations over the past two decades have been driven by the rise of China and ASEAN and the relative decline of the traditional principal trading economies. China has become both the largest trading partner and the largest source of trade surplus for Korea over the past decade. To Korea, ASEAN has become both the second largest trading partner and the second largest source of trade surplus for the past few years.

Korea's trade volume increased in the 1970s, reaching \$10 billion of exports in 1976, but its trade balance did not improve until the mid-1980s despite continued efforts to promote exports over imports. That situation, however, changed in the 1980s. During the 1980s, trade volume grew by leaps and bounds, and the Korean trade balance turned to surpluses from 1985 to 1990. In the 1980s, Korea's principal export markets were the United States, Japan, and the EU. Out of a total export volume (\$17.5 billion) in 1980, the share of these three primary markets exceeded 60 percent, and a decade later in 1990 the share reached more than 65 percent. In particular, the US market share grew in the 1980s from 26.3 percent in 1980 to 35.5 percent in 1985, and then dropped back to 29.8 percent in 1990. The share of Japan and the EU in Korea's exports peaked in 1990 (KITA, Trade Statistics portal).

Korea's trade relations, however, began to diverge from heavy reliance on these three economies in the early 1990s, in particular, in response to the rise of China. In the 2000s China became the most important destination for Korea's exports. As of the end of 2010, if we include the Hong Kong portion as exports to China, China's share reached 30.5 percent of Korea's total exports. This amount is almost three times larger than that of the United States. In 2012, ASEAN's share in Korea's exports (14.4 percent) exceeded that of the United States, Japan, or the EU.

A similar trend occurred for Korea's imports. The relative share of the United States, Japan, and the EU has been in decline since the early 1990s, while the share of China, ASEAN, and India has increased. Japan was the most important source of imports to Korea until the early 2000s, but its share has since decreased from a peak of 26.6 percent in 1990 to 12.4 percent in 2012. Korea's import reliance on the United States has declined more rapidly, from 24.3 percent in 1990 to 8.3 percent in 2012. In contrast, as of 2012 China has become the second largest importing source. As with the case for exports, Korea's imports from ASEAN are now larger than imports from either the EU or the United States.

It is important to note that Korea has maintained trade surpluses with its principal trading partners and regions, except in its trade with Japan and with OPEC member countries. This aspect highlights two distinctive features of Korea's trade relations. First, the industries producing basic material and parts in Korea did not grow at the same rate as the growth of exports. When Korea shifted its development strategy to an export-oriented one, export-related Korean firms were using imported parts and basic materials predominantly from Japan. As a result, since the mid-1960s the primary reason for the trade deficit with Japan has been growth in the importation of parts and

basic materials from Japan. This deficit reached \$24.3 billion dollars in 2010. However, the dependence on Japan has diversified toward China and ASEAN over the past two decades. Korea's trade in parts and basic materials with China and ASEAN has sharply increased during the past decade, while the share of Japan, the United States, and the EU has decreased. Korea has produced growing trade surpluses in trading parts and basic materials with China and ASEAN as well, clearly reflecting the changing configurations of Korean production networks.

Second, the demand to secure more foreign energy resources has been on the rise. Oil imports from OPEC members have been the largest single item of Korea's imports since the country's industrial takeoff in the 1960s. For the past decade, Korea's demand for foreign energy resources has skyrocketed because its domestic energy production is limited. Indeed, securing more foreign energy resources was one of the top policy priorities for Korea's foreign economic policies during the Lee Myung-bak administration (2008–13). In this context, the Korean government has tried to participate in energy industries in Central Asia, while also expanding bilateral economic ties with Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, and Tajikistan (Yoon et al. 2010). It has also tried to participate in developing natural gas in Siberia and importing it via North Korea (Shin 2012), while at the same time pursuing stronger energy ties with Mongolia, especially as a means of developing renewable energy resources. It appears highly likely that Korea's economic ties with ASEAN, South Asia, and Central Asia will be further strengthened in the future as Korea's production networks become increasingly regionalized and intraindustry trade is strengthened.

11.2.2. Strengthening a Multitrack Foreign Economic Strategy

The Korean government's trade policies began to change gradually in the early 1990s as Korea's trade relations became more globalized and diversified. The Korean government started to put as much effort into becoming a participant in building strong multilateral governance as it did in promoting bilateral trade relations with its more conventional principal trading partners. Although the traditional mercantilist view still lingers in the policy community, the Korean government's commitment to a free trade regime has strengthened as well.

Korea's trade environment has greatly changed since the early 1990s. At the global level, the General Agreement on Tariffs and Trade (GATT) became the World Trade Organization (WTO) in 1995; consequently, trade in services and investment has become more significant in multilateral trade negotiations. At the regional level, economic integration among all Asian countries has deepened, both in trade and investment relations (see Part IIIB generally in this volume). At the bilateral level, the number of free trade agreements (FTAs) has rapidly increased over the past decade. The Korean government has worked to cope with the changing trade environment at global and regional levels in a proactive way, not only by expanding the trade-related functions of

the government, but also by shifting its trade-related strategy from one that was bilateral to a multitrack approach.

The first such attempt was to establish an Office for the Ministry for Trade (OMT) within the Ministry of Foreign Affairs in March 1998. The Kim Dae-jung administration set up the OMT, emulating the Office of the United States Trade Representative (USTR) and assigning it ministry responsibility for trade-related foreign economic policies. The organizational structure of the OMT highlights the multitrack approach that the Korean government has pursued, namely, combining both bilateral and multilateral approaches. The OMT was composed of four major bureaus: (1) a multilateral trade bureau, which handled relations with the WTO and other multinational organizations for trade and investment; (2) a regional trade bureau, with responsibility for strengthening economic ties with APEC, ASEM, and other regional trade arrangements; (3) an FTA bureau, which planned and negotiated FTAs; and (4) an international economic bureau, which coordinated economic cooperation issues at the global and regional levels, such as the United Nations Framework Convention on Climate Change and the East Asia Forum.

Of the four functions of the OMT, the Korean government has given priority to expanding FTAs. The OMT initiated the first FTA with Chile in 1999 and concluded it in February 2002. Since then, the Korean government has made an aggressive effort to expand FTAs and has concluded an impressive number of these: Singapore (2006); EFTA (2006), involving Iceland, Liechtenstein, Norway, and Switzerland; ASEAN (2006–9); India (2010); the EU (2011); Peru (2011); the United States (2012); Turkey (2013); and Columbia (2013). As of May 2013, the Korean government is negotiating further FTAs with Indonesia, China, Vietnam, and the ASEAN+6 grouping through the proposed Regional Comprehensive Economic Partnership (RCEP). It is currently preparing to initiate or resume FTA negotiations with Japan, MERCOSUR, Canada, Mexico, six Gulf Cooperation Council countries—Saudi Arabia, Kuwait, the Arab Emirates, Qatar, Oman, and Bahrain—Australia, New Zealand, and certain Central American countries (FTA hub of the Korean government).

The contents of these FTAs vary, depending on the negotiations reflecting the economic interests and situations of Korea and its specific FTA partners. However, the Korean government has sought to develop comprehensive FTAs that cover trade in goods, services, investment, economic and technical cooperation, intellectual property, and dispute settlement procedures. A notable example is the Korea-ASEAN FTA. The Korean government has expanded the scope of its FTA with ASEAN from an agreement on trade in goods (2006) to trade in services (2007), and then to investments (2009). This expanding scope of the Korea-ASEAN FTA reflects the recent rise of ASEAN in Korea's trade and foreign investment environment. In turn, this strengthened FTA focus has contributed to deepen economic ties between Korea and ASEAN.

To date, Korea's FTAs have worked as a positive building block to promote freer trade at both regional and global levels. Opponents of increasing FTAs have often claimed that FTAs may work against strengthening a free trade regime at the multilateral level (Kawai and Wignaraja 2011; Menon 2005). Still, Korea's agreements do not appear to be

creating a stumbling block against other countries or regions (Lee and Park 2005). As we have seen above, Korea's FTA partners are global, and the scope and content of the FTAs pursued by the Korean government indicate that Korea does not aim to be a member of a closed regional trade block. It looks as though Korea will remain committed in the foreseeable future to building more open and freer trade relations regionally and globally.

11.3. THE DYNAMICS OF CROSS-BORDER INVESTMENT: FROM THE 1980S TO 2012

11.3.1. Foreign Exchange Liberalization and the Financial Crisis of 1997

As with trade relations, the government-directed financial system began to be liberalized gradually in the early 1980s. The Chun Doo-whan administration (1981–88) began to loosen the restrictions for cross-border capital flow when the Korean economy began to accumulate sizable current account surpluses in the latter half of the 1980s. For the first time since the industrial takeoff in the early 1960s, gross domestic savings began to exceed gross domestic investments, and the ratio of foreign debt to GNP began to decline as well. Based on this improving condition in the balance of payments, the government accelerated the deregulation of foreign exchange transactions.

A real turning point, however, came with the democratic transition that occurred in late 1987. The Roh Tae Woo administration (1988–93), came into power through the first direct presidential election since 1971. Concurrently, however, the ruling party failed to gain majority status in the legislative election of April 1988. In the presidential election of 1987, Roh gained only 36.6 percent of the popular vote. He was not able to free himself from the popular criticism that he was closely identified with the past military dictatorship, due to his military career and involvement in the Chun administration and the December 12 military coup of 1979, which enabled its establishment. A legislative gridlock reflecting a divided government, which often occurs in a presidential system, thus occurred for the first time in Korean party politics. Roh attempted to address the situation by merging his ruling Democratic Justice Party with two opposition parties of the time—the Reunification Democratic Party and the New Korean Democratic Party—to create the Democratic Liberal Party (DLP) in 1990. The DLP and the Roh administration attempted to justify this three-party merge by emphasizing the need to maintain strong political power if Korea was to continue the democratization reforms and accelerate economic liberalization (Kim 2003). In this context, the Foreign Exchange Management Act (FEMA) was amended in 1991, and under the FEMA scheme the restrictions on financing options for overseas offices were eased. Firms were permitted to raise funds abroad, regardless of the amount, with approval from the foreign exchange bank (Johnston, Darbar, and Echeverria 1997).

The succeeding Kim Young-sam administration (1993–98) was the first civilian government after a three-decade-long military dictatorship. It pursued far more aggressive economic liberalization measures within the framework of *segewha*, the Korean buzzword for globalization (Kim 2000). In terms of foreign exchange transactions, the Kim administration also launched a series of deregulatory measures. In April 1993 the government permitted various nonbank financial institutions (NBFIs) and large Korean global conglomerates, known as *chaebols*, with a record of positive performance in foreign transactions in excess of \$100 million, to hold foreign currency overseas; it also raised the limit on foreign currency from \$10 million to 10 percent of the value of external transactions. Further, in 1996 the government abolished the limits on investments in foreign securities by individuals and general corporations (Johnston, Darbar, and Echeverria 1997). As a result, foreign borrowing and foreign investments by various NBFIs and *chaebols* greatly increased, ultimately leading to financial crisis in late 1997 (Coe and Kim 2002; Kang 2009; Lee 2011).

The Kim administration also liberalized capital accounts in a rush way without institutionalizing any proper oversight mechanism. For example, financial regulatory authorities did not strictly regulate short-term foreign borrowing by NBFIs and *chaebols*, calling this a trade-related category (Special Commission for the Investigation of the IMF Crisis 1998). Moreover, the regulatory authorities imposed stricter regulations on long-term borrowing than they did on short-term borrowing. Firms and banks were required to obtain permission from regulatory authorities for their long-term foreign borrowing, but they did not have to obtain permission from these authorities for short-term foreign borrowing. Further, domestic financial institutions were not obliged to report any financial transactions conducted by their overseas branches. Under these circumstances, banks, NBFIs, and *chaebols* had an incentive to engage in short-term borrowing, thus leading to a mismatch between short-term foreign debt and available foreign exchange reserves (Cho 2001; Kang 2006).

This rapid capital account liberalization was motivated by the Kim administration's desire to prove its superiority over the past military governments by gaining membership in the Organization for Economic Cooperation and Development (OECD). The Kim administration perceived membership in the OECD as a symbol of international recognition for Korea as an advanced economy. To be a member of the OECD, the Korean government needed to comply with two OECD legal codes: the Code of Liberalization of Capital Movements and the Code of Liberalization of Current Invisible Operations. These two codes incorporated a commitment to move toward full liberalization without introducing new restrictions (Park et al. 2004). Korea ultimately became an OECD member in December 1996, just a year ahead of the financial crisis.

11.3.2. Postcrisis Liberalization and Its Consequences

After the Asian financial crisis of 1997–98, the Kim Dae-Jung administration (1998–2003) set out a plan to transform the Korean financial markets into the hub of Northeast

Asia by 2011. To achieve that goal, the Kim administration tried to deregulate restrictions on *inward* foreign investments. The Roh Moo-hyun administration that followed (2003–8) then aggressively deregulated *outward* overseas investment while making efforts to expand the size of the foreign exchange, stock, bond, asset management, and foreign exchange markets. The Lee Myung-bak administration (2008–13) then allowed the establishment of financial holding companies while dismantling the institutional barriers present across banking, insurance, and investment businesses.

These efforts were intended to build the infrastructure of a robust financial center, which could be competitive against other existing financial centers in Asia, such as the Tokyo, Hong Kong, and Shanghai exchanges. Meanwhile, the Korean government actively participated in regional monetary cooperation. It has supported the broadening of the pool of currency swap reserves under the Chiang Mai Initiative (CMI) scheme, and actively participated in multilateralizing the CMI in 2009–10 by contributing \$19.2 billion to the CMI pool of funds (Cho and Lee 2011).

11.3.2.1. *Foreign Direct Investment*

The Kim Dae-Jung administration shifted the regulations on capital account transactions from a positive system to a negative one. As a result, foreign exchange transactions became fully deregulated in principle, except for certain restrictions on limited activities that concerned national security and criminal conduct. In particular, the Kim Dae-jung administration set out to promote inward FDI. In April 1998, 98.9 percent of the total 1,148 business sectors were opened to foreign investors. All cross-border hostile merger and acquisition activities were allowed, and restrictions on the ownership of land by foreign investors were lifted (Lee 2011). The Foreign Investment Promotion Act—which went into effect in November 1998—increased the tax incentives for foreign investment in high-technology businesses, while designating foreign investment zones.

A series of deregulation actions toward inward FDI produced positive effects by attracting more inward FDIs. The volume of inward FDIs was minimal before the financial crisis of 1997, but then sharply increased during the Kim Dae-jung administration and continued for the past decade, except for a temporary setback in 2008, when the US subprime mortgage crisis escalated into a full-blown global financial crisis. In 2002 outstanding inward FDI volume was \$62.7 billion, but it then increased to 147.2 billion dollars by the end of 2012 (Bank of Korea, Economic Statistics portal).

In notable opposition to Korea's situation regarding trade relations, the EU, Japan, and the United States have all been major investors in Korea, and of these, the EU was the largest investor from 2002 to 2012. Moreover, Japan's investment in Korea almost doubled from 2008 to 2012, and in terms of increase, Japan's investment remained the highest in the three regions during this period. Another notable aspect is that investments from Southeast Asian countries have been on the rise rapidly over the past years, reaching \$11.1 billion in 2012. It is not clear whether the inflow of investments from Southeast Asia, especially from Singapore, originated with local capital or money channeled from elsewhere through financial subsidiaries in Singapore. However,

considering the fact that an FDI is usually oriented toward the long term and less speculative than a portfolio investment, the Korean economy must have benefited from the increasing FDI volume coming from Southeast Asia.

Meanwhile, as part of a Foreign Exchange Liberalization Plan, the Roh Moo-Hyun administration (2003–8) deregulated restrictions on overseas investments. In addition to deregulation directed toward the corporate sector, it also eliminated the limits placed on individuals' overseas investments in March 2006. As a result, outward FDI greatly increased. The total outstanding amount of outward FDI was smaller than that of inward FDI until 2007, but from 2008 FDI volumes began to surpass the inward FDI volume. In particular, this sharp increase of outward FDI resulted from Korean firms increasing their investment in China and Southeast Asia. From 2002 to 2012, Korean firms' investments in these two regions increased more than tenfold, and in particular, the FDI to Southeast Asia doubled from \$13.8 billion in 2007 and further to \$41.1 billion in 2012. Korea's FDI to India is also growing rapidly over the past few years in tandem with that country's growing economic interest in Central Asian energy and material resources (Bank of Korea, Economic Statistics portal).

We should also note that the share of FDI in Korea remains not only much lower than the average for OECD countries, but also below that of other Asian countries. FDI inflows to Asian economies have rapidly increased over the past decade. In particular, net FDI inflows to China, Singapore, and ASEAN countries have shown remarkable increases (Kang 2010). These countries have greatly benefited from an FDI-related technology transfer and relatively long-term investments made by foreign investors in the manufacturing sector.

By contrast, in Korea the percentage of net FDI inflow relative to GDP has been much lower than that for China or ASEAN countries, despite continuing government efforts to attract more inward FDI. Indeed, the ratio of net inflow of FDI to GDP has been in decline, thus depriving Korea of various FDI-related economic benefits, especially technology transfer. Moreover, the increasing investment by Korean firms in China, ASEAN, and other Central and South Asian countries is posing a potential threat, namely, a "hollowing out" or deindustrialization of the Korean economy.

11.3.2.2. *Portfolio Investment*

With its plan to build Korea into a regional financial hub, the Kim Dae-jung administration implemented sweeping structural reforms directed toward the financial sector. It adopted international accounting standards and undertook an evaluation of the soundness of all financial institutions. It also launched comprehensive reform measures to enhance the transparency of financial transactions. Each of these structural reforms was implemented, as all financial institutions had been nationalized after the crisis of 1997. The Kim administration injected a tremendous amount of public funds into the financial sector to bail out or recapitalize failing financial institutions in 1998–99, at the time reaching about 32 percent of GDP. It then began to privatize those temporarily nationalized financial institutions through foreign sales, beginning in 2000 (Kang 2009). Meanwhile, it also implemented structural reforms of the

corporate sector as well, even permitting the second largest chaebol in 1999, Daewoo, to be declared bankrupt. These structural reforms in the financial and corporate sectors had immediate positive effects on the Korean securities markets.

Foreign investment in the Korean stock market surged and remained on the rise during the first decade of the new millennium, except for a temporary setback in 2008. The volume of inward portfolio investment—including equity and debt flows—also rose substantially. Foreign equity investment totaled \$75.7 billion in 2002, but a decade later, in 2012, it had increased to \$363.4 billion. During the same period, foreign debt security purchases increased from \$40.5 billion to \$218.7 billion. In total, the volume of inward portfolio investment increased more than five times, reaching \$582 billion in 2012. With the growing amount of foreign portfolio investment, Korea's capital markets have grown immensely. The degree of securities market capitalization has also grown continuously since 1998. It sharply increased after the Korean government launched aggressive financial deregulation in 2005 and 2006. By 2009, the relative size of the Korean securities markets in the national economy was higher than that for Japan, reaching more than twice the Korean GDP (IMF, financial structure database).

In terms of inward portfolio investment, investment from the United States and the European Union has been a principal source of foreign investment. From 2002 to 2012, investment from these two regions increased from \$90.5 billion to \$364.4 billion, composing about 69 percent of the total inward portfolio investment. By contrast, portfolio investment from China and Japan was ten times smaller than that from the United States and the EU. Recently, investment from China—both equity and debt investment—has risen, but still the outstanding total volume remains ten times smaller than that for the United States. For example, at the end of 2012, the outstanding total amount of portfolio investment from China was \$16.8 billion, while that from the United States was \$204.8 billion. Recently, investment by Southeast Asia and Central Asia rose sharply, amounting in 2012 to \$92.6 billion and \$25.7 billion respectively. The general trend for the past decade highlights that, unlike trade relations, portfolio investment from the United States and the EU has been critical for the growth of Korean financial markets, and their significance looks likely to remain in the near future.

Meanwhile, Korea's outward portfolio investment has been much smaller than its inward investment, ranging only 10 to 22 percent of inward portfolio investment volume from 2002 to 2012. As with the inward portfolio investment pattern, Korea's outward portfolio investment has been primarily directed toward the US and EU markets. For the past decade, on average, about 60 percent of outward portfolio investment has been directed toward the equity and debt security markets in the United States and the EU. This pattern again indicates that in terms of investment relations, the United States and the EU remain Korea's principal partners. Because Korea has negotiated FTAs with these two regions, which include provisions for lowering investment barriers, Korean financial market integration with these regions appears likely to accelerate in the future. Of course, considering the ongoing Eurozone crisis and the slow economic recovery in the United States, this pace of integration may be slowed for a while. Yet

when taking a longer-term point of view, it is likely that the Korean financial markets will be even more closely coupled with the financial markets of these two regions.

11.4. CONCLUSION

The evolution of Korea's foreign economic policies has been shaped by the evolving geopolitical context, by changes in the global economic balance—the major factor being the rise of China—and by democratization within Korea itself. During the Cold War, a bipolar international system constrained Korea's foreign economic relations and its policy options. Economic ties were heavily directed toward the United States and Japan, and as a result, managing the bilateral ties with these two countries, especially with the United States, was the central focus of Korea's foreign economic policies. During this period, authoritarian governments pursued an export-oriented development strategy, which was supported by a government-directed financial and industrial system. The government-led private business actors followed the direction that the government set. Meanwhile, it tried to turn the geopolitical constraints imposed by the Cold War system into opportunities by becoming a loyal partner of US-led security alliances. A series of episodes highlighted these unique strategic relations—including the Korea-Japan diplomatic normalization of 1965, Korea's troop dispatches (1965–73) to the Vietnam War, the accompanying surge of US-led foreign public and commercial loans to Korea, and a sharp increase of Korean exports of manufactures to the United States. The Korean government has never pursued foreign economic policies separately from other strategic, political, and security considerations: this tradition remains a critical element for understanding Korea's current and future foreign economic policies.

Korea's foreign economic relations, however, began to diversify with the end of the Cold War and the succeeding change in power configurations in the international system. In the first decade of the new millennium, China, ASEAN, and other Asian economies became Korea's principal trading partners, replacing Korea's conventional principal partners—the United States, Japan, and the EU. The strengthened economic ties with China and other Asian economies have been one of the primary sources of Korea's increasing trade volume and surpluses over the past decade. Responding to this changing economic geography, the Korean government has tried to strengthen its economic ties with China, ASEAN, and conventionally weaker regions and countries, especially with South and Central Asia, so as to secure more energy resources and broaden its own production and investment networks.

These efforts, however, do not necessarily imply that the Korean government's focus in formulating and implementing foreign economic policies has shifted—or will shift—completely toward Asia. In investment relations, especially in portfolio investment, Korea's conventional principal economic partners—the United States, Japan, and the EU—are still vitally important. In particular, Korea's economic ties with these

advanced economies are critical for upgrading the nation's competitiveness in services and the high-tech industrial sectors. Moreover, it appears questionable whether the economic benefits gained from Korea's expanded economic ties with China and other Asian economies can be sustained in the future, considering both the rapid catch-up of Chinese firms in key manufacturing sectors where Korean firms have enjoyed a competitive advantage and the accelerating speed of outsourcing undertaken by Korean firms to China and ASEAN countries.

Throughout the period from the Cold War era onwards, the Korean government has never pursued foreign economic policies separately from the nation's other geopolitical or strategic considerations. This tradition is still prominent in Korea's economic relations: it initiated and concluded FTAs with the United States and the EU earlier than it did FTAs with China, despite strong opposition to this policy in domestic politics. This action indicates that despite the relative decline in its overall importance in Korea's economic relations, the United States will remain the core partner of Korea, not only in terms of building regional or cross-regional multilateral economic institutions, but also in counterbalancing rising Chinese influence in the region.

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CHAPTER 12

THE POLITICAL ECONOMY OF SOUTHEAST ASIA'S FOREIGN ECONOMIC POLICIES AND RELATIONS

HELEN E. S. NESADURAI

12.1. INTRODUCTION

SOUTHEAST Asia has experienced significant economic shifts over the past quarter-century. Movement from import-substitution industrialization strategies to export-oriented industrialization (EOI) is one of the prevailing examples of this change. Although Singapore adopted EOI on independence in 1965, and Malaysia pursued a limited EOI strategy through free trade zones from 1970, it took until the mid to late 1980s for the majority of Southeast Asian states—defined to include the ten member states of the Association of Southeast Asian Nations (ASEAN)¹—to switch from an emphasis on import-substitution industrialization to EOI. Such unilateral economic reforms—repeated in several episodes in the 1990s before the 1997 Asian financial crisis—were partly responsible for the high growth performance of these economies, enabling them to take advantage of fortuitous developments in the world economy, notably the rise in global investment flows. Openness to foreign investment helped to transform the economies of Singapore, Malaysia, and Thailand into export hubs that later were inserted into regional production networks linking Southeast Asia to Northeast Asian states, contributing to an increasingly integrated East Asian region (Athukorala 2010). East Asia's growth performance and the high and growing intra-regional trade flows have led to pronouncements that East Asia is becoming increasingly decoupled from previously dominant Western markets in the United States and EU, also fueling forecasts of the locus of world economic power shifting to Asia (Mahbubani 2011). However, Southeast Asia was not immune from the 2008–9 global

crisis, raising questions as to whether the region's linkages with the North Atlantic area are weakening.

Against the common picture of a fast-reforming Southeast Asia is the reality of partial trade and investment liberalization in this region. Significant pockets of protectionism remain within regional states as Southeast Asian governments selectively maintain protective tariff and nontariff barriers, even while they adopt an economic reform agenda to enhance competitiveness and aid in joining the global economy. These two seemingly opposing dimensions of trade policy seem inextricably linked, raising questions concerning why reformers across much of Southeast Asia have not overturned interventionist economic and trade policies in favor of unequivocally market-based economic systems and liberal economic policies. Adding to the picture of regional ambivalence toward economic liberalization is the adoption of preferential trade cooperation agreements by a number of Southeast Asian states, usually through regional and bilateral institutional frameworks that rarely encompass comprehensive liberalization and reform agendas.

A closer examination of these trends in sections 12.2 and 12.3 of this chapter shows a more complex reality than suggested by the “decoupling” thesis, with Southeast Asia remaining closely tied to the North Atlantic region even as it becomes increasingly linked through firm-driven trade flows with Northeast Asia. Yet there is also a negotiated, *de jure* form of cooperation between the Southeast Asian states and their Northeast Asian counterparts that goes beyond economic interactions. The advent of what may be termed “financial regionalism” as a means of developing mechanisms that respond to financial crises through the ASEAN+3 (APT) framework lends significance to the notion of an increasing East Asian collective enterprise—in this case in pursuit of the regional public good of financial stability. The preferential economic cooperation agreements between Southeast and Northeast Asian countries reinforce the idea of an East Asian economic region. However, section 12.3 also shows that Southeast Asian states are pursuing similar bilateral and regional cooperation with states outside East Asia to enhance Southeast Asia's access to markets and investment capital.

To account for these seemingly contradictory trends in the international political economy of Southeast Asia, the chapter argues that analysis must pay attention to domestic-level dynamics (see Haggard chapter). In section 12.4, the chapter calls for a critical political economy approach, which is necessary to explore the intricate linkages between state/political actors and politically significant domestic social forces—Southeast Asia's famed patronage coalitions, in particular—and to note how these relationships, historical features of the region's political economy and within which are embedded political institutions and governance structures, have influenced economic policy choices. Although the chapter argues for the primacy of domestic-level dynamics, external developments have also been significant drivers of the economic shifts identified in the chapter. Four structural trends have been especially influential: global investors looking for new investment sites; the growing significance of global production networks; the economic rise of China and other competitors for investment and trade; and the liberalization of financial markets worldwide. However,

policymakers have responded to these developments in ways that pay special attention to the interests and priorities of dominant domestic sociopolitical coalitions. In fact, international-level developments have helped to sustain these dominant domestic coalitions, even in the face of more intense international competition and pressure to further liberalize domestic economies and remove the more egregious illiberal policies and arrangements restricting markets. Section 12.5 concludes by considering the implications of these patterns for the International Relations of Asia.

12.2. SOUTHEAST ASIA'S TRADE AND INVESTMENT LINKAGES: INTRAREGIONAL OR GLOBAL?

Trade and investment have been crucial to Southeast Asia's growth story since the region's unilateral liberalization trend began in the mid-1980s. Although differences abound between Singapore on the one hand, an economy highly dependent on trade and direct investment, and Myanmar on the other hand, with very low levels of foreign penetration of the economy (see table 12.1), the region as a whole remains reliant on external trade and investment to drive growth. The trade dependence of the ten Southeast Asian countries stood at a remarkably high 168 percent of GDP in 2005, considerably higher than for NAFTA (32 percent) and even the European Union (77 percent) (UNESCAP 2009). Although the global financial and sovereign debt crisis of 2008–9 led to contractions in trade-to-GDP ratios in many regional states (see table 12.1), the region is still highly dependent on trade, leading to calls for regional states to rebalance economic strategies away from reliance on exports to enhance domestic and regional demand (Athukorala and Kohpaiboon 2009; Nicolas 2011, 16).

While the region continues to be dependent on external trade and investment, trade and investment patterns or relations have changed over the period since 1990. Overall, Southeast Asia's trade between 1990 and 2011 has become increasingly concentrated within Asia, with corresponding falls in the share of the region's trade with Europe and North America, the traditional markets for most Southeast Asian states (table 12.2). Intraregional trade within Southeast Asia accounts for a quarter of the region's trade, while Northeast Asia accounts for another quarter; consequently, East Asia, defined to include the ASEAN and Northeast Asian economies, accounts for the largest share of Southeast Asia's trade in 2010 (table 12.3). Foreign direct investment (FDI) flows to ASEAN have also increasingly come from East Asia, at 36 percent of all FDI inflows to ASEAN between 2008 and 2010, while the European Union accounted for 21 percent (table 12.4). These trade and investment trends have led to pronouncements that East Asia is becoming increasingly integrated, and thus not only less reliant on traditional markets in the United States and Europe, but also increasingly decoupled from the business cycles of the North Atlantic region (see Athukorala and Kohpaiboon 2009; Nicolas 2011).

Table 12.1 Trade and FDI Patterns in Southeast Asia

Trade in Goods (Exports & Imports) as a %of GDP						Foreign Direct Investment, Net Inflows(%of GDP)						
Southeast Asia						Southeast Asia						
	1990	2000	2005	2010	2011		1990	1995	2000	2005	2010	2011
Brunei	92.3	83.5	81.2	95.4	93.9	Brunei				1.8		
Cambodia	17.8	90.3	108.5	83.2	94.7	Cambodia		4.4	4.0	6.1	7.0	
Indonesia	41.5	58.0	50.1	41.4	45.0	Indonesia	1.0	2.2	-2.8	2.9	1.9	2.1
Lao PDR	30.5	52.9	52.8	55.6		Lao PDR	0.7	5.4	2.1	1.0	4.1	
Malaysia	133.3	192.1	178.3	145.9	144.0	Malaysia	5.3	4.7	4.0	2.8	3.7	3.7
Myanmar	5.6	1.1	0.3	0.2		Myanmar	0.7	0.3	0.1	0.0	0.0	
Philippines	47.9	88.7	88.0	53.3	48.1	Philippines	1.2	2.0	2.8	1.8	0.7	0.6
Singapore	291.3	289.1	342.8	291.0	298.1	Singapore	14.4	10.1	17.5	15.8	32.4	
Thailand	63.5	104.1	121.8	111.3	123.0	Thailand	2.9	1.2	2.7	4.3	2.8	
Viet Nam	79.7	96.6	130.8	147.6	164.6	Viet Nam	2.8	8.6	4.2	3.7	7.5	6.0
Developing country members of the ADB	54.9	71.3	80.6	69.5	69.5	Developing country members of ADB	1.0	2.6	3.8	2.8	2.1	2.9

Source: Trade in goods: extracted from Asian Development Bank 2012, table 4.12; FDI: extracted from Asian Development Bank 2012, table 4.7.

The decoupling hypothesis was, however, challenged by the global financial crisis of 2008–9 when the East Asian region, despite very little exposure to the subprime crisis and toxic bank assets, nevertheless faced growth contractions through contagion effects occurring through trade and the economy (Nicolas 2011). The sharp contraction in East Asian trade highlighted the dependence of the region on external demand (Sally 2010, 4). Disaggregating conventional trade data to show trade in components reveals the extent to which the East Asian region remains linked through trade and investment to the United States and the EU because of what has been called “network trade,” which links production processes that have been fragmented into “geographically separated stages” (Athukorala 2010, 1). Disaggregated trade data show that East Asia has become more tightly integrated through the exchange of intermediate goods important for regional production networks, even though final consumer markets for that production are still located in the United States and Europe (Paprzycki and Ito 2011). In contrast, in the EU and NAFTA regional production and consumption are far more closely aligned, unlike in East Asia (Sally 2010, 4).

East Asia has become a significant platform for network trade, with its contribution to global production sharing rising from 32 percent in 1992–93 to 40.3 percent in 2006–7, far higher than the EU’s 2006–7 share of network trade (30.3 percent) and that of the North American Free Trade Area, at 16.4 percent (Athukorala 2010, 38). Within East Asia, the ASEAN states are heavily dependent on network trade, with production network exports

Table 12.2 Directions of Trade in Southeast Asia

Merchandise Exports		Asia		Europe		North & Central America		Middle East		South America		Africa		Oceania		Rest of the World	
		1990	2011	1990	2011	1990	2011	1990	2011	1990	2011	1990	2011	1990	2011	1990	2011
From:																	
Brunei	91.6	83.3	0.2	0.1	3.4	0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	1.3	15.4	3.4	0.8
Cambodia	90.6	18.4	7.8	29.1	0.4	50.2	0.1	0.3	0.4	0.7	0.1	0.1	0.1	0.2	0.7	0.0	0.5
Indonesia	64.4	66.8	12.8	10.9	13.9	9.1	3.0	3.2	0.1	0.4	0.5	2.0	1.9	3.1	3.5	3.4	3.4
Lao PDR	85.2	73.7	11.1	9.6	1.7	2.1	0.0	0.1	0.6	0.1	1.0	0.0	1.1	0.2	0.3	14.1	14.1
Malaysia	57.9	66.2	16.6	10.3	18.1	10.1	2.5	3.9	0.3	1.0	0.4	1.6	2.0	3.9	2.2	3.1	3.1
Myanmar	67.4	88.9	10.3	3.0	2.5	0.0	1.5	0.8	0.0	0.1	1.0	1.0	0.7	0.2	16.7	5.9	5.9
Philippines	34.8	65.9	18.8	11.1	40.2	15.8	1.1	1.0	0.1	0.6	0.2	0.3	1.3	0.9	3.4	4.5	4.5
Singapore	45.8	65.7	17.2	10.1	23.0	9.6	2.6	2.0	0.4	0.5	1.4	0.9	3.3	5.0	6.4	6.2	6.2
Thailand	37.9	59.6	25.3	13.3	25.3	11.3	5.4	4.5	0.2	2.1	2.1	3.0	1.9	4.0	2.0	2.2	2.2
Viet Nam	39.1	47.5	48.1	21.9	0.6	21.2	0.9	1.6	0.0	1.0	0.2	1.4	0.3	3.5	10.7	1.9	1.9
WORLD	17.9	30.1	50.1	38.5	20.1	16.8	3.4	4.1	1.7	3.0	2.2	2.5	1.4	1.5	3.3	3.6	3.6
Merchandise Imports																	
From:																	
Brunei	61.5	80.7	18.6	13.2	15.4	3.9	0.0	0.3	0.2	0.0	0.0	0.1	0.0	2.6	0.9	1.7	0.9
Cambodia	64.8	88.0	28.5	2.8	0.1	2.0	3.5	0.1	0.5	0.1	0.1	0.0	2.5	0.4	0.0	6.5	6.5
Indonesia	43.6	67.2	22.4	9.0	13.7	7.6	5.0	5.8	2.0	2.3	0.7	2.1	6.0	3.5	6.6	2.4	2.4
Lao PDR	87.7	90.7	9.7	6.6	0.8	0.8	0.1	0.0	0.2	0.1	0.1	0.0	0.9	0.6	0.6	1.2	1.2
Malaysia	50.6	66.6	17.9	9.4	18.0	9.0	1.2	4.6	1.6	1.7	0.5	1.5	4.2	2.8	5.8	4.3	4.3
Myanmar	69.2	93.6	23.3	3.6	3.1	0.4	0.1	0.2	0.0	0.2	0.4	0.0	3.7	0.7	0.2	1.2	1.2
Philippines	40.0	61.8	13.2	9.1	21.1	10.2	11.8	6.7	2.5	1.5	0.7	0.2	4.3	3.0	6.5	7.6	7.6
Singapore	47.7	50.0	15.8	15.2	16.9	12.3	11.0	11.8	0.9	1.7	0.4	0.3	2.2	1.3	5.1	7.4	7.4
Thailand	53.4	54.9	19.7	14.0	12.1	6.7	4.1	13.3	1.8	1.6	0.8	1.0	2.0	3.8	6.1	4.5	4.5
Viet Nam	34.1	74.6	21.3	7.5	0.4	4.1	0.0	1.7	0.0	1.8	0.1	0.3	0.4	2.2	43.8	7.9	7.9
World	19.9	30.4	48.4	37.6	17.1	13.0	4.5	6.6	2.7	3.7	2.4	2.8	1.6	1.8	3.4	4.0	4.0

Source: Extracted from Asian Development Bank 2012, tables 4.13, 4.14.

Table 12.3 ASEAN Trade by Major Trading Partner Country/Region, 2010

Partner country/region	Value (US\$ millions)			Share in total ASEAN trade (%)		
	Exports	Imports	Total trade	Exports	Imports	Total trade
ASEAN	267,981.0	251,823.8	519,804.7	25.01	25.8	25.4
China	112,999.8	119,013.4	232,013.2	0.6	12.2	11.3
Japan	102,890.8	103,746.3	206,637.1	9.6	10.6	10.1
Republic of Korea	44,980.1	5,648.2	98,628.3	4.2	5.5	4.8
Northeast Asia: China, Japan, & South Korea	260,870.7	276,407.9	537,278.6	24.4	28.3	26.2
East Asia: ASEAN + China, Japan, & South Korea	528,851.7	528,231.7	1,057,083.4	49.4	54.1	51.6
EU-27	115,036.4	93,548.4	208,584.8	40.7	9.6	10.2
United States	100,464.7	86,220.0	186,684.7	9.4	8.8	9.1
India	36,028.7	19,414.7	55,443.4	3.4	2.0	2.7
Australia	35,250.8	20,175.4	55,426.3	3.3	2.1	2.7
Canada	5,203.1	4,666.8	9,869.9	0.5	0.5	0.5
Russia	2,590.0	6,473.6	9,063.5	0.2	0.7	0.4
New Zealand	4,247.1	3,088.3	7,335.4	0.4	0.3	0.4
Pakistan	5,113.8	1,142.4	6,256.3	0.5	0.1	0.3
Others	238,155.0	211,828.3	449,983.3	22.2	21.7	22.0
Total ASEAN	1,070,941.4	974,789.6	2,045,731.0	100.0	100.0	100.0

Source: ASEANWEB, "External Trade Statistics", <http://www.aseansec.org/18137.htm>.

Table 12.4 Foreign Direct Investment Inflow into ASEAN, 2008–2010

Source country/region	Value (US\$ millions)				Share (%)			
	2008	2009	2010	2008–2010	2008	2009	2010	2008–2010
EU	7,010.1	9,132.4	17,065.9	33,208.4	14.9	23.9	22.4	20.6
United States	3,517.5	4,086.7	8,578.1	16,182.4	7.5	10.7	11.3	10.0
ASEAN Japan	9,449.3	5,270.7	12,279.2	26,999.3	20.1	13.8	16.1	16.7
Japan	4,129.4	3,762.7	8,386.3	16,278.3	8.8	9.8	11.0	10.1
Republic of Korea	1,595.7	1,346.9	3,769.5	6,712.2	3.4	3.5	4.9	4.2
China	1,874.0	4,157.7	2,861.3	8,893.0	4.0	10.9	3.8	5.5
Cayman Islands	4,673.0	-693.2	3,089.4	7,069.2	9.9	-1.8	4.1	4.4
India	547.3	811.3	2,584.3	3,942.9	1.2	2.1	3.4	2.4
Australia	787.3	775.9	1,765.1	3,328.4	1.7	2.0	2.3	2.1
Canada	661.1	503.9	1,641.0	2,806.0	1.4	1.3	2.2	1.7
Total top ten sources	34,244.7	29,155.1	62,020.2	125,420.0	72.7	76.2	81.4	77.6
Others	12,830.9	9,110.9	14,187.7	36,129.6	27.3	23.8	18.6	22.4
East Asia ^a	17,048.4	14,538.0	27,296.6	58,882.8	36.2	28.0	35.8	36.4
FDI inflow to ASEAN	47,075.6	38,266.0	76,207.9	161,549.6	100.0	100.0	100.0	100.0

^a East Asia = ASEAN, Japan, China, and South Korea.

Source: ASEANWEB, "External Trade Statistics", <http://www.aseansec.org/18144.htm>.

rising from 57 percent of total manufactured exports in 1992–93 to a 66 percent share in 2006–7 (Athukorala 2010, 7–8). The People’s Republic of China (China) has been the major driver of this trend, acting as the final assembly point for products produced from components imported from the rest of East Asia, ASEAN included, for final export to the United States and the EU. Many of these production networks involve US and EU multinationals locating parts of their production in East Asia. Interestingly, firms from China are not major investors in Southeast Asia (Sally and Sen 2011, 573). The continued significance of the EU and the United States as sources of FDI to ASEAN (table 12.4) confirms the close links between the Southeast Asian economies and the global economy, albeit by way of China, and their increasing dependence on global markets and investment capital to sustain their export dynamism (Athukorala and Kohpaiboon 2009).

12.3. TRADE AND ECONOMIC POLICY IN SOUTHEAST ASIA

The reliance of Southeast Asian countries on exports to drive growth, and on global linkages, appears to suggest that they are open economies with liberal trade and FDI policy regimes. It is true that these countries were part of the trend in the mid-1980s of trade and investment liberalization as the developing world threw off its previous fascination with import-substitution industrialization (ISI) and reliance on primary commodity exports to embrace an export-oriented, manufacturing-led growth strategy and openness to the global economy. It was only when primary commodity prices plummeted between 1982 and 1986 and Southeast Asian economies entered into recession that their governments began to consider economic reforms seriously (Islam and Chowdhury 2000, 30). By deregulating and opening up their economies, these governments sought to increase the competitiveness of their respective economies and restore growth. Thus began the unilateral trade and investment liberalization trend that contributed much to Southeast Asia’s economic boom in the 1990s. However, the liberalization trend was not unequivocal. These same governments also chose to maintain protective tariff and non-tariff barriers (NTBs) to shield a range of domestic sectors in both manufacturing and services, sometimes in agriculture. In fact, these two seemingly opposing dimensions of trade policy—openness and closure—are closely linked, with this “dual economy” structure a dominant feature across the region well before the 1980s reform drive.

12.3.1. Between Liberalization and Protectionism

During the 1960s and 1970s, the wealth from primary commodity exports helped to cushion the losses made by inefficient domestic industries, particularly state-owned enterprises, and reduced pressure on governments in Southeast Asia to reform their

respective economies until the commodity boom ended in the mid-1980s (Islam and Chowdhury 2000, 30). Similarly, the booming performance of many liberalized manufacturing sectors in the 1990s allowed governments across the region to offset, and therefore tolerate, the inefficiencies generated by other protected sectors in manufacturing and in services (Jayasuriya 2003, 202). This same pattern has continued after the 1997–98 Asian financial crisis. Post-financial crisis domestic reforms have not always been comprehensively pro-market or consistently implemented across the region (MacIntyre, Pempel and Ravenhill 2008a, 14–16). In addition, domestic protectionist arrangements, usually taking the form of domestic regulatory restrictions—NTBs—have continued, especially in services and agriculture, but also in manufacturing (Austria 2009, 16).² Moreover, state involvement in economic activity remains a feature, taking the form of government-linked companies (GLCs) or state-owned enterprises (SOEs).

Even the most internationalized economies in Southeast Asia have pockets of illiberal policies and institutional arrangements. These are not ad hoc protectionist practices but considered aspects of economic policy regimes in these countries. Singapore and Malaysia are highly open economies, as seen in their trade/GDP ratios (table 12.1). Foreign investment also constitutes a large portion of overall private investment, while average tariff levels are very low (Sally and Sen 2011, 577–78). Nevertheless, industrial policy is a common feature in both these countries, while GLCs dominate key sectors of these economies. In Singapore, industrial policy takes the form of the “visible hand” of a competent government supporting private firms to become innovators and “first-movers” in markets (GRIPS Development Forum 2010). However, more traditional forms of industrial policy are also present across the region, seen in the heavy SOE dominance in Vietnam (Perkins and Vu Thanh 2009) and in Malaysia’s continued support for the national car industry along “infant industry” lines (Wad and Govindaraju 2011).

In Malaysia, average tariffs are low but NTBs have become more prevalent: however, under stipulated conditions, trade and FDI restrictions—notably on foreign equity participation—can be waived (Tham 2013). In other words, Malaysian economic policy is designed to allow for discretionary policy actions, enabling a shift to more liberal policies if conditions warrant the change. This allows the continuation of restrictions in a range of sectors, especially in heavy industries such as the national automobile industry and service sectors such as banking and finance, telecommunications, and public procurement. Likewise in Indonesia, although the 1997–98 Asian financial crisis and the subsequent IMF Structural Adjustment Programme led to a more liberal trade and investment regime, ownership and other restrictions remain in many service sectors, while NTBs have become prevalent in agriculture, manufacturing, and services (Sally and Sen 2011, 581–83). A similar pattern of domestic restrictions, especially through constitutionally mandated foreign ownership limitations, and rising NTBs are seen in services, FDI, and agriculture in the Philippines (Nesadurai 2012, 320). The new members of ASEAN—the CLMV countries—continue to see heavily protected sectors despite economic reforms. As already noted, the Vietnamese government privileges

SOEs and state-owned banks in economic policy while also using tariffs, NTBs, and other domestic regulations such as foreign equity restrictions to maintain state control over the economy.

12.3.2. Shifting Institutional Frameworks for Trade and Economic Liberalization

Commencing in the mid-1980s, unilateral economic reforms were partly responsible for the impressive growth and export performance of the Southeast Asian countries. These unilateral market-opening measures also facilitated these countries' participation in multilateral trade liberalization. Previously, the Southeast Asian countries had chosen to avail themselves of the many exceptions for developing states written into GATT rules, which had in turn permitted the "dual economy" economic structure found across Southeast Asia described in the previous section (Sally 2004). When governments in the region recognized the value of closer integration with the world economy, they also realized the importance of active participation in the GATT Uruguay Round that began in 1986 in order to ensure they stood to gain from these negotiations (Ariff 1988). Nevertheless, the "dual economy" approach was clearly evident in the Southeast Asian countries' Uruguay Round package of commitments. In particular, the practice of binding tariffs at levels two to four times higher than the tariffs in operation in these countries indicated that these governments were prepared to depart from openness when deemed necessary (Sally and Sen 2011, 584–85).

Despite these trends, the crucial point to note is that from the mid-1980s, multilateralism joined unilateralism as the preferred institutional framework through which Southeast Asian countries enacted their trade and economic liberalization. However, many Southeast Asian governments were unwilling to accept some of the new items to emerge on the WTO agenda at the 1996 Ministerial Meeting, notably the demand that they should liberalize investment rules, open up government procurement to foreign investors, and make further liberalization offers on services. Singapore was open to these new agenda items, and Thailand to a lesser extent. Malaysia, Indonesia, and the Philippines were also keen to gain improved market access abroad, but were far more intent on safeguarding domestic sectors from further liberalization and regulatory reform, notably in agriculture and services, and in selected manufacturing. With multilateral liberalization unlikely to accommodate these interests, Southeast Asian countries began to explore alternative arrangements to secure access to markets and investment, but overwhelmingly on their terms. Bilateralism offered this compromise. The full turn to bilateralism took root only in the new millennium, beginning with Singapore in 1999. By this time, Southeast Asian governments were also relying less on unilateral reforms to drive liberalization. The pace of unilateral reforms had waned since the 1997–98 Asian financial crisis, and preferential arrangements became the main approach to liberalization. Preferentialism had already made its appearance much earlier in the early 1990s when the Southeast Asian countries embraced regional

cooperation and integration using ASEAN as a third institutional vehicle through which they would pursue trade and economic liberalization, in addition to unilateralism and multilateralism.

In 1992, the Southeast Asian governments adopted the ASEAN Free Trade Area (AFTA), seeing in this project a means to help their individually small states attract FDI amid the growing competition for foreign capital by China and other regional markets that had by this time emerged in North America and Western Europe. Although these governments had also joined the larger transpacific regional cooperation group Asia-Pacific Economic Cooperation (APEC) in 1989, Southeast Asian governments, aside from Singapore and to a lesser extent Thailand, were less inclined to accede to APEC's 1993 push for trade and investment liberalization. These governments made far more ambitious liberalization commitments in AFTA compared to their more cautious stance in APEC (with Singapore being the exception) (Nesadurai 2008). Yet, even in AFTA, implementation problems delayed full completion of the project. ASEAN embarked on the ASEAN Economic Community project (AEC) in 2003 with the aim of further reducing intraregional barriers in order to create a single, integrated Southeast Asian market and production space by 2020. The AEC is experiencing implementation problems, however, as governments display reluctance to dismantle internal barriers to trade and foreign investment posed by domestic regulations and other nontariff barriers in sufficient time to complete regional integration by the 2015 deadline.

Aside from regional liberalization arrangements such as AFTA and the AEC, and to a lesser extent APEC, Southeast Asian states like Singapore, Thailand, and Malaysia have also turned to negotiating other forms of preferential trading arrangements (PTAs) like other Asian players (see general Asian regionalism trends in Part IIIB in this volume). These usually involve two states (bilateralism) or a group of states (plurilateralism) such as the Trans-Pacific Partnership (TPP) Agreement involving nine economies.³ Singapore was the first country in the region to take the PTA route and has, to date, concluded eleven bilateral PTAs with countries worldwide such as Australia, New Zealand, the United States, Peru, Costa Rica, Jordan, the European Free Trade Area (EFTA) countries, China, Japan, South Korea, and India (IE Singapore 2012). Thailand was also an early proponent of bilateral PTAs, with six agreements (Ravenhill 2009, 232–33). Malaysia, a late starter, has thus far concluded agreements with Japan, Pakistan, New Zealand, Chile, India, and Australia, while bilateral negotiations with the United States have stalled (MITI nd-a). The remaining Southeast Asian states have been far less active in negotiating bilateral PTAs (Ravenhill 2009, 232–33). Bilateral arrangements have also involved ASEAN as a single bloc and a number of third countries. Thus far, five such agreements have been finalized between ASEAN on the one hand and on the other China, South Korea, Japan, India, and the Australia–New Zealand bloc (MITI, nd-b). Negotiations with the European Union began in 2007, and are ongoing (ARIC nd). The United States opted to negotiate bilateral FTAs with individual ASEAN countries through the Enterprise for ASEAN Initiative (EAI). It did this because Washington anticipated difficulties in concluding a single, ASEAN-wide FTA with sufficient comprehensive liberalization packages acceptable to the US

Congress and to important US business groups. The first of such individual country agreements was concluded with Singapore in 2003, but negotiations with Thailand and Malaysia have stalled over pharmaceuticals and domestic procurement (Nesadurai 2012, 322–27).

Despite the government rhetoric that these PTAs are aimed at enhancing openness, bilateral FTAs have not been significant in driving liberalization (Sally 2010, 5). Many of these preferential trading arrangements—both regional ones such as those under ASEAN and the various bilateral arrangements concluded thus far—tend to accommodate trade protection in the form of “carve-outs” from liberalization in some sectors even while emphasizing the reduction of trade barriers in other sectors (Ravenhill 2009). Even AFTA and the AEC permit departures from liberalization commitments by allowing political negotiations and compromises in place of predetermined rules and sanctions. In short, the Southeast Asian preference for mixed-trade regimes that accommodate both trade liberalization and protection has been incorporated into the new forms of preferential trade agreements. How do we explain these trends and features?

12.4. EXPLAINING SOUTHEAST ASIA’S ECONOMIC POLICY CHOICES AND ECONOMIC RELATIONS: THE DOMESTIC-INTERNATIONAL INTERACTION

Scholars of international relations, particularly those writing from within the United States, used to downplay domestic-level dynamics in explaining state behavior, with states assumed to be coherent units with clear and consistent national interests (Jacobsen 1996). Nevertheless, American scholars like James Rosenau (1969), Peter Katzenstein (1976), Peter Gourevitch (1978), Robert Keohane (1986), Robert Putnam (1988), and Helen Milner (1992), among others, have contributed to bridging the divide between the international and the domestic, marrying IR and comparative politics by opening up the black box of the state. Only by integrating domestic politics into analysis could scholars begin to account for patterns of economic relations in the international system, cooperation and conflict between countries, and the kinds of foreign economic policy choices adopted by different countries at different points in time. With the end of the Cold War and the scholarly reappraisal of the systemic focus in some key IR theories such as neorealism, the salience of the domestic for explaining international phenomena became increasingly recognized. However, for IR scholars working within a British or European tradition, and for scholars of international political economy (IPE), the interaction between the domestic and the international has always been a central tenet (Jacobsen 1996; Ravenhill 2008).

Scholars differ in the way they conceptualize domestic-level dynamics. One strand of research theorizes the domestic using essentially pluralist models whereby competing interest groups contend with each other in order to influence a largely neutral state and its policymaking apparatus. Another approach pays attention to domestic institutional structures and political incentives to account for state foreign economic policy choices and practices, recognizing that state actors can and do exercise considerable agency even in the face of interest group pressure, either through being insulated from social groups, as in the Japanese capitalist developmental state (Johnson 1982), or by mobilizing like-minded social groups to advance their preferred goals against those of political adversaries (Ikenberry, Lake, and Mastanduno 1988). In these models, atomistic domestic actors have well-defined interests, which they advance in response to developments that threaten these interests, with state actors set apart from domestic society even if states engage with domestic social groups.

A critical political economy approach instead conceptualizes the state as a historically contingent social and political system in which state/political actors are closely intertwined with social groups (Jessop 2008). This is a useful way to see domestic-level dynamics in Southeast Asia, allowing for more nuanced understanding of state behavior that goes beyond the atomistic models in other approaches to domestic politics. It also offers better purchase than explanations that focus on the prevailing domestic political system, whether democratic or authoritarian. Authoritarian explanations miss the ways in which even authoritarian rulers are dependent on broader bases of political support in domestic society, and focus on democratization does not necessarily mean that a more plural politics leads to increasingly liberal policies and practices. Working within the critical political economy tradition, Lee Jones (2012a, 349) aptly captures the state-society relationship in Southeast Asia. He writes of dominant groups “interpenetrating” the state and “cultivating relations with or even capturing parts of state apparatuses, or using their social and economic power to frustrate and undermine official policy and ensure that, in practice, it is their interests which are realized.” In such a conceptualization, even democratic institutions can become dominated by “a highly illiberal, frequently predatory, oligarchic elite” (Jones 2012a, 349).

12.4.1. State, Capital, and Other Political Bargains in Southeast Asia

Although the specific contours of domestic state-society relations differ across Southeast Asia with its very diverse political systems and societies, two features common to the region are the central role played by the economy in politics and the close government-business relations embedded within the kinds of social and political coalitions described above, often termed patronage networks.⁴ Clearly, economic policy in such situations cannot be regarded as the outcome of economic calculations alone; they must also reflect the fact that the economy is a highly political realm, enabling the allocation and consolidation of political power through control of economic resources

while political power often facilitates access to economic resources and wealth-creating opportunities. Thus, political leaders and policymakers will evaluate any development that affects the economy—including external forces—in terms of both economic and political effects, and make economic policy accordingly. Scholars who argue for the primacy of the domestic level in IR and IPE analyses regard the domestic level as the principal medium through which international developments acquire meaning for actors located within domestic sociopolitical and economic contexts.⁵ In other words, domestic actors, especially policymakers or central decision-makers, interpret and, thus, respond to external forces through lenses grounded by the “interests, strategies and ideologies of dominant local players” (Jacobsen 1996, 94–95). The analytical primacy of the domestic level, I argue, is important to understanding the Southeast Asian political economy.

For Southeast Asian leaders and policymakers, the economy is not only a means to deliver prosperity to the country and to people at large; it is also a tool to achieve nationalist priorities and domestic distributive agendas. However, these domestic priorities have to be negotiated not only domestically, but also with external forces. In internally divided societies that are characteristic of Southeast Asia, the distributive imperative does not always follow income/wealth disparities, but can be complicated by calculations based on affective criteria such as ethnicity. Distributive agendas usually rely on interventionist action rather than market forces and, because they arguably reduce intergroup disparities and grievances, are seen by political elites as vital to their own political survival and for broader domestic political stability. Similarly, nationalist priorities—usually aimed at privileging domestic over foreign businesses for strategic and security reasons, or for reasons of national pride—rely on interventionist rather than market-based policies (Nesadurai 2012, 318). In addition, the economy also serves the private interests of political and state elites and those of their allies or “clients,” usually domestic business elites, linked through the extensive patronage networks in the region. This does not mean that competitiveness concerns have not mattered in Southeast Asia; the point is simply that ruling elites have had to balance such imperatives with the need to ensure that selected groups, firms, and individuals are able to secure private gains. It is the case that distributive and national agendas are intertwined with patronage politics in the region. The precise nature of economic policy choices will depend on the composition of these dominant domestic coalitions, how ruling elites respond to competing demands from key allies and other domestic groups, and external developments.

The relationship between state and business—a central element in the political economy of Southeast Asia—differs across states. Foreign investors and state capital have usually been privileged in the Singapore political economy; domestic private businesses, especially in services of banking and finance, became important only from the late 1980s when they were co-opted into—and thus boosted—the political legitimacy of the ruling network of political/bureaucratic elites and state capital that dominated economic policymaking and governance (Rodan 1993; Yeung 1999; Nesadurai 2003, 116–18). In Malaysia, while foreign capital plays a key role in economic growth,

domestic businesses continue to be privileged to the extent that they help the state to meet its goal of creating an ethnic Malay business community. This community is part of the country's ethnic affirmative action program, first adopted in 1969 following race riots in the country. Malay elites intend for the program to prevent Chinese economic and political domination in Malaysia. In the 1990s, the ethnic calculation favoring ethnic Malay businesses was supplemented by a broader Malaysian economic nationalism championed by former prime minister Mahathir. This led to an emphasis on building up large conglomerates as national champions, privileging those run or owned by ethnic Malays, but also supporting a limited number of non-Malay business interests with the goal of establishing a broader Malaysian economic nationalism (Khoo 1995, 2000). The ruling coalition that had governed the country since independence in 1957 continues to believe its political legitimacy depends on securing and advancing ethnic Malay rights and special privileges in a multiethnic Malaysia; hence, new economic policy paradigms have not ended these privileges (Lee and Nesadurai 2010).

Ethnicity was also important from the 1980s in Indonesia, to the extent that ethnic Indonesian-Chinese capital and ethnic indigenous Indonesian business interests would compete for the political influence and wealth-creating opportunities available in a growing economy. Although ethnic Indonesian-Chinese interests had always been an important part of the Indonesian political economy, the Suharto state began to accommodate state capital and indigenous Indonesian business interests as domestic resentment against ethnic Chinese conglomerates grew (Schwarz 1999; Rosser 2003). Despite democratization, patronage politics continues in post-Suharto Indonesia, but this time it is dominated by local business oligarchs. These oligarchs have captured democratic institutions and gained from the decentralization policy, which created numerous localized opportunities for patronage relationships between businesses and local officials who control access to contracts and land (Fukuoka 2012). In a similar vein, democratization in the Philippines did not alter the dominance of the powerful landed oligarchs who control democratic political processes and a weak state (Manacsa and Tan 2012).

12.4.2. Southeast Asia in the Global System: External Competitive Pressures and Opportunities

Southeast Asia is not insulated from the world economy: policymakers since the late 1980s have had to respond to at least four key external developments while balancing the domestic imperatives described above. Most important, of course, have been the increasingly dense flows across national boundaries of trade, capital, finance, information, and, to a lesser extent, people—what has been termed globalization—contributing to a historical process of worldwide economic integration that intensified with the fall of Communism. Globalization also saw increasingly intense trade competition as many more countries began vying to export goods and services. Second, paralleling the growing trade competition worldwide was competition for FDI, particularly

among developing countries. For Southeast Asia, the competition for FDI was made more intense by the rise of China, India, Vietnam, and other emerging economies also vying for investments and export markets.

A third notable global development that affected Southeast Asia was the rise of global production networks involving vertically integrated global factories or horizontal production networks linking multiple firms across national borders (Borras, Ernst, and Haggard 2000). Initially a feature of labor-intensive and low-skilled, “screwdriver” operations that saw such activities relocated offshore to the developing world, this trend is now common in higher value-added manufacturing processes, in services, and in the information economy (Feenstra and Hanson 2004; May 2002). These shifts in production have two key consequences for states and firms. One, the disaggregation of production provides an avenue through which countries can integrate into the global economy by acting as production spaces for global corporations. Through this process local firms become part of multinational corporation-affiliated production networks or form consumption spaces for service consumers (Oman 1994). Offshore university campuses and health/medical “tourism” are examples of these new offshore consumption spaces. The second consequence of these shifts in production dynamics is that interstate cooperation to create large, integrated economic spaces encompassing a range of complementarities will be attractive to investors seeking just such sites within which to organize production.

The fourth key development impinging on Southeast Asia has been the liberalization of financial markets worldwide. External finance was welcomed in Southeast Asia as domestic savings proved insufficient to “fully finance the investment boom” of the 1990s (MacIntyre, Pempel, and Ravenhill 2008a, 5–6). Short-term capital flowing into national stock markets and the overseas borrowings of banks and corporations helped to drive domestic economic growth. However, global financial liberalization has been accompanied by a higher frequency of financial crises (Akyuz 2002). The adverse consequences of financial liberalization amid weak global and national regulatory frameworks were starkly brought home in the 1997–98 Asian financial crisis; during this period speculative runs on currencies led to weakened domestic banking and financial sectors, and eventually undermined the economy and unleashed severe social dislocations in Thailand, Indonesia, and South Korea, with regional contagion effects in Malaysia and Singapore. Crisis-stricken countries that accepted IMF bailouts suffered further from the pain of imposed structural reforms, and are unlikely to wish for a repeat of that episode (see Noble and Ravenhill 2000). However, such crises are expected to recur not only because of problems within countries. Risks from global finance will continue to characterize financial globalization because of: real-time flows of enormous funds worldwide; the unprecedented quantum of speculative and hedging activities often unrelated to the extant economy; the information asymmetries characteristic of financial markets; the tendency toward herding behavior; and the limited regulation of the more exotic types of finance such as derivatives and hedge funds (Barbera 2009; Soros 2010).

How have these external trends and developments shaped Southeast Asia's economic policy choices and its economic relations with other countries?

12.4.3. Southeast Asia's Economic Relations and Policies: Exercising Agency amid Domestic and International Constraints and Opportunities

The consistent pattern of liberal and protectionist economic policies and practices coexisting in Southeast Asia is the result of the persistence of patronage politics involving close government-business relations (Felker 2008, 288–91; Hill and Menon 2010; Nesadurai 2012). Despite increasing democratization in Indonesia, the Philippines, and Thailand, and the greater opening of liberal space in Malaysia and Singapore, old patterns of political economy have persisted partly because governments in the region have been able to tap into global structures of trade, production, and finance. By doing so they have been able to craft and use regional/bilateral cooperation possibilities in order to accommodate both internationally oriented interests within the domestic economy and more inward-focused coalitions whose support remains vital for incumbent governments (Nesadurai 2012).

This balancing act between domestic and external structures and pressures is also characteristic of recent economic policymaking across the region. For instance, nationalist sentiments are reflected in restrictive foreign investment laws adopted in Indonesia in 2007 and in Thai economic policymaking, despite the Asian crisis-driven reform process (MacIntyre, Pempel, and Ravenhill 2008b, 279). In Malaysia, the government's economic transformation program adopted in 2010 to enhance productivity and competitiveness has been constrained by the ethnic Malay affirmative action imperative. This is why Malaysia has long resisted liberalizing the government procurement sector, a key vehicle for building ethnic Malay businesses, and the reason why Malaysia-US free trade negotiations stalled. Malaysia has pledged to review its government procurement policy, although Prime Minister Najib has stressed that the review would find ways to increase foreign participation in government procurement without marginalizing domestic—especially Malay—interests (Damodaran 2010). In Indonesia, the political limitations on pro-market reforms were clearly brought home when Indonesian president Yudhoyono in 2010 transferred to a World Bank post his reformist minister of finance, Sri Mulyani Indrawati. Her far-reaching reforms had upset powerful business leaders, politicians, and senior bureaucrats whose support the president could not afford to lose (Witular and Hapsari 2010). Nonetheless, despite these domestic constraints, favorable external conditions enable Southeast Asian countries to continue to return good growth performances.

In much the same way that Southeast Asian states exploited the external geopolitical Cold War environment of the 1960s and 1970s by channeling US aid, military

spending, and booming commodity earnings to drive industrialization (Stubbs 2005), these states in the post–Cold War 1990s tapped into global investment flows to support growth. Additionally, these states also began liberalizing domestic financial markets so that domestic firms could gain easier, direct access to international capital to fund their operations. Thus, it was not simply protectionist or illiberal policies that helped political elites assuage domestic business allies; liberal economic policies also proved vital in sustaining politically important domestic coalitions not only before, but also after the Asian financial crisis, what Mittelman and Othman (2001) have deemed “capturing globalization.”

The global level provides valuable resources in the form of markets and capital that help to sustain domestic politico-business coalitions (Jayasuriya 2003). Southeast Asian governments have bolstered their domestic authority in the face of these external pressures by acting “as the *arbitrageurs* of new linkages and exchanges between local and international actors and resources” (Felker 2008, 295). National governments thus stake their legitimacy on being effective developmental agents for their respective states and societies. By also creating a limited number of liberal economic institutions—financial transparency arrangements, corporate governance regulations, market opening measures—these governments meet the needs of globalized actors who are happy to accept partial reforms and interventionist policies so long as profits can be made (Rodan 2003). The Southeast Asian case suggests that global systems of production, trade, and finance permit a not inconsiderable degree of domestic leeway to continue old forms of politics even as governments reach accommodations with their internationally oriented firms and with international investors (Felker 2008, 391).

This intimate connection between the international and the domestic is also a feature of Southeast Asian economic regionalism through which Southeast Asian states collectively deal with external competitive pressures. By initiating a variety of regional cooperation projects and other types of preferential trading schemes, and by influencing the design of already existing cooperation projects such as APEC (see Ravenhill 2001), these states have used collective arrangements to exploit opportunities provided by the global economy, mediate external competitive pressures, fend off political pressure from other states to liberalize, or simply cope with strategic complexity and uncertainty. These combined motivations are reflected in the array of regional and bilateral cooperative arrangements not only found within Southeast Asia but—as described in a previous section—also linking it to a host of extraregional states.

As early as 1991–92, the Southeast Asian states feared that any diversion of foreign investment from their countries, especially to neighboring China, could disrupt economic growth and undermine the domestic bargains political and state elites had forged with various domestic social groups. At this time, investors were increasingly attracted to two regional projects in Western Europe and North America, which convinced policymakers that AFTA could do the same for Southeast Asia. AFTA was initiated in 1992 and the AEC a decade later (Nesadurai 2003). In collectively enhancing the attractiveness of their individually small economies to international investors, Southeast Asian policymakers exploited the global trend toward the spatial

reorganization of production and investors' need for integrated production spaces. However, the institutional design of AFTA and the AEC reflect the horizontal and vertical compromises that member states have had to forge between each state and various domestic interest groups on the one hand, and between the member states involved in these two projects. Regional integration in Southeast Asia is deliberately designed for flexibility to allow national governments sufficient autonomy in deciding which sectors to liberalize, deregulate, or reform, and at what speed. Both AFTA and the AEC have been limited by governments acquiescing to domestic business demands for exemptions from regional liberalization schedules (Hill and Menon 2010). Although governments did not always concede to such demands, they capitulated when politically influential firms or politically important sectors were involved, particularly those with close ties to ruling elites (see Nesadurai 2003; Ravenhill 2009). Regionalization trends are often also limited by extensive NTBs that offset the tariff preferences offered under ASEAN integration schemes even if these are lower than MFN tariffs (Sally 2010, 7). Despite such limitations, these ASEAN projects have facilitated the development of regional production networks, particularly in the automobile, electronics, and telecommunication sectors (Nesadurai 2008, 166).

Governments also attempted a form of "developmental regionalism" in ASEAN that encompassed a form of regional infant-industry logic. It involved temporary protection accorded to local firms in the regional market so that these firms could exploit the latter's scale advantages that would in turn help them eventually to compete globally (Nesadurai 2003, 99–127). Although this discriminatory strategy lasted for only three years, it is noteworthy because it had been deliberately designed to nurture domestic firms to become global champions through privileged access to the regional market before MNCs were allowed similar privileges. ASEAN's pursuit of bilateral or preferential trading agreements (PTAs) with other states reveals similar mixed motives of seeking to secure access to markets and investment while also safeguarding domestic developmental priorities and more specific gains for privileged groups. Bilateral arrangements have been especially attractive because they allow willing negotiating partners to pursue selective rather than comprehensive liberalization, allowing for what John Ravenhill (2003, 307) has aptly termed "liberalisation without political pain."

In the ASEAN–South Korea FTA, South Korea insisted on excluding rice and 200 other agricultural products from bilateral liberalization, which led Thailand, a country with a competitive agricultural sector, to opt out of this arrangement (Ravenhill 2009, 232). However, Thailand's FTAs have favored only selected industrial sectors such as electronics and information technology while maintaining protection in sectors in which domestic business interests dominate, including textiles, clothing, finance, and services. Likewise, Malaysia has resisted removing FDI restrictions and other forms of protection accorded to sectors in which ethnic Malay corporate interests or GLCs dominate—such as the national car industry, other heavy industries, and selected service sectors such as telecommunications—while refusing to allow foreign companies access to government procurement contracts (Tham 2013). Even Singapore managed to avoid conceding too much to US, Australian, and New Zealand demands to remove

interventionist practices in government procurement, to liberalize financial and other services, and to reduce the extensive presence of government-linked corporations in the Singapore economy (Hoadley 2007).

The accommodations reached with external partners in these arrangements are repeated in regional financial cooperation, which has allowed Southeast Asian countries to draw on external financial resources to build a collective system of financial security along East Asian lines. Even though that system remains untested, the close cooperation forged between Southeast Asian countries with the materially better-endowed Northeast Asian states (Japan, South Korea, and China) using the APT framework is nonetheless a significant development in the regional political economy. Although APT had been initiated in the mid-1990s as a platform for the ASEAN members to conduct dialogue with Japan, China, and South Korea, it was the Asian financial crisis that provided a fillip to cooperation, which began through what today is the Chiang Mai Initiative Multilateralized (CMIM), the most visible component of regional financial cooperation.⁶ Despite the many criticisms it has received, APT-based financial regionalism reveals the possibility of cooperation and co-leadership, shared between regional rivals (Japan and China) in the provision of a regional public good (collective financial security) to which richer states (Japan, China, and South Korea) contribute a greater share of its financial cost (Chin 2012). However, the limitations of East Asian financial regionalism also remind us of what has thus far remained elusive—an East Asian Free Trade Area (EAFTA)—because of the competing domestic interests of its putative membership (Oba 2008).

12.5. CONCLUSION

Southeast Asia has come a long way in the past quarter-century, with domestic reforms and beneficial external developments turning the region into a vital production space linking Northeast Asia to the rest of the world, particularly the North Atlantic region. Yet the region also displays “dual economy structures” with relatively open, efficient, and competitive sectors, mostly in manufacturing, coexisting with and offsetting the costs of relatively protected and inefficient sectors, especially services and agriculture. Although domestic reforms have not been insignificant, a “dual policy approach” combines liberalization with deliberate policies of protectionism in selected sectors, while the embrace of preferentialism in trade and economic policy reflects and reinforces these ambivalent tendencies.

An enduring feature of the Southeast Asian political economy is the region’s famed patronage networks linking state/political elites with politically important domestic social groups, particularly corporate actors. Because of the political necessity of maintaining valuable domestic state-society bargains, the kinds of international institutions forged by Southeast Asian states remain limited, though numerous. The persistence of state-business relationships and patronage politics in Southeast Asia suggests that the

“dual” policy and “dual” economic structures in the region are not simply temporary arrangements waiting for liberalization to occur; instead, they seem to be a permanent feature of the region’s political economy. Southeast Asia may be an integral part of a set of regional economic institutions and governance practices, common also to China, that represent alternative economic ideas that are distinct from liberalism, centered on developmentalism and industrial policy, and allow an activist state role in the economy, and the benefits of close partnership between state and business (see Stubbs and Mustapha chapter). At one level, this represents continuity with the 1990s, when debates over Asian values and developmental versus liberal capitalism were especially strident. The contemporary rhetoric in Southeast Asia is liberalization, but that rhetoric is moderated by a commitment to secure domestically important sociopolitical bargains and economic arrangements.

NOTES

1. The ten ASEAN members include the original founding members of Indonesia, Malaysia, Philippines, Singapore, and Thailand (accession in 1967), Brunei (1984), and what are generally considered to be the new members of the association, namely Vietnam, Laos, Myanmar (joined in 1997), and Cambodia (1999). Cambodia, Laos, Myanmar, and Vietnam are often abbreviated as the CLMV states.
2. Among the more common NTBs found in the region are licensing requirements, technical regulations, quotas, internal taxes, stipulations that traders use government-sanctioned insurance and shipping firms, as well as restrictive government procurement policies (Austria 2004).
3. TPP negotiations originally involved Australia, New Zealand, Chile, Peru, Brunei, Singapore, Vietnam, Malaysia, and the United States. Mexico and Canada were accepted respectively as the tenth and eleventh participants in June 2012 (MITI nd-b).
4. These two features are a historical legacy of domestic Communist insurgencies in Southeast Asian countries. Patronage networks between state and business emerged and consolidated as businesses sought access to the development spending initiated by states to defeat Communism (Jones 2012b, 98).
5. These works are reviewed in Jacobsen (1996).
6. APT financial regionalism comprises four components: the Chiang Mai Initiative Multilateralized, a US\$120 billion regional reserve pooling fund; the Asian Bond Market Initiative; regional economic surveillance; and regional bond funds (see Chin 2012).

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CHAPTER 13

CENTRAL ASIA'S INSIDE-OUT FOREIGN ECONOMIC RELATIONS

ALEXANDER COOLEY

CENTRAL Asia's foreign economic relations are a curious mix of external influences and orientations. For the better part of a decade after independence, the Central Asian states were still coping with the fallout of the disintegration of the Soviet system, including severe output declines, the loss of central subsidies, and the end of the coordination mechanisms that governed regional common resource management, energy issues, and infrastructure building. Unlike their post-Communist counterparts located further to the West, the Central Asian economies have not had their reforms underpinned by the prospect of integration with Europe, and all of them remain patrimonial systems controlled by ruling elites with access to lucrative state resources. In the 2000s, trade with important neighbors such as Russia, China, and Turkey has increased rapidly but regional trade and economic cooperation remain relatively stagnant. As a result, the expectations of many standard IPE theories of regional integration simply do not hold for Central Asia, as they neglect these states' domestic patrimonial structures and the enduring importance of private economic interests with vested interests in state monopolies and regulatory barriers (see Haggard chapter).

At the same time, the heightened external interest in the region—especially after the West's security engagement in the wake of 9/11—has established a general perception of it as an arena for geopolitical competition, especially over contracts and access to Central Asia's energy endowments. Moreover, Russia, China, and the United States have all tried to implement new regional economic initiatives designed to integrate Central Asia in a manner that serves each of their broader regional ambitions, yet these external efforts have yielded little progress on improving regional integration or solving regional resource management issues.

This survey of Central Asia argues that the region remains selectively integrated with the world economy, as Central Asian governments tend to use international institutions, tools, and resources more to promote their domestic interests than to enhance national interest or improve regional cooperation. Consistent with domestic

approaches to foreign policymaking (Hudson 2007), Central Asian elites—who usually operate patrimonial and authoritarian governments—privilege their own regime survival, and often their own private enrichment, and must reward their domestic political clients with access to adequate resources and rents. In those countries rich with natural resources, especially Kazakhstan, Turkmenistan, and Uzbekistan, rent-seeking is pursued through state control of the energy sector and other extractive industries, while in the resource-poor states of Kyrgyzstan and Tajikistan, elites tend to secure revenues from foreign aid flows and other external patrons. Moreover, the rise of new external actors in the areas of trade, finance, and development assistance has further empowered these states to oppose externally enforced conditions and Western calls for economic and political reforms.

13.1. SOVIET LEGACIES AND UNRESOLVED TRANSITIONS

13.1.1. Coping with the Soviet Collapse

Some scholars have referred to Central Asian statehood as the “unwanted independence” (Olcott 2010). With established Soviet-era patronage-based politics and a dependence on the center for subsidies, Central Asia witnessed few broad-based calls for independence or nationalist mobilization that characterized the Caucasus or the Baltic states (Beissinger 2002). Independence brought a host of challenges, most of them related to how these former republics, now suddenly operating as newly independent states, could extricate themselves from the peculiar legacies of the Soviet system, which combined elements of both state-building and more classical patterns of colonial rule. On the one hand, Moscow invested significant sums in upgrading local infrastructure, electricity generation, education, and social spending. On the other hand, Central Asia’s industrial production tended to be integrated into the system as whole, with enterprises and whole sectors vertically integrated and managed by Union-wide mechanisms in Moscow, while the region was still designated to produce primary commodities such as cotton (Dmitrieva 1996; Rumer 1989).

Thus, when the Soviet Union collapsed, most industrial production also became untenable in a new “national” context. From 1991 to 1995, industrial output plummeted across the region, leading to a general “deindustrialization” of the region and economic reorientation toward services and agriculture (Cooley 2005; Pomfret 1995). Just as damaging, independence also brought the loss of substantial Soviet subsidies to the Central Asian budgets, which in 1990 ranged from 23 percent of revenues in Kazakhstan to 47 percent in Tajikistan (World Bank 1992). The result of this chaotic transition was a dramatic decline in GDP across all of the states, with the partial exception of autarkic Uzbekistan. In 1995, Central Asian GDP fell from 60 percent (Kazakhstan) to

just 33 percent (Tajikistan) of its 1990 levels, with stabilization and some growth only recommencing at the end of the 1990s. Structurally, by the end of 1998, energy, minerals, and primary commodities accounted for more than 80 percent of the region's total exports, while from 1993 to 1998 about 70 percent of FDI flows went into oil and gas, and nonferrous metallurgy (46 percent and 25 percent respectively) (Zhukov 2000, 177–83).

In terms of monetary policy, the Central Asian states initially remained dependent on the Russian ruble or “ruble zone.” During 1992 the Russian Central bank as part of its “shock therapy campaign” kept money tight, but in order to cover their budget deficits the former Soviet Union (FSU) successor states began to print rubles locally. This generated massive inflationary pressures as every FSU country had the incentive to print rubles in the hope that others would exercise monetary restraint. In May 1993, without warning its neighbors, Kyrgyzstan ditched the ruble for its own national currency, the som. The move plunged the region into macroeconomic chaos as excess Kyrgyz rubles that had not been converted into som flooded into neighboring Kazakhstan and Uzbekistan, prompting the rest of the Central Asian countries to issue their own currencies also. Kyrgyzstan's unilateral action led to border closures and set the tone for an ensuing two decades of limited economic cooperation and regional distrust.

13.1.2. Independent Foreign Economic Policies Emerge

By the end of the 1990s, the Central Asian economies began to stabilize and formulate more coherent economic strategies. Some scholars have argued that the foreign economic policy orientation of the post-Soviet states was a function of the strength and orientation of their national identity, specifically their desire to break from or cooperate with Russia as a former colonial power (Abdelal 2001). Yet, in the Central Asian cases, national identity as a driver remained relatively weak, as regimes developed foreign economic strategies to consolidate state-building and their patrimonial authority structures. These exact strategies depended upon on the natural resource endowments of each Central Asian state and their openness to forging links to the world economy.

Kazakhstan—which is now clearly the region's most important economic power—was a leading reformer, enacting privatization measures and promoting broad-based financial liberalization (Olcott 2010). As revenues from the sales of its considerable oil and gas reserves, as well as other mineral concessions, started to stream into the economy in the 2000s, Kazakh growth exploded. The GDP grew from under \$20 billion following the Russian-led financial crisis in 1998, to well above \$140 billion in 2010, more than double the total size of the rest of the region. The economy not only advanced, but also oriented itself in multiple directions as part of its self-styled multivector foreign economic policy; Kazakhstan's three largest trading partners by volume in 2011 were the European Union, China, and Russia.

In sharp contrast, the more isolated gas-rich country of Turkmenistan emerged from a period of prolonged international isolation and autarky, almost exclusively the result of the insular policies of its first president, Saparmurat Niyazov (Anceschi 2008;

Peyrouse 2012). Shortly after independence, it became clear that Niyazov's priorities lay in personal aggrandizement and consolidation of his power base, rather than in opening Turkmenistan's economy or promoting economic reform. Although Turkmenistan inherited vast natural gas reserves, its landlocked position and dependence on the Russian-controlled Soviet pipeline network effectively kept it at the whims of Gazprom and Russian policymakers. These actors retained hard-currency paying European customers for themselves and forced Turkmenistan to sell to cash-strapped CIS customers who, in turn, accumulated large debts to Ashgabat. In the 2000s, Turkmenistan attained better prices when Gazprom used Turkmen gas to supplement its supplies to the growing European market. But Turkmenistan's breakthrough came in 2009 when, after three years of construction, China completed a new pipeline to ship gas from fields in eastern Turkmenistan, breaking the Central Asian producer's dependence on Russia. Following Niyazov's death in late 2006, his successor, President Gerbanguly Berdymukhamedov, attempted to modernize the country's image and economy, though in practice serious institutional barriers within the country continue to inhibit market reforms and the Turkmen economy remains dependent on sales of natural gas exports.

Uzbekistan, in the heart of Central Asia and a traditional competitor to Kazakhstan for regional primacy, adopted a far more cautious approach to reform, bordering on the promotion of economic autarky (Spechler 2008). Endowed with moderate mineral wealth in energy and gold, the Central Asian country limited privatization, land reform, and financial liberalization. In 1999 it seemingly halted the reform process altogether when it closed its regional borders, limited official trade, adopted a program of import substitution, and maintained state monopolies in key economic sectors (Gavrilis 2008). Perhaps the best known of all its economic sectors remains the production of cotton, which is still managed by a state monopoly board. The state pays farmers fixed low prices and collects the difference from exporting on the world market, a practice that has drawn international criticism, as has the use of forced child labor during the two months of harvest season (Kandiyoti 2009). From 1990 to 2005, Uzbekistan's GDP remained relatively flat at \$15 billion, but its recent expansion of trade ties with partners such as China, Russia, Turkey, the United States, and South Korea has led to greater growth, with GDP in 2010 reaching \$38 billion.

The smaller states of Kyrgyzstan and Tajikistan are poorer than their neighbors, with fewer accessible energy reserves or primary commodities. As a result, both have attempted to orient their state-building and foreign economic policies toward the international system. From very early in its independence, Kyrgyzstan crafted its image as the leading economic liberalizer in the region and concluded an IMF stabilization program that implemented a host of reforms (Olcott 2010, 87–113). In 1998 the country became the region's only state to be admitted into the World Trade Organization. But despite its early reforms, trade openness, and reformer image, Kyrgyzstan has suffered from elite kleptocracy and recurring political instability, punctuated by the toppling of presidents Akayev (2005) and Bakiyev (2010) following street protests (McGlinchey 2011; Radnitz 2010).

Tajikistan's road to statehood was marred by the civil war of 1992, which officially ended in 1997 with the signing of a ceasefire and reconciliation agreement. Reconciliation also opened the coffers of international lenders as loans from international financial institutions (IFIs) became an indispensable source of government revenues and international NGOs, especially in the areas of healthcare and education, and almost came to substitute for the state for service provision in these sectors (Heathershaw 2009). Economic growth resumed in the 2000s, but the accompanying "open door" strategy of welcoming a number of international organizations, external patrons, and investors has not yielded significant increases in FDI, as domestic corruption, elite predation and insecure property rights all remain causes for concern. Tajikistan's most important economic sector remains aluminum smelting and production. Host to the tallest dam in the world at Nurek, the mountainous Central Asian country could potentially become a significant producer of hydroelectric power. However, uncertainty in its investment climate and mounting tensions with Uzbekistan over water management has slowed the development of large projects such as the construction of the Roghun dam.

13.1.3. 2001–2011: New Economic Patterns and Links Emerge

In the 2000s, the structural composition of Central Asian foreign trade remained the same, but overall volumes dramatically increased. Central Asian trade with Russia increased from \$7 billion in 2001 to \$23 billion in 2010. Even more spectacularly, trade with China went from close to \$1 billion in 2001 to over \$30 billion in 2010 (Cooley 2012, 86). Russian trade was bolstered by the creation of the Eurasian Economic Community (EurAsEC) and Moscow's renewed interest in developing the region's energy, minerals, and defense industry sales. Chinese trade has followed the structural patterns seen in other parts of the developing world, with Central Asian states exporting their primary commodities and importing cheap manufactured and consumer goods, especially from growing regional suppliers located within the western province of Xinjiang. In the Chinese case, these figures most likely underestimate trade volumes, as statistics provided by Central Asian states dramatically underreport trade volumes on the Chinese border. For example, in the case of Kyrgyzstan, Chinese Customs estimates of trade have exceeded Central Asian estimates by up to tenfold. Indeed, one study by the Moscow-based MGIMO estimated that the value of unreported shuttle trade between the Central Asian states and China in 2008 reached \$14 billion (Zhukov and Reznikova 2009). During this time, Kyrgyzstan emerged as an entrepôt for Chinese trade to the region, taking advantage of low tariffs and WTO membership to, in turn, re-export Chinese goods to the rest of the region (Kaminski and Raballand 2009).

The 2009 global financial crisis hit Central Asia hard, but also emphasized the relative weakness of Russia and strength of China in their emerging roles as outside patrons and regional donors. According to the IMF in 2009, for the first time since independence, China's total volume of trade with the Central Asian states surpassed that of

Russia. Moreover, China made significant inroads into cementing bilateral partnerships in new loans for energy deals, extending over \$8 billion in credit to Turkmenistan to be repaid over ten years in gas. In April 2009, Beijing concluded another major energy deal with Kazakhstan that included a \$5 billion loan by the China Export-Import Bank to the Kazakhstan Development Bank and a \$5 billion investment by China National Petroleum Company in the Kazakh state oil company, KazMunaigas, in exchange for a 50 percent stake in the company. In February 2009, Russia offered Kyrgyzstan an emergency assistance package of grants, loans, and investment pledges under the auspices of the EurAsEC anticrisis fund, but the small Central Asian country failed to follow through with its tacit pledge to close the US airbase at Manas, and Moscow withdrew the financial commitment after making an initial \$300 million payment (Cooley 2012, 123–27). At the same time, Russian FDI throughout the region plummeted, as Russian firms such as Gazprom and Rusal retrenched from previous commitments to complete large projects in the region.

Along with greater trade, the 2000s witnessed millions of labor migrants moving from Central Asia to Russia in search for employment. Between 2006 and 2008, the value of remittances sent by millions of workers doubled in the labor-exporting countries of Tajikistan, Kyrgyzstan, and Uzbekistan. By 2008, according to the World Bank, remittances accounted for the equivalent of 49 percent of Tajikistan's GDP, 27 percent in Kyrgyzstan, and 13 percent in Uzbekistan. With the Russian government cutting its visa-free quota in half in response to the financial crisis, millions of Central Asian migrants remained in Russia without documents, often subjected to exploitation by middlemen and nonpaying employers (Human Rights Watch 2009). Moscow has also exhibited signs of using the presence of undocumented workers as an instrument of leverage in its dealings with the Central Asian states, particularly with Tajikistan.

13.1.4. New Asian Partnerships and Foreign Relations

While the 2000s have seen the acceleration of the region's ties with Russia and China, several other East and South Asian countries have also increased their economic engagement with the region, though at a level still well below Beijing's and Moscow's.

China's heralded regional economic rise has been particularly frustrating for Japan, which was one of the most active external donors in the region during the 1990s. Japan was the region's largest bilateral donor in 1994 and 1995 and provided seed money for the Asian Development Bank's CAREC program, designed to upgrade the region's infrastructure. However, these aid packages failed to lead to significant increases in trade volumes in the 1990s, as Central Asian trade with Japan totaled about \$200 million in 1997, less than one-half the prevailing regional trade volumes with Korea and about 15 percent of Chinese levels (Reznikova 2000, 223–25). During the first part of the 2000s, Japanese policymakers reformulated their Central Asian strategy, in part as a response to growing Chinese and Russian regional activity. In 2004, Japan established the Japan plus Central Asia forum—the only institutionalized externally

sponsored forum attended by all of the Central Asian states—in an attempt to promote regional economic cooperation and market-oriented reforms, implicitly offering an alternative to the rise of the Chinese-backed Shanghai Cooperation Organization (Dadabaev 2006). But, despite new interest in securing Central Asian energy and minerals, Japanese regional trade in 2010 was only a fraction of China's, with Kazakhstan accounting for \$628 million in total trade, ranking it as only Japan's fiftieth largest trading partner.

More ambitious still, South Korea is now rapidly expanding its economic engagement with Central Asia, especially in partnership with Uzbekistan and Kazakhstan. In 2009, under the presidency of Lee Myung-bak, Seoul launched a New Silk Road initiative designed to promote economic links with Central Asia. Reinforced by an ethnic Korean population (183,000 in the 1989 census), Uzbekistan has been Seoul's long-term partner in the region, seeing Korean companies invest in mining, natural gas processing, chemicals, industrial production, and the upgrade of the country's infrastructure, including developing Navoi airport into a regional logistics hub. Overall, total annual trade between Korea and Uzbekistan in 2011 surpassed \$1.6 billion (comprised of \$1.458 billion in Korean exports and \$142 million in Uzbek exports), while the two states the same year signed a bilateral agreement on economic investment totaling \$4.2 billion. Similarly, Korean trade with Kazakhstan surpassed \$1 billion in 2011—more than double 2009 levels—with Korean firms investing in power generation, raw materials, and petrochemicals (Voloshin 2012). A bilateral protocol signed in 2011 estimated that Korean investment in Kazakhstan would surpass \$8 billion. In terms of regional geopolitics, Korea's moves in Central Asia compete with China's growing economic influence, but also reflect a belief that large, integrated Korean firms enjoy an advantage in providing a range of services to Central Asian partners in complex investments (Fumagalli 2011).

Similarly, the South Asian countries have been expanding their economic cooperation with Central Asia, though the level of economic turnover has often failed to match ambitious rhetoric. India, especially, has viewed Central Asia as a potential sphere of influence and even developed a northern strategy for projecting soft power and economic engagement in the region (Kavalski 2010). But despite its rhetoric, India's total trade with Central Asia in 2009 accounted for just 2 percent that of China or Russia (\$416 million) during the same year. Delhi has been more actively involved in neighboring Afghanistan, where it has given over \$2 billion in assistance, including major road construction projects. India has also been an enthusiastic supporter of promoting regional economic integration and connections between Central and South Asia. India helped to fund a high-voltage electricity transmission line from Uzbekistan to Kabul (opened 2008) and has been a major backer of the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline, projected to deliver up to 90 billion cubic meters (bcm) of natural gas to northwest India. With interests in securing Central Asian energy and minerals, India's relatively small impact is almost certainly destined to increase, but Delhi remains a long way from matching Chinese levels of trade and investment.

13.2. REGIONAL INTEGRATION AND THEORIES OF REGIONALISM

13.2.1. The Persistent Barriers to Regional Trade

While Central Asia's economic links with outside states such as Russia and China exploded during the 2000s, intra-Central Asian economic activity remained relatively stagnant. A glance at the World Bank's Ease of Business indicators reveals that Central Asia, as a region, is encumbered by some of the highest informal barriers to trade in the world. In 2011, for example, average times to import and export to and from the region (excluding Turkmenistan, for which there is no data) stood at seventy-nine and seventy-four days respectively, more than triple the comparable times in the Middle East or Latin America (World Bank 2011).

Central Asia's high barriers to regional trade places the region outside the mainstream of international political economy theories concerning the origins and sequencing of regional economic integration. Most theories assume that regional trade agreements (RTAs) are usually the easiest form of cooperation to foster as they generate increased national economic gains for all contracting parties, though exact benefits might be distributed asymmetrically (Mattli 1999; Cooley and Spruyt 2009). The Central Asian cases, however, suggest that the private gains derived from maintaining national barriers are more important in shaping foreign economic policies than are the overall potential national welfare gains from trade. Kathleen Collins also advances such an argument in her account of how the patrimonial domestic political structures of the Central Asian stage function as barriers to greater regional integration (Collins 2009). For Collins, the personal rent-seeking opportunities afforded by state regulations and natural monopolies to elites and their political clients prevent the deepening of regional integration. Similarly, Erika Weinthal's study of the political economy of environmental cooperation in Central Asia observes that the World Bank's initial proposals to create a working multilateral forum to address regional environmental degradation—particularly the depletion of the Aral Sea as a result of unchecked water diversion—have stalled. The World Bank was subsequently only able to keep the proposals afloat by offering side payments to local officials to foster the public image of cooperation on the issue (Weinthal 2002).

Further along these lines, George Gavrili (2008) has argued that individual Central Asian border policies that were adopted in pursuit of domestic economic and extractive goals have also stifled regional economic exchange. Uzbekistan, for example, tightened and restricted all border crossings as a function of its pursuit of economic autarky. Others have noted the border problem, but argue that rent-seeking by customs officials, law enforcement, and regulators remains the most important factor depressing regional exchange (Grafe, Raiser and Sakatsume 2008). Studies of informal payments and regional transport support these claims. One 2006 study by the Asian

Development Bank found that demands for informal payments added \$1,200–\$1,800 and eight days to each truck transiting Central Asia to Moscow, while the costs of rail traffic were double what they should be and fifteen days longer (ADB 2006, 29–30).

13.2.2. New Regional Institutions, Same Results

One of the ironies of the region's economic development is that these local barriers to intraregional trade exist despite the fact that most of the Central Asian states—with the exception of Turkmenistan, which maintains an official policy of neutrality—belong to a plethora of international institutions, organizations, and forums designed to enhance regional economic cooperation. The Central Asian states are members of the Economic Cooperation Organisation (established by Turkey, Pakistan, and Iran), the Shanghai Cooperation Organization (led by China, with Russia also a member), the Asian Development Bank–sponsored Central Asian Regional Economic Cooperation Initiative (CAREC), the Eurasian Economic Community (EurAsEC) and Customs Union (led by Russia, with Belarus), and the Central Asian Cooperation Organisation. Public use of EU-style pro-integration rhetoric masks the Central Asian states' discretionary, opportunistic, and even corrupt application of the rules of these regional groupings. But there may also be additional political reasons for Central Asian elites to seek out membership in these regional groupings (UNDP 2005, 56). As Keith Darden (2009) argues, regional groupings such as EurAsEC offer political alternatives to the post-Soviet states' unmediated integration into the international liberal trading system and the WTO; these regional groupings play important political functions such as providing dedicated markets for uncompetitive domestic industries and allowing for the continuation of subsidized Russian energy imports within the regional grouping.

These basic micro-level barriers to trade and economic exchange are further compounded by the heightened sense of geopolitical competition that informs and undermines many of these external efforts to promote regional integration. The Shanghai Cooperation Organization (SCO) is a good case in point (see also Cummings chapter). Established in 2001 and comprised of China, Russia, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan, the SCO presents itself as a new-style regional organization promoting mutual trust and regional cooperation that, unlike Western counterparts, does not interfere in the sovereignty of its member states by imposing economic or political conditions. Since 2001, the SCO has fostered the resolution of border disputes, conducted joint military exercises, and facilitated cooperation among domestic security services. However, its track record on economic matters is far less impressive, despite Chinese attempts to use the forum as a vehicle to expand regional trade and, under its auspices, create a regional development bank and regional business council. Simply put, Russia and the Central Asian states fear growing Chinese economic power and have curtailed efforts to expand its portfolio of economic activities. In 2009, in the middle of the global financial crisis, China offered to provide \$10 billion

in infrastructure financing from a new “anticrisis fund.” However, Moscow vetoed the proposal out of concern that its economic influence in the region would be eroded (Cooley 2009).

The one recent initiative that appears to be more effective than its predecessors is the implementation of the Russian-led Customs Union comprising Kazakhstan, Russia, and Belarus. Loosely modeled on the European Union, in 2010 the three members adopted a common tariff schedule and announced their intention to adopt a common market in 2012 for goods, investment, and labor. In 2011 Kyrgyzstan also signaled its intention to join the Customs Union, though it is not clear how its membership would be compatible with its WTO obligations. Although Russia itself finally joined the WTO in 2012, Moscow also pushed ambitious plans for the Customs Union to evolve into an even more integrated Eurasian Union by 2015.

More broadly, most external attempts to promote regional economic cooperation continue to be viewed skeptically within the region and suspiciously by other external actors. Even the simple modernization of regional infrastructure can be perceived to have geopolitical overtones (Blank 2004). For example, Chinese attempts to build and connect railways in the region are viewed suspiciously by Moscow because they entail switching Central Asian gauges away from Russian-preferred Soviet standards to Chinese standards consistent with global protocols. Similarly, US and NATO proposals in 2011 to create a “New Silk Route” to connect Afghanistan with Central Asia is viewed with suspicion in Moscow and Beijing, which regard it as an attempt to strengthen American influence in the region and promote Central Asia’s north-south links at their expense. US officials are particularly keen to support an expanding Indian role in the region. Most ambitiously, the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline would bring Turkmen gas directly to South Asia. But although all member states and Washington are eager to develop the project, and Russian and Chinese firms have expressed an interest in possibly participating in the project, Beijing and Moscow remain cautious about the pipeline’s geopolitical orientation.

13.3. ENERGY POLITICS AND ENERGY RELATIONS

13.3.1. Energy Relations and Pipeline Politics

Perhaps no area of Central Asian foreign economic relations has attracted more international commentary and news attention than the energy sector. Some analysts have even applied the old “great game” metaphor—a reference to nineteenth-century competition between imperial Russia and Britain over Central Asia—to describe the new scramble for lucrative contracts for Central Asian energy among Western, Russian, and Chinese companies (Kleveman 2004; Cooley 2012).

Of the Central Asian states, Kazakhstan and Azerbaijan are large oil producers, while Turkmenistan and Uzbekistan have significant deposits of natural gas. But despite these large pools of resources, the Central Asian states have faced a number of challenges in developing these reserves. The first is the legal question over Caspian Sea property rights. Azerbaijan, Kazakhstan, and Turkmenistan insist that the Caspian is an international sea and its hydrocarbon deposits should be allocated according to the Law of the Sea. By contrast, Russia and Iran insist that the body is a lake and should therefore be subject to a formula of common pool resource management (Janusz 2005). Bilateral disputes—especially between Azerbaijan and Turkmenistan—over offshore oil and gas fields have further stymied the development of these resources and hampered regional cooperation.

Central Asian producers have also inherited the problem of how to transport energy to market from their landlocked positions. During Soviet times, Moscow prioritized Siberia in the development of hydrocarbons; Central Asia's pipeline and export infrastructure was oriented toward Russia and European markets. To break this dependence on the Russian-controlled network, Central Asian states and their international energy suitors have had to explore new pipeline construction and transportation arrangements in order to bring this energy to market (Ebel and Menon 2000). These efforts have spawned a wave of literature on Caspian pipeline politics, pitting mercantilists—those who view oil development in terms of state-run power politics—against economic liberals—those who view market forces and commercial interests as ultimately determining pipeline routings and production partnerships (Chow and Hendrix 2010). The planning and subsequent construction (2002–5) of the Baku-Tbilisi-Ceyhan pipeline—the first major Caspian export pipeline that bypasses Russia—has further focused international attention on the importance of new pipeline routes (LeVine 2007, 345–59).

Still, much of the commentary among journalists and news analysts has exaggerated both the importance of Caspian and Central Asian energy for world production and the intensity of geopolitical stakes in this energy competition. Russia's renewed interest in state control over energy policy under Vladimir Putin helped to create an impression that Moscow sought to dominate and lock-in Central Asian gas supplies via the state-dominated gas-producing giant Gazprom and the state pipeline operator Transneft. Some commentators even interpreted Russian power and leverage over Europe as resting on this new “energy power,” a theme that was repeated by some analysts seeking to interpret the geopolitical significance of the Russia-Georgia War (Cornell and Starr 2009). According to such accounts, without a new western route for Central Asian gas to bypass Russian territory on its way to the European market, Russia will maintain its stranglehold over the region's supplies and European consumers (Baran 2007). In reality, the reduction in European energy demand brought about by the financial crisis; new EU plans for increased redundancy within the EU energy grid; the advent of new fracking technologies for shale gas; and the expansion of liquefied natural gas (LNG) exports to Europe have all altered the energy security picture, making a costly Nabucco or Western-oriented Transcaspian pipeline less critical for European energy security than was perceived in the late 2000s.

Furthermore, despite all the attention afforded to Central Asia's role in ensuring European energy security, Gazprom's near monopoly over Central Asian gas was broken in 2009 not from the West, but by the opening of the China-Central Asia pipeline. This has been built to transport 65 bcm of natural gas from Eastern Turkmenistan, through Uzbekistan and Kazakhstan before linking to the East-West pipeline within China. As of 2012, the pipeline boasted two completed parallel lines, with a third under construction. The lines will bring Turkmen and Uzbek gas east, with an additional spur allowing for future Kazakh supply. China's new gas pipeline has been accompanied by the completion of an oil pipeline that traverses the length of Kazakhstan, bringing oil from fields in the Caspian all the way east.

As new pipelines have been planned and constructed, the question of host country relations with multinational oil producers has also come to the fore. Recalling Stephen Krasner's seminal study (Krasner 1985) of how developing countries asserted their sovereignty by expropriating multinational corporation (MNC) concessions in the 1970s, over the course of the last two decades bargaining power has shifted considerably in favor of the Central Asian energy producers. As Chow and Hendrix (2010) observe, in the 1990s the Caspian and Central Asian states had little choice but to sign onto production-sharing agreements whose terms were favorable to Western oil companies that sought to quickly recover their investments. However, the dramatic increase in oil prices in the 2000s, technology transfer, greater legal competence, and heightened competition have prompted countries such as Kazakhstan to abrogate these original deals and demand greater shares of oil production revenue streams. As was the case in the 1970s, Western oil majors have had little choice but to comply with these demands, even as megaprojects like the Kashagan consortium now look increasingly expensive and risky. Moreover, the activities and strategies of new entrants, especially the national oil companies of China and Russia that are now active in the region, remain underresearched by scholars of energy relations.

13.3.2. The Resource Curse and Central Asia

Beyond the geopolitics of pipelines, the question of whether newly acquired oil wealth will serve as a foundation for broad-based economic development or accrue to a small elite remains a pressing one. Over the last few years, the so-called resource curse literature suggests that in mineral-rich states, particularly hydrocarbon exporters, the flow of readily available rents to state coffers fosters patrimonial development, poor governance, and authoritarianism (Ross 1999, 2001). Some preliminary studies by Karl (2000) and Tsalik (2003) warned that similar dynamics were likely to repeat themselves in the Caspian and Central Asian cases.

But in a significant contribution to the theoretical literature on the resource curse, Pauline Jones Luong and Erica Weinthal (2010) draw upon the institutional development of the post-Soviet Central Asian states to argue that it is the ownership structure of mineral wealth management, not its mere availability, that generates poor governance

and mismanagement. Looking at the experience of post-Soviet Azerbaijan, Kazakhstan, Russia, Turkmenistan, and Uzbekistan, the authors distinguish among domestic state ownership, private ownership, coalitions of foreign investors and domestic elites, and pure foreign ownership. These ownership forms generate varying regimes for taxation and expenditure, which, in turn, forge different patterns of state-society relations and political bargains. The authors argue that some ownership forms, most notably the private variant, can break the pathologies of rentierism by fostering a judicious spending of revenues, investment in public goods, and the building of taxation systems with realizable extractive capacity. Importantly, the authors observe that these ownership forms can vary over time, not only in the post-Soviet experience, but in the OPEC states as well.

Luong and Weinthal's analysis of the Central Asian cases reinforces the popular perception that Turkmenistan has devolved into a classical authoritarian rentier model (Crude Accountability 2009), along with Uzbekistan, although the authors find more economic diversification and improved fiscal management in the cases of Kazakhstan and Russia. Yet, explicitly on the political front, other scholars do not view these differences in Kazakhstan's fiscal regimes and ownership structure as significant and argue that as oil revenues increased in the early 2000s, both Kazakhstan and Azerbaijan used these rents to support the neopatrimonial authoritarian structures of their presidents (Franke, Gawrich, and Alakbarov 2009). Clearly, this area of research is an opportunity for Central Asian scholars to engage with and even advance the broader debate on the political and economic consequences of the resource curse.

13.4. INTERNATIONAL FINANCE AND CENTRAL ASIA

13.4.1. The Role of International Financial Institutions

The question of revenue sources and capital flows brings up the issue of the patterns and consequences of Central Asia's financial integration into the world economy. By the mid-1990s, all the Central Asian states, except for Turkmenistan, had concluded negotiations with the IMF over a stabilization package to assist with economic reforms. In the case of Kyrgyzstan, the Fund seems to have played an important role in guiding and sequencing the economic reform process. As a small economy, Kyrgyzstan quickly became dependent upon international foreign assistance—especially the IMF—to prop up its economy, while it strategically embraced the mantra of a reform economy to secure IFI engagement from a number of sources. But as André Broome points out in his study of IMF lending in Central Asia, the IMF was only moderately influential in Kazakhstan and played only a minimal role in Uzbekistan, where local elite politics and an autarkic economic strategy trumped these external recommendations for greater market-based reform (Broome 2010).

In terms of their political effects, external capital flows have tended to support authoritarian elites and entrench their ruling patronage structures. In the 1990s only a small percentage of capital flows into Central Asia resulted in targeting private actors (such as portfolio investments), as over 90 percent went to state sectors or government agencies, strengthening these governments' distribution networks and political control (Bayulgen 2005). Indeed, in the Kyrgyz case, McGlinchey (2011) has argued that the bouts of instability of 2005 and 2010 that culminated in the overthrow of Presidents Akayev and Bakiyev were caused by decrease in the inflow of foreign aid, which had provided broader-based patronage resources, and an increase in private revenues to state elites, including the Manas base-related fuel contracts that were concentrated in the hands of the ruling families. Other important regional donors have included the World Bank, the European Bank for Reconstruction and Development (EBRD), the United Nations Development Program, and the Asian Development Bank. However, international donors demanding economic conditionality in the region have generally not proven to be effective in their insistence on economic and political reforms, while local elites have learned to adapt and use these external flows for their own domestic political purposes. For example, in 2009 an international accounting audit revealed that the former chairman of the Tajik Central Bank had diverted over \$850 million in IMF credits to a local agricultural bank that, in turn, paid money to his circle of political clients and family members.

13.4.2. The Rise of Alternative Regional Donors

Another factor that now threatens further to undercut the bargaining leverage and power of international donors such as the IMF and World Bank in Central Asia is the rise of new external patrons and bilateral donors—especially Russia and China. China's rise as a regional donor raises two pressing issues for the region: first, will Beijing coordinate its lending activities with international lenders such as the World Bank, IMF, and UN system donors? Unlike in Africa, where such coordination occurs (Brautigam 2009), Beijing has shown no interest in doing so in Central Asia. Chinese officials are conspicuously absent from international donor meetings in Dushanbe and Bishkek, even though China has become the region's most important single investor and project funder.

Second, what impact will Chinese financing of infrastructure and development have on regional governance and environmental standards? As a cautionary note, the International Crisis Group found that soon after the opening of the Dushanbe-Chanak road in Tajikistan in 2009, built mostly with Chinese funds, the highway was turned into a toll road, managed by an offshore company with reported ties to the presidential family (International Crisis Group 2011). With the oversight and good governance clauses that characterize international donors absent from Chinese assistance, this bilateral developmental project was effectively transformed by the Tajik government into a source of private rent-seeking. Russia also aspires to play a prominent role as

a regional donor, but its influence has been complicated by the severe impact of the financial crisis on Moscow's lending capacity and regional activity.

13.4.3. Central Asia and the World of Offshore Finance

Finally, though Central Asia is often viewed as remote and economically isolated, especially in international trade, it remains highly integrated in the emerging world of offshore finance. The rise in the offshore activities of Central Asian government elites and state-owned companies reveals an increasing sophistication in their ability to split the legal personas of state companies, assets, or contracts into multiple entities, allowing elites to camouflage their most lucrative transactions and exempt them from national laws and oversight. For example, the Tajikistan Aluminum Corporation (TALCO) is Central Asia's largest aluminum plant and Tajikistan's principal foreign exchange earner. However, its activities are entangled in a network of offshore vehicles and bank accounts. In June 2008, the IMF issued a scathing report criticizing the company for a "worrisome" lack of transparency in its operations (IMF 2008, 7). Later that year, having alleged that its former directors improperly transferred profits to a newly registered entity in the British Virgin Islands, TALCO reached a \$200 million settlement in the UK with its former management team.

The strategic use of offshore designations not only raises issues of transparency and accountability, but also demonstrates the highly selective fashion in which Central Asian elites have integrated themselves into the global economy. In his examination of TALCO and Tajikistan's state-building, John Heathershaw argues that such selective integration merits the designation of a "virtual state," revealing a level of sophistication and connectedness to the world economy not adequately captured by the popular portrayal of Tajikistan as a "failed state" (Heathershaw 2011). Similarly, a recent report by the watchdog Global Witness into the financial practices of Kyrgyzstan's elites highlights just how extensively the Bakiyev family and its economic allies employed a web of offshore entities to structure and conceal transactions, including capital flight from the country after the regime's collapse in April 2010 (Global Witness 2012).

At the same time, the selective use of offshore vehicles as conduits to structure transactions allows for "plausible deniability" on behalf of foreign companies and governments seeking to secure contracts in the region, but not wanting to implicate themselves in scandals of graft or corruption. For example, the US Department of Justice's investigation into the Kazakhgate affair alleged that during the 1990s US middleman James Giffen had used a network of offshore bank accounts and shell companies to channel money from oil deals to the personal accounts of Kazakh elites (Spahn 2009). Similarly, from 2003 to 2011 the US Pentagon's Department of Logistics awarded over \$2 billion in fuel contracts—most of them sole-source and no-bid extensions, at the US military base in Manas, Kyrgyzstan—to two companies that were registered in Gibraltar with no public corporate profiles or company histories (Cooley 2012, 143–48).

13.5. CONCLUSION

At first glance, Central Asia appears to be an anomalous region in the study of international political economy. Its low levels of regional integration challenge conventional understanding of the drivers of regional economic cooperation, while its ruling elites continue to use external sources of financing, investment, and rents to entrench their patrimonial rule. The region's increased links with the global economy and external actors are fostering neither sustained neoliberal reform, nor institutional convergence with a Western model.

If viewed as a region of increasing multipolar influence, however, then many of these dynamics might make Central Asia a more forward-looking region with important comparative lessons. The rise of China as the region's premiere economic power is the most important development of the last decade (see Pekkanen, Ravenhill, and Foot chapter). From a position of relative economic disinterest, and in the space of just over a decade, China has become the region's largest trade partner and foreign investor. It also has built two major energy pipelines and locked-in Central Asian commitments to supply oil and gas, all while fronting its activities through a new regional organization, the SCO. Though Russia publicly maintains that it supports Chinese economic activities and that it enjoys a cooperative strategic partnership with Beijing, the region's unmistakable shift toward the East has alarmed the Kremlin. The sheer number of infrastructure projects recently finished or under construction is creating a broad set of irreversible links between Central Asia and Xinjiang. China's projected energy demand increases every year, making Central Asia an invaluable and long-term source of supply. On the small business front, Central Asian traders and entrepreneurs now view Urumqi and Kashgar as primary regional hubs for economic opportunity, even as Central Asian migrant laborers continue to work in Russia and send crucial hard currency to support their families.

But Beijing's continued economic rise is also likely to engender political and social headwinds. As with other areas where it has invested heavily in natural resources, China still faces the potential of political backlash against some of its activities—especially in symbolically important sectors such as mining and energy—while its uncritical support for the region's authoritarian governments may trigger backlash in the event, unlikely as it seems now, that the region democratizes. Debates concerning China's regional role may well come to mirror similar debates in Africa as to whether Beijing is a force for development or a new type of colonial economic power.

At the same time, a host of different global actors now view Central Asia as a competitive arena. Different external powers now openly promote their own particular plans for regional development and integration, whether it be the Russian-led Customs Union, the Chinese-led SCO, or the New Silk Route Initiative touted by the United States and India. Western, Chinese, Russian, and South Asian energy companies vie for stakes in the region's resources, while China and Russia now provide direct

economic assistance and project financing that often exceeds the scale of assistance of long-standing international donors such as the World Bank and IMF. While in the 1990s the region was seemingly mired in a stalled post-Communist economic transition, it is now forging dynamic new connections with a number of external private and external actors, many from East and Southeast Asia. At the same time, the drawdown of NATO forces in neighboring Afghanistan has further created a sense of uncertainty as to the region's precise future geopolitical orientation and which external actor might guarantee political order and stability. Moreover, if US-Chinese relations do become increasingly competitive, in part as a consequence of the US security pivot toward East Asia, Central Asia may well become another area of proxy competition between the two economic superpowers. Thus, both the region's political and economic futures remain in a state of geopolitical flux.

But beyond the region's rise a hotbed of multipolar politics, the Central Asian governments' own demonstrated capacity to leverage these various sources of external patronage and economic flows holds important lessons for scholars of international political economy. In Central Asia foreign economic relations are best understood from the inside out, as sovereign elites offer lip service to the pursuit of reform and the concerns of international actors while selectively using external economic resources to further their own narrow political purposes. Indeed, the presence of multiple external suitors openly encourages this economic forum shopping, empowering savvy governments to select certain global economic process they wish to engage with and disregard or resist others. Central Asian elites' selective use of networks of offshore finance and registrations, for example, to both conceal and structure major contracts should be of particular concern given new international initiatives to increase transparency, fight commercial corruption, and combat global money laundering. Far from being passive actors in the face of globalization and great power competition, Central Asian governing elites and locally connected economic actors will continue to find new ways of leveraging these outside forces.

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B. Regional Economic Integration

CHAPTER 14

PRINCIPAL DEVELOPMENTS AND FUTURE DIRECTIONS IN ASIA'S TRADE

CHRISTOPHER M. DENT

14.1. INTRODUCTION

ASIA has always played a key role in the world trade system's development, and moreover, trade has reflected many important aspects of Asia's own economic development. For the purposes of this chapter, "Asia" refers to three regional elements: East Asia, which may be divided into the two subregions of Northeast Asia and Southeast Asia; South Asia, with India at the core but including also Pakistan, Sri Lanka, Bangladesh, Nepal, and Bhutan; and Central Asia, comprising Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. East Asia is by far the most dominant of these three regions, accounting for around 90 percent of Asia's trade and continental economy, with South Asia only representing about 10 percent, and Central Asia a mere 1 or 2 percent of these totals. East Asia is not only the center of economy gravity within Asia, but also a major pole in the global economy. China and Japan are the world's second and third largest economies respectively, and the region has six of the world's top twenty exporters. Furthermore, it continues to be the most dynamic part of the Asian economy and trading system by some considerable distance. The reality of East Asia's dominance in Asia's trade will be reflected in the prominence it receives in this chapter.

As this chapter will show, Asia's trade-driven development has mirrored broader changes in the global economy and the nature of international economic relations and business. By exploring the key drivers that have shaped Asia's trade over the recent decades, and how the nature of this trade has changed, the chapter will consider how deepening regionalized trade patterns in Asia fit within the global trade system and

the organization of transnational business; examine the main tensions that have arisen in Asia's trade over time, and evolutions in the region's trade relations; investigate how Asian countries have engaged in various bilateral, regional, and global trade agreements; and discuss significant emerging issues in Asia's trade, and how these may play out in the foreseeable future.

14.2. KEY DRIVERS SHAPING ASIA'S TRADE

In all its aspects, Asia's trade has become ever more complex and integrated, mainly reflecting changes in the nature of business and international economic relations. There are a number of closely interrelated key drivers that have shaped the nature of Asian trade over recent decades. First, various interrelated developments in information, communications, business systems, and transportation technologies have had profound effects on Asia's trade over recent decades, bringing about gradual improvements in international trade infrastructure, intrafirm and interfirm connectivity, producer-consumer relationships, and the creation of new types of international markets, logistics, and sourcing possibilities. These technologies have enabled greater flows of trade and created new forms of it, and have been a prime driver of globalization. The Internet has become a powerful tool in these respects. For example, through companies such as Amazon, consumers located anywhere in the world can purchase goods that have been manufactured in the region—the world's main manufacturing center—via their smart phone or computer, through which they can harness the power of extensive supply chains in order to deliver these goods in increasingly short time-frames.

Second, the expansion of transnational business and the growth of multinational enterprise (MNE) activity has become a defining feature of the Asian economy, especially the East Asia region. This has comprised part of a broader globalization of the world economy, to which Asia has made a major contribution. Foreign direct investment (FDI) has created new cross-border trade systems through use of new information, communication, and transportation technologies that have broadened the logistical options for devising increasingly complex, large-scale production networks and supply chains that serve both the region and global markets. Consequently, much of Asia's trade is now essentially a functional aspect of the transnational business systems in which it is embedded.

Third, Asia's most dynamic economies have experienced very significant changes in the industrial profile of their trade. This reflects the techno-industrial upgrading process that for most of these economies was managed or orchestrated through relatively effective strategic industry policies, and which was especially evident in developmental states such as Japan, South Korea, and Taiwan, as well as reforming socialist market states such as China and Vietnam (Stubbs 2009). This could not have been achieved

without dynamic business sectors in these economies. So-called flying geese models of regionalized development contend that a self-reinforcing mechanism operated in East Asia through which FDI, trade, and international business networking with the techno-industrial development of advanced economies helped to drag along similar development of others. Technological advancements have also made service sectors increasingly tradable, facilitated also through FDI.

Fourth, in recent decades, there has been a growing consensus within Asia, and indeed at a general global level, regarding the virtues of freer trade and thus trade liberalization in practice. Trade barriers have been lowered, and an increasing number of free trade agreements—especially of the bilateral variety—have been signed. MNE activity has created new, ever larger transnational economic spaces in which many of the world's goods are manufactured and processed, and which can be done more cost effectively if no import tariffs or other barriers to cross-border trade are imposed, thus helping to decrease prices and inflation. Other efficiencies may be captured by comparative advantage specialization; these are the main arguments made by neoliberals and other advocates of free trade. However, the past success of Asian neomercantilist trade policies has meant that the state's promotion of strategically important trade sectors remains relevant, albeit with far less emphasis on trade protectionism.

Fifth, in addition to the technical aspects—infrastructure, business systems—of our globalizing world economy becoming increasingly interconnected, the key issues defining the current phase of globalization we are moving through are also converging. The connections between trade, FDI, and transnational business have already been noted; however, Asia's trade has also become more strongly linked to issues such as energy security, climate change, human rights, food security, resource competition, and development assistance, for example, aid for trade. Trade's deepening issue-linkage has consequently extended the scope of Asia's trade diplomacy, as will be discussed later. Sixth and last, at the same time that conventional trade barriers on Asia's trade have been removed, trade itself has become increasingly connected to various aspects and functions of—transnational—business activity and the regulations governing it. The aforementioned expansion of services trade and issue-linkage are highly relevant here. Consequently, the commercial regulations found in free trade agreements—for example, on intellectual property rights, public service provision, investment rights, competition policy, rules of origin, and technical standards—and the WTO's multilateral trade accords have created different and often interlocking legislative rules that determine how international trade is conducted in Asia, and by Asia-based firms in the wider global economy (Dent 2010a; Konan and Assche 2007; Levi-Faur 2005; Sauve 2007; Vogel 1997). Furthermore, trade agreements signed by Asian countries often include provisions covering environment, energy, healthcare, development capacity building, and other linked issues, reflecting how trade has permeated various economic, social and political agendas.

14.3. ASIA'S REGIONALIZING TRADE IN A GLOBAL TRADING SYSTEM

14.3.1. Deeper Historic Context

For most of recorded human history, Asia has been the main center of global economic gravity, China and India acting as the two main poles around which regionalized trade systems developed over numerous centuries. Thus, the regionalization of Asian trade has deep historic roots. Asian traders had extensive and well-developed commercial systems long before they were first “discovered” and “opened up” by the European powers from the fifteenth century onwards (Sakakibara and Yamakawa 2003). As Chanda (2006) has remarked,

the promotion of trade has been a leitmotif in the region. The desire to live better and earn profits has driven Asian traders to risk their lives crossing oceans and in the process created a common economic space from the very beginning of recorded history. Long-distance trading created a cosmopolitanism that laid the foundation for commercial prosperity. (61)

A huge pan-Asian trade network had emerged during the first millennium based on commercial linkages established between China—trading in silk and porcelain products—India—spices, medicinal herbs, precious stones, and cotton textiles—and Southeast Asia's producers of rice, teak, nutmeg, cloves, and scented wood products (Chanda 2006; Pomeranz 2000). These linkages also extended to the Mediterranean and around the Indian Ocean. Moreover, silk trade routes connected the territories of East Asia, South Asia, and Central Asia with Europe in the west. From the twelfth to early fifteenth centuries, China dispatched numerous treasure ships on long expeditions to other continents. Thereafter, it focused on a tighter network of closer trade links in the region, and still maintained an extensive tributary trade system that kept other East Asian nations and peoples in China's commercial orbit (Fairbank 1968). Japan emerged as a major new Asian maritime power in the fourteenth and fifteenth centuries. Southeast Asia's geographic position, lying between India and China, made the subregion an important crossroads and conduit for international trade, especially seaborne trade. This remains highly relevant today, the Straits of Malacca being the world's busiest sea lane—by number of vessels—with around 100,000 ships a year—around 40 percent of world trade—passing through its narrow passage, just a kilometer wide at one point.

From the late fifteenth century, the European maritime powers opened up new dimensions to Asia's trading system. Their trading businesses—for example, the English East India Company and Dutch East India Company—further extended and developed intra-Asian trade. Asia's long-established merchant class provided the networked relationships to help facilitate this. More broadly, Japan's rapid

industrialization from the late nineteenth century onward, coupled with its imperial expansion into the region, was the prime factor behind deepening regionalization of the East Asian economy during this period (Beasley 1987). In the meantime, much of South Asia became an important hub of the British imperial economy, linking it to Britain's expansive global trade network. In contrast, most of Central Asia was incorporated into a moribund Russian imperial economy and largely disengaged from the world trading system.

14.3.2. Asia's Trade Takeoff from the 1960s

Asia, and in particular East Asia, began to make a profound impact on world trade from the 1960s onward as its dynamic "tiger" economies gradually strengthened and diversified their trade competitiveness. This was founded in part on a self-reinforcing dynamic in which the trade and foreign investments of leading economies such as Japan spurred the economic development of neighboring states (Das 2004). The "flying geese" model of regionalized development played a key role in trade capacity building in the East Asia region. Chapter 18 in this volume explores the strong links here with international production networks (IPNs), analyzing how these created interlocking relationships between trade and foreign direct investment as multinationals operating in Asia moved parts and products across borders but within the same transnational business system. Indeed, this has become a key defining feature of East Asia's highly regionalized trade.

This functional integration of trade, investment, and production is more sophisticatedly and comprehensively developed in East Asia than in any other region—including Europe—and what is sometimes referred to as "Factory Asia" (Henderson et al. 2002; Kimura and Ando 2005; Yusuf, Altaf, and Nabeshima 2004). Moreover, the regional production networks of East Asia-based firms, for instance, Toyota, are increasingly extending out to hitherto largely peripheral countries such as India and Bangladesh, with the effect of integrating them more into the core East Asian economy at the micro level. Generally, East Asia's trade regionalization has become much more than merely rising levels of intraregional exports and imports: IPNs have brought qualitative changes to regional economic integration, and deepened systemic interdependencies among the Asian economies.

14.3.3. Profiling Asia's Trade by Region

Asia is a continent comprising many regional components. This chapter focuses on its main regions: East Asia, South Asia, and Central Asia. As table 14.1 clearly indicates, East Asia is by far the most dominant of the three, accounting for just under 90 percent of Asia's economy and trade. In contrast, South Asia represents about 10 percent and Central Asia a mere 1 to 2 percent. Furthermore, East Asia has been the most dynamic

Table 14.1 Asia's Trade and Economic Indicators

World Bank 'Doing Business' Trade Assessment, 2013											
	GDP (US\$ billion, 2012)	GDP per capita (US\$, 2012)	Pop. (millions, 2012)	Exports (US\$ billion, 2012)	Imports (US\$ billion, 2012)	Trade (imports plus exports) as % GDP	Trading across borders rank	Time to export (days)	Cost to export (US\$ per container)	Time to import (days)	Cost to import (US\$ per container)
Southeast Asia											
Brunei	17	41,703	0.4	11	3	82.4	40	19	680	15	745
Cambodia	14	934	13	6	7	92.9	118	22	755	26	900
Indonesia	878	3,910	238	202	127	37.5	37	17	644	23	660
Laos	9	1,446	7	2	2	44.4	160	26	2,140	26	2,125
Malaysia	304	10,304	30	228	157	126.6	11	11	435	8	420
Myanmar	53	835	49	8	5	24.5					
Philippines	250	2,614	92	47	57	41.6	53	15	585	14	660
Singapore	277	51,162	5	412	310	260.6	1	5	456	4	439
Thailand	366	5,678	66	229	248	130.3	20	14	585	13	750
Vietnam	138	1,528	89	97	106	147.1	74	21	610	21	600
Total	2,306		589	1,242	1,022	98.2					
% of Asia total	70.9		15.2	21.7	18.7						
Northeast Asia											
China	8,227	6,076	1,354	1,904	1,743	44.3	68	21	580	24	615
Japan	5,964	46,736	127	787	795	26.5	19	10	880	11	970
South Korea	1,156	23,113	50	553	525	93.3	3	7	665	7	695
North Korea	12	1,200	24	3	3	50.0					
Hong Kong SAR	263	36,667	7	438	493	340.0	2	5	575	5	565
Macao SAR	36	65,550	0.6	1	5	16.6					
Mongolia	10	3,627	3	5	2	70.0	175	49	1,545	35	1,870
Taiwan	474	20,328	23	307	251	117.7	23	10	655	10	720
Total	16,142		1,589	3,998	3,817	48.4					

<i>% of Asia total</i>	76.9	41.2	69.7	70.0																
East Asia total	18,448	2,178	5,240	4,839	54.6															
<i>% of Asia total</i>	87.8	56.4	91.4	88.7																
South Asia																				
Bangladesh	123	818	153	25	37.4	119	25	1,025	34	1,430										
Bhutan	2	2,954	0.7	0.7	60.0	172	38	2,230	38	2,230										
India	1,825	1,492	1,210	307	43.6	127	16	1,120	20	1,200										
Nepal	19	626	24	1	31.6	171	41	1,975	38	2,095										
Pakistan	232	1,296	183	24	24.6	85	21	660	18	705										
Sri Lanka	59	2,873	20	11	39.0	56	20	720	19	775										
Total	2,260	1,591	369	561	41.2	561	20	720	19	775										
<i>% of Asia total</i>	10.7	41.2	6.4	10.3																
Central Asia																				
Afghanistan	20	622	26	3	40.0	178	74	3,545	77	3,830										
Kazakhstan	196	11,773	17	88	60.2	182	81	4,685	69	4,665										
Kyrgyzstan	6	1,158	6	2	83.3	174	63	4,160	75	4,700										
Tajikistan	8	953	8	2	62.5	184	71	8,450	72	9,800										
Turkmenistan	34	5,999	5	15	58.8															
Uzbekistan	51	1,737	30	13	43.1	185	80	4,585	99	4,750										
Total	315	92	92	123	56.5															
<i>% of Asia total</i>	1.5	2.4	2.4	2.1	1.0															
Asia total	21,023	3,861	5,732	5,455	53.2															

Note: Time to export/import refers to document preparation, customs clearance and technical control, port and terminal handling, and inland transport and handling. Cost to export/import refers to transportation costs per 20-foot container without paying bribes or tariffs.

Source: International Monetary Fund and World Bank databases, World Bank (2013).

element of Asia for the last five decades, most of its countries having achieved profound economic transformations during this time, with trade playing a vitally important role. It has become an ever-growing center of economic gravity within Asia and the global system, possessing the world's second and third largest economies—China and Japan—two others in the top twenty largest—South Korea and Indonesia—these four being also G20 members. East Asia is home to six of the world's top twenty exporters—China being the largest, Japan fourth, South Korea sixth, Hong Kong SAR twelfth, Singapore thirteenth, and Taiwan twentieth). Only India among the other two Asian regions can sit alongside its East Asian counterparts according to these criteria. In 2012, East Asia's exports and imports were US\$5,240 billion and US\$4,839 billion respectively (table 14.1), around 30 percent of the global total. By comparison, South Asia's corresponding figures were US\$369 billion and US\$561 billion, and Central Asia's only US\$123 billion and US\$55 billion.

East Asia's dominance of Asia's trade can be broadly attributed to its generally higher levels of economic development and its position as the main global manufacturing center, producing goods with relative efficiency that serve markets worldwide in virtually all major industry sectors. The region's impressive trade infrastructure and systems also help to explain the maintenance of this position. By way of illustration, table 14.1 provides international comparative data for all Asian countries on transportation costs per twenty-foot container for export and import trade, as well as the time periods required for export and import in terms of document preparation, customs clearance and technical control, port and terminal handling, and inland transport and handling (World Bank 2013). East Asia comes out a considerable way on top of the Asia group, with only three of its poorest economies—Mongolia, Cambodia, and Laos—not ranked in the world's top seventy-five nations for trading across borders generally. Moreover, East Asian economies hold the world's top three rankings—Singapore, Hong Kong, and South Korea in this field, and another four from the region are in the world top twenty-five. Only two poor landlocked East Asian countries—Laos and Mongolia—have average container transportation costs above US\$1,000. By considerable contrast only Pakistan and Sri Lanka from South Asia do not fall into the same category, and in Central Asia average container costs range from US\$3,545 to US\$9,800. Thus generally speaking, firms located in East Asia are able to transport exports and imports far more cost-competitively than those located in South and Central Asia. Landlocked countries far from seaports and with poor inland transportation infrastructure—for example, rail and roads—such as Tajikistan and Kazakhstan, will always find it difficult to compete with well-developed maritime countries and cities with long-established histories of international commerce. Both Singapore and Hong Kong are entrepôt city economies—that is, cities providing trade processing and other services for other countries, hence their high trade/GDP ratios—that take a fraction of the time and cost to trade goods compared with many other Asian countries. East Asia is replete with international trading centers, mainly located along its seaboards.

The substantial dominance of the East Asia region explains why it has hitherto often been equated with “Asia” itself in economic and trade-related analyses. For instance,

the 1997–98 East Asian financial crisis is frequently referred to as the Asian financial crisis, even though it was limited to Asia's eastern economies. However, other parts of Asia are increasingly laying claim to the continent's economic and trade destiny. India's economy is on the rise, and there has been much speculation of the country emulating China's success by exploiting its similar scale of human and other resources at its national disposal. It is also exercising regional leadership in South Asia with growing confidence. Meanwhile, Central Asia's strategic economic importance is also rising, mainly due to its possession of valuable natural resources that are in heavy international demand. In addition, economic ties between all three regions have been strengthening for a number of years, leading to closer intracontinental trade relationships. East Asia-centered IPNs have been extending to South Asian countries—for example, Japanese automobile and electronics producers—and Central Asia has become an increasingly important energy trade partner to other Asian regions, most significantly to East Asia, as will be discussed later.

Thus far, we have already afforded considerable space to profiling Asia's most dominant trading region, East Asia. But what of Asia's other regions? India is South Asia's leading regional economy, and the region's trade profile shares certain characteristics with East Asia and Central Asia, having a still relatively small but fast-emerging and increasingly diverse manufacturing sector, and also a number of important resource and commodity export sectors. Economic reforms and the gradual opening-up of South Asia's larger economies—especially India—over the last decade has attracted increasing levels of foreign direct investment in manufacturing from which these countries' capacity to trade has grown. However, the process of change and transformation in the region has been much slower than in East Asia. Lower-tech industries such as textiles, clothing, steel and other metals, plastics, and agro-processing still account for a large share of what South Asia sells to the rest of the world. The region also still has to import industrial machinery and equipment in significant volumes in order to build up its trade manufacturing base. Furthermore, many South Asian countries remain conspicuously dependent on commodity exports for foreign exchange earnings. Nonetheless, the region is gradually strengthening export capacity in more capital- and knowledge-intensive sectors such as information and communication technology (ICT), engineering goods, pharmaceuticals, chemicals, and automotive manufacture (Asian Development Bank 2009; UNCTAD 2012, 2013). The Indian cities of Mumbai and Bangalore have become important international centers of ICT and other higher-tech industries. Other cities across South Asia are seeking to follow their example.

Central Asia comprises one medium-sized economy—Kazakhstan, GDP ranked fiftieth in the world, plus five other relatively small economies; together, the region's collective GDP of just US\$315 billion is less than that of Thailand, East Asia's sixth largest economy (table 14.1). Up until the early 1990s it was a largely peripheral zone in an ailing Soviet Union economy. Central Asia's engagement in the international trading system remains limited due to its being a landlocked region remote from most global economic centers, having an underdeveloped infrastructure and also relatively high

levels of political instability and insecurity (Mogilevskii 2012; World Bank 2006). These are significant constraints on building trade capacity and attracting trade-related FDI. Central Asia's export trade sectors are predominantly natural resources and processed commodities with extremely limited manufactured goods exported, for example, carpets and rugs from Afghanistan; some automotive products from Uzbekistan. Even the region's most advanced economy, Kazakhstan, does not export industrial goods in any significant quantity, and moreover has to import machines and equipment in significant volumes—around 40 percent of the country's total imports—due to the lack of domestic production capacity in this area. The nation's wealth lies in crude oil exports that as a share of Kazakhstan's total exports have been growing over the last decade, currently accounting for around 60 percent. High dependency on a single commodity export is a common theme in Central Asia, making the region's export performance dependent on international commodity prices. Kyrgyzstan's dominant export sector is gold—around 45 percent of total national exports—while unwrought aluminum accounts for around 60 percent of Tajikistan's total exports, natural gas around 55 percent for Turkmenistan—plus another 30 percent for oil-related sectors—energy products roughly 30 percent for Uzbekistan, and dried fruits 45 percent for Afghanistan (Mogilevskii 2012). Overall, oil, gas, and other energy products—including uranium, one of Kazakhstan's fastest-growing sectors—are the region's main exports, representing two-thirds of the total, while metals and ores account for around a fifth. Given current global energy and resource security challenges, Central Asia has become an increasingly important trade partner to many, including China, Japan, and East Asia's other high-energy-demand economies. Indeed, China is by far the fast growing trade partner for all Central Asian countries, although the region's traditional main trade partners, Russia, Europe, India, and Pakistan, remain important. Intraregional trade is very low, at just 6 percent in 2010, around half the level for South Asia and considerably lower than East Asia's ratio of around 55 percent, which is second only to the European Union's level worldwide.

14.4. EVOLVING RELATIONS AND TENSIONS IN ASIA'S TRADE

Over time, Asia's strengthening trade competitiveness—and especially that of East Asia—has posed a series of challenges to other countries. To developed Western nations, the first main challenge concerned how Asia's trade competition—especially from Japan and the first-generation tiger economies such as South Korea and Taiwan—helped to accelerate the deindustrialization process and cause significant industrial structural change in key sectors such as steel, automotive products, electronics, computers, and basic consumer-durable products. In addition, Asian producers were out-competing their developing country counterparts from Latin America, Africa, and

East Europe in labor-intensive industries such as textiles, clothing, footwear, and agro-processing. As a consequence, Asian countries came under intense diplomatic pressure from developed and developing nations alike to redress the trade deficit/surplus imbalances arising from this situation. Trade barriers were applied against Asian imports accordingly to address this injurious competition.

Unsurprisingly, Japan was the first Asian nation to face growing tensions in its foreign trade relations, particularly with the United States and Europe from the 1960s onward, when Japan achieved a trade surplus with both trade partners. Although Japan had secured GATT membership in 1955 and had started to liberalize its trade regime significantly, Western governments accused Tokyo of adopting ardent neo-mercantilist policies aimed at promoting and protecting strategic industries through a series of export-oriented industrial policy measures and a creative application of import barriers. Many of the latter were referred to by the US government, the European Commission, and others as “structural impediments” because the barriers were perceived as embedded within structures of Japan’s domestic policy and societal and business practices. Examples included a very weak competition policy, nationally prejudiced Japanese consumer behavior, and national distribution systems controlled by Japan’s dominant keiretsu firms. When Asia’s tiger economies found themselves running similar trade surpluses by the late 1970s and 1980s, they also became subject to the same pressure from Western governments. Criticisms made of their trade diplomacy were similar to those previously leveled at Japan, largely because they had emulated much of Japan’s successful strategic trade and industry policies in accordance with shared developmental state practice (Dent 2003, 2004). By the late 1990s, China had emerged as the main target of Western diplomatic pressure as its trade surpluses against the United States and the European Union grew, later even eclipsing the record-breaking levels achieved earlier by Japan. China’s various “state trading” practices, such as its managed exchange rate, have received special attention in negotiations.

Over time the focus of Western trade diplomacy with Asian economies—especially more developed ones—gradually shifted away from conventional trade barriers, for example, tariffs and quotas, to the “structural impediment” issues and then to commercial regulatory issues such as intellectual property rights. These concern behind-the-border market access challenges reported by Western companies when selling products in Asian markets, either through exporting or from a foreign direct investor position inside the country. Since the 1980s Japan’s average industrial import tariff level has been lower than those of most other developed countries, yet its propensity to import remains low. More recently, Asia’s trade partners have taken countries such as China and Malaysia to task over their managed exchange rate policy, claiming that this distorts trade patterns and balances in the international system.

Trade relations among Asian countries have become more important with deepening intraregional trade and FDI. China has posed an especially significant competitive challenge both to Asia’s most developed economies—Japan, South Korea, Taiwan, and Singapore—as it has advanced its techno-industrial capacities, and to

the developing country producers of Southeast Asia by becoming the main global center for labor-intensive manufacturing. India, Indonesia, Malaysia, Thailand, and Vietnam in turn are also beginning to gain competitive advantage in the traditional core industries—for example, steel, electronics—of Asia’s advanced industrial states. Trade tensions among Asian nations have generally intensified as trade relationships have expanded, extending into new sectors of interaction. On the one hand, new free trade agreements signed within the region have helped to ease intraregional trade tensions by addressing trade disputes as part of a broad set of negotiations. On the other hand, ensuing liberalization from these agreements has in some cases exacerbated tensions, most notably from the ASEAN-China FTA, which after coming into force has done nothing to alleviate Southeast Asia’s growing trade deficit with China. Moreover, trade tensions among East Asian states have often arisen as a result of territorial disputes or political spats. Examples include disputes between Japan and South Korea over the Takashima/Dokdo islands; China and Japan over the East China Sea; and among many countries in the region over various unresolved historical issues and contested sovereignty in maritime zones such as the South China Sea. These disputes have led to one country boycotting particular imports from another, such as China’s ban on Japanese cars and South Korea’s ban on certain Chinese agricultural products.

14.5. ASIA’S ENGAGEMENT IN INTERNATIONAL TRADE AGREEMENTS

14.5.1. Early Phase Engagement

Since the 1950s, Asia’s engagement with international trade agreements has evolved considerably. In the earliest phase there were two main trends. The first concerned becoming part of a gradually expanding global-multilateral trade community through membership of the General Agreement on Tariffs and Trade (GATT). China was one of the original signatories under the Nationalist government, but withdrew in 1950. India, Indonesia, Burma (Myanmar), Pakistan, and Ceylon (Sri Lanka) were the first Asian countries to join, between 1948 and 1950. Others followed: Japan (1955), Malaysia (1957), South Korea (1967), Bangladesh (1972), Singapore (1973), Philippines (1979), Thailand (1982), Hong Kong (1986), Macao (1991), and Brunei (1993). Later, other economies acceded to World Trade Organization (WTO) membership: Kyrgyzstan (1998), China (rejoined in 2001), followed a day later by Taiwan (2002), Cambodia (2004), Nepal (2004), Vietnam (2007), Laos (2013), and Tajikistan (2013).¹ Asia’s growing engagement in the multilateral trade liberalization process appreciably contributed to the reduction of trade barriers in the region over time, and from a global perspective helped open up export markets to Asian firms.

The second trend was signing what may be called sub-FTA pacts that involved either singular or combined elements of partial-scope trade liberalization, often with a specific sectoral focus; export-restriction arrangements; trade cooperation and trade-related development assistance. Examples of these include the following:

- *ASEAN Preferential Trading Arrangements*: launched in 1977 and comprising a narrow range of trade liberalization measures only covering around 5 to 10 percent of intraregional trade by the mid-1980s.
- *Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)*: launched in 1997, linking Thailand and Myanmar to the South Asia group in various sector-based trade development and cooperation initiatives rather than relying on trade liberalization.
- *Asia-Pacific Trade Agreement (APTA)*: a partial-scope agreement with a wide Asian membership—Bangladesh, China, India, South Korea, Laos, Nepal, Philippines, and Sri Lanka—first signed in 1975 and then later revitalized in 2005, but even this led to limited trade liberalization among the group.
- *Vietnam-United States Bilateral Trade Agreement*: a partial-scope trade pact entering into force in 2001.

14.5.2. The Rise of Free Trade Agreements

The proliferation of FTA activity in Asia since the 1990s has been the most important recent trend in the region's trade relations (Kawai and Wignaraja 2010). It is significant for a number of reasons. First, these agreements have brought notable changes to the macro-structure of international economic relations in the region and constitute a core element in many Asian countries' trade policies. Furthermore, the now broad spread of these agreements in their various forms has the potential to affect trade and investment flows considerably within the region, not only by removing economic barriers between nations, but also through their shaping of Asia's commercial regulatory environment (Dent 2006). The intensification of FTA activity in Asia also has significant implications for other countries, other regions, and the multilateral trading system more generally. No other part of the world has recently hosted such a growth in free trade agreements.

Asia's early FTA activity centered on its two longest-standing regional organizations, namely the Association of Southeast Asian Nations (ASEAN, created in 1967) and the South Asian Association for Regional Cooperation (SAARC, established in 1985). The SAARC group soon started to negotiate a regional partial-scope agreement, the South Asia Preferential Trading Arrangement (SAPTA), which was signed in 1993 and entered into force in 1995. This was later upgraded to the South Asia Free Trade Area (SAFTA) agreement, which became effective from 2006 (see table 14.2), its ultimate aim being to reduce intraregional trade duties to zero by 2016, with lower income members having an additional three years to comply. Meanwhile in 1992, the ASEAN group²

Table 14.2 Matrix of Asia FTA and Other Trade Agreement Links, Mid-2013

	East Asia																	South Asia					Central Asia								
	Southeast Asia									Northeast Asia								SAARC (SAFTA)													
	ASEAN (AFTA)									NEA-3																					
	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	ASEAN (as group)	China	Japan	South Korea	Hong Kong SAR	Macao SAR	Mongolia	Taiwan	India	Pakistan	Bangladesh	Sri Lanka	Nepal	Bhutan	Kazakhstan	Turkmenistan	Uzbekistan	Kyrgyzstan	Tajikistan	Afghanistan	
Brunei	●	●	●	●	●	●	●	●	●			●							●												
Cambodia	●	●	●	●	●	●	●	●	●			●	●						●	●											
Indonesia	●	●	●	●	●	●	●	●	●			●	●						●	●											
Laos	●	●	●	●	●	●	●	●	●																						
Malaysia	●	●	●	●	●	●	●	●	●			●	●						●	●											
Myanmar	●	●	●	●	●	●	●	●	●																						
Philippines	●	●	●	●	●	●	●	●	●			●	●						●	●											
Singapore	●	●	●	●	●	●	●	●	●		●	●	●						●	●	●										
Thailand	●	●	●	●	●	●	●	●	●		●	●	●						●	●											
Vietnam	●	●	●	●	●	●	●	●	●			●	●												●						
ASEAN (as group)										●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
China										●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Japan	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
South Korea			●	●			●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hong Kong SAR											●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Macao SAR											●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Mongolia											●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Taiwan											●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
India			●	●			●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Pakistan	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Bangladesh																			●	●	●	●	●	●	●	●	●	●	●	●	●
Sri Lanka																			●	●	●	●	●	●	●	●	●	●	●	●	●
Nepal																			●	●	●	●	●	●	●	●	●	●	●	●	●
Bhutan																			●	●	●	●	●	●	●	●	●	●	●	●	●
Kazakhstan									●											●	●	●	●	●	●	●	●	●	●	●	●
Turkmenistan																				●	●	●	●	●	●	●	●	●	●	●	●
Uzbekistan																					●	●	●	●	●	●	●	●	●	●	●
Kyrgyzstan																					●	●	●	●	●	●	●	●	●	●	●
Tajikistan																					●	●	●	●	●	●	●	●	●	●	●
Afghanistan																				●	●	●	●	●	●	●	●	●	●	●	●

Sources: WTO, ADB Asia Regional Integration Centre database, various government and media sources.

Key

- FTA project in development (proposed, studied or in negotiation)
- FTA negotiations concluded or agreement in force
- RCEP party in negotiation with new FTA partner (from May 2013)
- Eurasian Economic Community (EEC) customs union (other nations: Belarus, Russia)
- Regional FTA

agreed to establish a regional FTA by 2010, this being mainly in response to the formation of new regional trade blocs in the developed world—for example, Single European Market; North American Free Trade Agreement—and other parts of the developing world, such as MERCOSUR in Latin America. In Central Asia, Kazakhstan signed a customs union agreement—that is, an FTA plus the adoption of a common external tariff—with Russia and Belarus in 1996 that later became the Eurasian Economic Community (EEC) in 2000. A number of other ex-Soviet republics joined the arrangement, including Kyrgyzstan, Tajikistan, and Uzbekistan, which effectively created a regional customs union among four of the six Central Asian states, Turkmenistan and

Afghanistan being nonparties. Both SAFTA and the EEC are in effect relatively basic regional FTAs, and some members of their respective group memberships have sought more comprehensive bilateral agreements among them, for example India–Sri Lanka and Kazakhstan–Kyrgyzstan.

Up to the late 1990s, the only part of Asia devoid of FTA activity was Northeast Asia. Japan and South Korea had hitherto been renowned for their “multilateral purist” approach, given that GATT had delivered a progressive opening of the international market over succeeding decades, which had played a key role in their export-oriented economic development. At this time FTAs were still regarded in Tokyo and Seoul as a dangerous preferential-oriented deviation from the nondiscriminatory “most favored nation” principles that had underpinned the multilateral trade system. So what changed? Interestingly, Japan and South Korea were the first East Asian nations to propose a bilateral FTA project, this being announced in November 1998 at the inaugural Japan–South Korea Cabinet Ministers Meeting. This FTA project and its associated new diplomatic dialogue were formed largely in response to the 1997–98 East Asian financial crisis to strengthen international economic cooperation and governance between the two countries. A second FTA project was proposed in late 1998 between Thailand and South Korea, born out of similar motivations. A third project, the South Korea–Chile FTA, was also launched during this time, and from South Korea’s perspective can be understood as a response to the crisis, driven by the need to secure new export markets and bolster the country’s new domestic liberal economic reforms. The conditionality attached to the IMF’s US\$58 billion bailout package for South Korea required an opening up of the country’s trade regime, this being accepted by its new reform-minded president, Kim Dae-jung.

By the early 2000s an increasing number of Asian countries were engaging in FTA activity. The failure of the Seattle WTO Ministerial Meeting in December 1999 to launch a new round of global trade talks—the New Millennium Round—compelled many countries to turn to free trade agreements as an insurance policy against multilateral trade system inertia or its possible systemic collapse. This was particularly important for Asia’s export-dependent economies, for which foreign market access was critical. This was occurring in the context of a global proliferation of FTAs, the two main centers of activity at this time being Europe and Latin America. As the decade progressed, Asia’s regional FTA projects—AFTA, SAFTA, and EEC—looked to optimize gains through regional partnerships, but were largely unsuccessful at new trade creation and raising intraregional trade levels. Although ASEAN used AFTA as a basis from to negotiate group-level agreements with other Asian and Asia-Pacific trade partners—China, Japan, South Korea, India, Pakistan, Australia, and New Zealand—as table 14.2 clearly indicates, the vast majority of FTA projects within Asia are bilateral, not regional. The most active players have been Singapore, Japan, South Korea, India, Pakistan, and most recently Vietnam. Table 14.2 also shows that FTA linkages between East Asia and South Asia are strong, whereas Central Asia’s linkages with these regions

are limited, as it prefers instead to develop links with other ex-Soviet republics, such as Ukraine.

Asia's dense pattern of bilateral FTAs—referred to as the “spaghetti” or “noodle bowl” effect—became increasingly recognized as a problem, not least because each agreement was creating its own rules and regulations on trade flows—for example, product-specific rules of origin—and this was causing unnecessarily complex administrative regulation for firms. This explained why firms often did not bother to apply for the preferential tariff advantages of these FTAs, and hence why the usage rates for such agreements were low (Ravenhill 2010). Survey research conducted by the Asian Development Bank found that only 17.3 percent of companies based in Singapore had applied for FTA tariff preferences, while usage rates for Philippines (20 percent), South Korea (20.8 percent), Thailand (24.9 percent), and Japan (29 percent) were also low by international comparison (Kawai and Wignaraja 2011). As this problem became more apparent, so did the calls to rationalize, harmonize, and unite the clusters of bilateral FTAs into large consolidated regional arrangements.

Initial “grand regional” FTA projects to be proposed involving Asian countries arose in the mid-2000s. The Free Trade Area of the Asia-Pacific (FTAAP) was to be based on the membership of the Asia-Pacific Economic Cooperation (APEC) forum—a twenty-one-member economy grouping that comprises most East Asian economies but none from South or Central Asia—and initially proposed by the APEC Business Forum in 2004, championed by the United States from 2006 onward (Dent 2007). Around the same time, the idea for an East Asia Free Trade Agreement (EAFTA) was raised among the membership of the ASEAN+3 group—APT, comprising ASEAN, China, Japan, and South Korea—and primarily championed by China. Closely related to this proposal was the Comprehensive Economic Partnership for East Asia (CEPEA) regional FTA first proposed in 2006, championed by Japan and based on original membership of the East Asia Summit (EAS) group, hence the inclusion of APT nations plus India, Australia, and New Zealand. Although feasibility studies of all three projects were in train by the late 2000s, by 2013 none of the projects had progressed to the formal negotiation stage. Given its very large and highly diverse membership, the FTAAP was seen as too ambitious. Moreover, Asian nations, which made up the bulk of the APEC group, were more interested in the other two Asia-centered proposals (Dent 2010b). Of these, there appeared to be more support for the CEPEA, but Chinese opposition to a Japanese-led initiative resulted in an impasse. As a compromise, the CEPEA regional free trade agreement was rebranded the Regional Comprehensive Economic Partnership (RCEP), which was officially proposed in December 2012, and this time centered on ASEAN and its existing separate FTA links with other RCEP partners. The first round of RCEP negotiations took place in May 2013 with a view to reaching agreement by 2015.

In the meantime, the focus on establishing a Pacific-based regional FTA switched from the FTAAP to the Trans-Pacific Partnership (TPP). This evolved out of the

initial sector-based engagement of the United States in an expanded quadrilateral Trans-Pacific Strategic Economic Partnership Agreement (TPSEPA), its original members being Singapore, New Zealand, Chile, and Brunei, and in force since 2006. As talks progressed, the United States inevitably exercised its hegemonic power and exerted considerable influence over the shape and nature of negotiations in alignment with its own well-defined FTA template. To date, TPP talks have expanded to cover twenty-nine sectors, many of the most important and also most contentious being areas of commercial regulation. Membership has also grown to include twelve countries—in addition to those already mentioned: Malaysia, Vietnam, Australia, Canada, Mexico, Peru, and Japan. The initial deadlines for concluding the TPP by November 2011 was missed. By May 2013, seventeen rounds of TPP talks had already occurred, above the average for even complex bilateral FTAs, but this was a regional arrangement involving a diverse array of trade partners with notable political-economic differences (Capling and Ravenhill 2011; Gordon 2012; Kolsky-Lewis 2011; Solís 2012). The most likely outcome of any final TPP deal appeared likely to comprise a matrix of bilateral deals packaged within a generic, basic TPP agreement. Given that its twelve members already have a large number of existing bilateral or regional FTA arrangements in force between them—thirty-eight out of a possible sixty-six bilateral FTA link permutations—questions obviously arise concerning the extra value an agreement would possibly add. It is difficult to foresee developing Asian countries like Malaysia and Vietnam signing up within the TPP to any rigorous commercial regulatory provisions, for example, on intellectual property rights and government procurement.

Whereas the TPP is being largely driven by the United States' overtly liberal behind-the-border market access approach to FTAs, the Asian approach places greater emphasis on creating broader economic partnerships, wherein a wide range of economic and technical cooperation provisions is incorporated into the agreement that are invariably aimed at development—and also trade—capacity building. We may expect the path of future RCEP talks to adhere strongly to this approach, as its name suggests. Both Japan and China, in their own ways, prescribe to economic partnership FTAs, although the contents of their respective agreements negotiated to date are nonetheless notably different. The RCEP also involves India, which is likely to open the door to other South Asian states such as Pakistan and Sri Lanka to join the arrangement in the future. In addition, Asia's first, second, and fourth largest economies—China, Japan, and South Korea—held their first exploratory round of Northeast Asia trilateral FTA negotiations in March 2013. In the meantime, Southeast Asian countries are working to establish the ASEAN Economic Community (AEC) arrangement, which aims to create deeper common-market style integration beyond AFTA. Asian nations are also simultaneously negotiating additional bilateral FTAs with each other. In sum, it appears that multiple layers of FTA diplomacy continue to shape the contours of Asia's trade relations, and the long-term impact of this on trade patterns and practice remains unclear.

14.6. CONCLUSION: EMERGING ISSUES AND THE FUTURE OF EAST ASIA'S TRADE

There have been many dynamic changes that have occurred in Asia's trade over the last few decades, and there is every reason to expect that more dynamic change will arise in future years. This concluding section identifies six key emerging issues in this regard. The first deals with climate change, and concerns the shift toward lower carbon development strategies. Asian countries are beginning to invest heavily in green economy sectors such as renewable energy, pollution abatement, new material science, fuel cells, and electric vehicles. Governments from the region are also devising new strategies to lower carbon emissions—for example, South Korea's Green Growth Strategy; Japan's New Growth Strategy—to deal with the ever palpable risks posed by climate change and other environmental problems. Green industry trade is becoming increasingly prominent in Asian import and export trade, and is set to strengthen as the region invests more in this area (Dent 2012). For example, under its Green Growth Strategy, South Korea's government has set targets to increase green exports from 10 percent of the national total in 2009 to 22 percent by 2020, and to 35 percent by 2050. The Strategic Emerging Industries element of China's twelfth Five-Year Plan is a US\$610 billion-funded program to promote clean development and a new industry base that includes a number of green economy sectors: energy-saving and environment protection, renewables, and alternative energy vehicles. Trade disputes related to the region's green industries—for example, solar panels, wind turbines, rare earth elements—are gaining prominence, and are likely to become a more common feature of Asia's trade relations in the future.

Second, what might we expect regarding the future evolution of regionalized trade development? IPN investing firms are already beginning to relocate production from higher wage areas of China—for example, Guangdong province—to Vietnam and other relatively lower-cost countries in Asia. This trend not only includes Southeast Asia—Cambodia, Laos, and possibly Myanmar in the future, depending on new economic reforms—but also South Asia, including countries such as India, Pakistan, and Bangladesh. The gradual extension of IPN linkages toward South Asia has been slowly building, thus also extending East Asia's deep trade regionalization further to the west. Hitherto, South Asian intraregional trade—around 10–12 percent—has lagged far behind East Asia's—around 50–55 percent—but the “flying geese” pattern of trade development centered on East Asia may increasingly integrate the two regions over time.

Third, services sector trade and investment is likely to grow in importance owing to advancements in ICT infrastructure and human capital development that to date have already enabled Asian nations to attract outsourced low-cost services, including call centers, back-office accounting and financial analysis, software design and maintenance, telemarketing, legal document records management, patent filing, and medical x-ray analysis. As language proficiency and other human skills required in these sectors

improve, so Asian economies will further develop their competitive advantage and sell these service products overseas (Kang et al. 2010). Value-added professional services are another emerging trade sector, including education, medical services, tourism, engineering, accountancy, and law. According to the World Tourism Organization, Asia's global share of the foreign tourism market is set to increase from 18.9 percent in 2008 to 25.4 percent by 2020, the main increase in which will be growth in Asia's intra-regional tourism (Nomura Global Economics 2010).

Fourth, it is already apparent that resource security issues are influencing Asia's trade and trade relations, and this is anticipated to become increasingly critical. Asia's rapid industrialization has been a very material-intensive process, requiring burgeoning increases in natural resource inputs as the region emerges as a global production center. Despite improvements in economic efficiency, Asia faces a new set of resource-related challenges, especially now that natural resources in the region are fast depleting and its countries increasingly have to import raw materials from other parts of the world (Dent 2013). Key resource sectors here are energy, food, and industrial metals and minerals such as copper, cobalt, and magnesium. Asia accounts for half of the world's population and its expanding middle classes are demanding higher calorific food, especially meat, which requires much higher resource commitments—for 1 kg of meat produced, around 3 kg of grain and 16,000 liters of water are needed. Asian demand for imported food will grow, facilitated by advances in supply chain logistics and cold storage transportation technology, applying greater pressure on global food security. The region's energy trade is also expected to expand, particularly as China seeks to raise its still large number of poor out of poverty by extending the electricity grid into remote underdeveloped areas of the country. Over the 2000s, China alone accounted for 50 percent of new oil demand globally. As noted earlier, the abundant natural resources of Central Asian countries are already making them strategically very important trade partners for other Asian states.

The rise of the Asian consumer is the fifth emerging issue. The continent's fast-growing and increasingly rich and well-traveled middle classes are making a significant economic impact, both within and outside the region. In many countries, governments are introducing policies to stimulate domestic consumption, most importantly in China. In response to the 2008–9 financial crisis, many Asian governments embarked on ambitious fiscal stimulus programs aimed at boosting domestic demand to compensate for falling consumption levels in crisis-afflicted developed economies (Nomura Global Economics 2010). Consequently, Asian consumers have been purchasing more finished goods produced within the region than before. The further expansion of a progressively richer middle class in East Asia is expected to boost this trend over the longer term (Dobbs 2013). This has led to the idea of the “decoupling” of the Asian trade-production system and rich Western markets, although Western consumer demand is likely to remain a core aspect of this system. Rising domestic consumption will have differentiated effects on Asian trade, depending on consumer behavior, and the net balance of these effects is not yet clear. Rising Asian domestic consumption could further deepen intraregional trade if it is directed toward

Asian-made products, or it may raise extraregional trade if Asian consumers show a strong desire for prestigious products made in the West.

Sixth and last, free trade agreements face an uncertain future. Despite attempts to merge the heterogeneous mass of bilateral FTAs into harmonized and overlapping grand regional arrangements—for example, RCEP, TPP—there is no assurance that the objective of a simpler system will be realized. The political-economic diversity of Asia and the wider Asia-Pacific makes the task inherently very difficult. Certain bilateral FTAs may be transformed into expanded arrangements for economic cooperation and integration that gradually evolve through progressive review processes of each agreement (Dent 2010b). This transformation may establish deeper commitments to commercial regulation, or new trade-related provisions on issue-linkage areas such as resource security, for example, energy, food (Wilson 2012).

Generally speaking, Asia will continue to have profound effects on the global trading system at the micro level in terms of business-to-business trade, at the macro level concerning the structure of international government-to-government trade relations, and regarding systemic changes and developments as a whole, for example, relating to fundamental questions of how trade is conducted, what new trade sectors will emerge, and how trade is inextricably linked to key global challenges facing humanity in the twenty-first century, such as climate change, poverty alleviation, and energy security.

NOTES

1. Afghanistan, Bhutan, Kazakhstan, Turkmenistan, and Uzbekistan are not yet members.
2. Association of Southeast Asian Nations, comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

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CHAPTER 15

THE RISE OF FINANCIAL COOPERATION IN ASIA

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THIS chapter surveys the development of financial integration and regionalism in Asia and the dominant analytical perspectives on these phenomena. It addresses key contested questions regarding the meaning, effectiveness, and impact of Asian financial cooperation efforts in both regional and global contexts. While regional integration has progressed significantly in terms of through trade and direct investment, financial integration has lagged. Most progress in financial integration to date has been driven by the need to support regional production networks in East Asia (see Ravenhill chapter). Formal financial cooperation, meanwhile, has emerged as an important story only since the Asian financial crisis (AFC) of 1997–98.

The chapter begins in section 15.1 by addressing the history and development of Asian regional financial integration and cooperation, focusing in particular on the regional cooperation efforts in East Asia. Section 15.2 then reviews functionalist, constructivist, and realist perspectives on those patterns of cooperation. Section 15.3 examines the major points of disagreement on the character of cooperation efforts. Finally, section 15.4 outlines the implications of patterns of financial integration and cooperation in Asia at the national, regional, and global levels.

15.1. HISTORY AND DEVELOPMENT OF EAST ASIAN REGIONAL FINANCE

15.1.1. Regional Financial Integration

The rapid growth of Asian regional production networks since the mid-1980s has not been paralleled by equivalent financial integration (García-Herrero, Yang, and

Wooldridge 2008, 39). Looking at gross flows of capital, it is striking that only a quarter of regional foreign portfolio investment goes to other Asian countries, as compared to over half of trade. Roughly half of the intraregional portfolio investment share is accounted for by Hong Kong and Singapore; given that those markets function as intermediaries for funds from around the world, the share of intraregional portfolio investment is ultimately much smaller (Runchana and Unterberdoerster 2011). Cross-border banking in Asia also remains at a much lower level than in Europe, the most integrated region. The correlation of regional financial returns is another way of gauging integration, as asset price convergence would suggest greater regional openness. Returns in Asia have converged to a degree, but it appears that this has been more due to globalization than to regionalization.

This lack of financial integration is not particularly surprising, given the number of emerging markets in the region and the mercantile policies preferred by many Asian economies in the postwar/postcolonial period (Deyo 1987; Wan 2008). Many governments in South, Central, and East Asia maintain significant capital controls, which retard cross-border investment (Walter 2008). Even in economies where most capital controls have been removed, such as Japan, investors complain that there remain informal barriers to cross-border investment.

15.1.2. Precrisis Efforts at Cooperation

Before the Asian financial crisis of 1997–98, regional financial cooperation between official actors was limited, reflecting low levels of both financial integration and political will. In its aftermath, however, ambitious plans for regional financial cooperation developed quickly among the ASEAN+3 countries.

There were some efforts even prior to 1997 to realize financial cooperation in Asia. The earliest regional financial organizations include two central bank groups: SEANZA (Southeast Asia, New Zealand, and Australia) and SEACEN (South East Asian Central Banks), which date to 1956 and 1982 respectively. These groups are broadly representative of Asia, and include such members as Bangladesh, Mongolia, Nepal, Sri Lanka, and Fiji. However, they have had limited significance in terms of supporting financial integration or policy coordination.

The Japanese government became active in East Asian financial integration from the late 1980s. Japanese-led initiatives included the Executives' Meeting of East Asia–Pacific Central Banks (EMEAP), the Japan-ASEAN Finance Ministers' Meeting (Japan-ASEAN FMM), the Asia-Pacific Economic Cooperation Finance Ministers' Meeting (APEC FMM), and the Four Markets Group and Six Markets Group (Hamanaka 2011). EMEAP was the most consequential and lasting of these, beginning with a 1990 proposal by the Bank of Japan to counterparts in ASEAN, South Korea, Hong Kong, Australia, and New Zealand, with China joining later. There were at times ambitious notions of what EMEAP could and should accomplish—for example, in 1995, Reserve Bank of Australia governor Bernard Fraser called for EMEAP to become

a regional equivalent to the Bank for International Settlements, with its own assets and ability to manage funds. Hamanaka (2011, 80) claimed that by 1996 it was “a virtual establishment of an Asian version of the BIS [Bank for International Settlements] proposed by Fraser, though EMEAP did not have its own balance sheet.”

The reality of EMEAP, which does not even have a secretariat, has been much more modest. Aside from its one major initiative, the Asian Bond Fund (ABF, discussed in section 15.1.5 below), it has been primarily a forum for facilitating discussion of such as monetary policy, financial regulation, and payments systems, as well as having issued “Red Books” on payments systems in each member country, and a small number of joint reports.

The other pre-AFC Japanese initiatives survive only as pro forma meetings. Hamanaka (2011), who provides a relatively upbeat appraisal of their importance, argues that a basic problem has been involvement of the United States in regional cooperation, which reduced the attractiveness of such cooperation for Japan. While this may help us to make sense of Japanese policymakers’ preferences, the primary issue was the lack of demand for serious cooperation. Potential emerging market members have been reluctant to accept externally driven goals for financial policy and integration in the absence of significant incentives to cooperate. Japan was unable to provide such incentives; thus, with the exception of the Chiang Mai Initiative, the groups that have excluded the United States have had as limited impact as those that included it (Grimes 2009).

15.1.3. Asian Monetary Fund Proposal and Aftermath

The onset of the Asian financial crisis challenged complacency regarding the capacity of the global financial architecture—as exemplified by the IMF—to address the needs of East Asia. South Asia, which was less financially integrated regionally and globally and did not suffer in the same way from contagion, has had less reason (or resources) to resort to regional financial mechanisms. In the midst of deep dissatisfaction with the pace, size, and conditionality of IMF-led bailouts, the Japanese government unexpectedly proposed the creation of an Asian Monetary Fund (AMF) that could extend up to \$100 billion in emergency liquidity quickly and without strict conditions to economies facing currency crises (Blustein 2002; Sakakibara 2000; Lipsky 2003; Lee 2008; Sheng 2009; Hamanaka 2011). The fund would have specifically excluded the United States and would have had the capability of acting independently of the IMF. Strong US and IMF opposition, in addition to wariness on the part of China, prompted Japan to withdraw the proposal, but not to abandon the concept of a regional liquidity mechanism.

US and IMF officials have stated repeatedly that their objection to the proposal was over the potential for moral hazard: if member states knew that they would receive large-scale lending without conditions in the event of a currency crisis, they would be more willing to take risks with regard to macroeconomic and financial policies, eventually leading to more frequent and severe crises. Other observers have been skeptical

that this was the main concern—rather, they have argued that the United States was primarily concerned over loss of hegemony in East Asia, while the IMF feared loss of its global monopoly on the provision of emergency finance (Narine 2003; Lee 2008; Hamanaka 2011).

After the withdrawal of the AMF plan, the Asian financial crisis continued to spread. Other plans for regional cooperation appeared in the midst of the chaos. The first was the Manila Framework Group (MFG), a subset of APEC members—including Japan, the United States, Australia, Hong Kong, and several ASEAN countries—whose governments agreed to carry out surveillance for threatened economies. Although no funds were guaranteed in the event that a country suffered a currency crisis, MFG was premised on the concept of preconditionality—that is, there was an implicit understanding that MFG members would contribute to bailouts if necessary for economies that were implementing responsible policies (Henning 2002; Grimes 2009; Sheng 2009; Hamanaka 2011). Most authors dismiss the Manila Framework as an attempt by the United States to demonstrate that it was trying to contribute to the resolution of the crisis, with Japan participating unenthusiastically. The MFG was quietly disbanded in 2003 at the request of the United States.

Meanwhile, in 1998 the Japanese government announced the New Miyazawa Initiative (NMI), a \$30 billion plan to support economies in crisis and to help them to obtain funding for long-term projects (Katada 2001, 183–86; Institute for International Monetary Affairs 2002; Hayashi 2006, 99–102; Grimes 2009). While NMI was not an example of multilateral cooperation *per se*, it contained several elements that appeared in later initiatives, including bilateral swap agreements (BSAs) and credit guarantees to stimulate government debt markets.

15.1.4. Chiang Mai Initiative

In May 2000, the ASEAN+3 finance ministers announced the establishment of the Chiang Mai Initiative as a mechanism to provide emergency liquidity to member countries experiencing currency crises. The original CMI was constituted as a network of bilateral swap agreements with a nominal total of \$40 billion, although there was no uniformity in terms of reciprocity, currency, or conditions (Henning 2009; Amyx 2004; Grimes 2006, 2009). The one condition that all the agreements shared was that only 10 percent (20 percent from 2005) of the amounts of BSAs could be made available until the crisis country commenced good-faith negotiations with the IMF. This “IMF link” was a point of annoyance for potential borrower countries and has been the subject of fierce debate among analysts and policymakers, but it has remained an enduring feature of CMI, even after “multilateralization” and three rounds of expansion.

Initially, CMI was criticized for being too small and timid, but its agreed size has increased sixfold as of October 2012. The initial amounts were doubled following an agreement by ASEAN+3 finance ministers in Istanbul in 2005, then increased by 50 percent in 2010, and will double again to a total of \$240 billion subscribed funds

(Grimes 2011a, 2011b; ASEAN+3 Finance Ministers 2010, 2012). The agreement in 2012 also increased the share of funds not subject to the IMF link to 30 percent, with a plan to increase the share to 40 percent in 2014, “subject to review should conditions warrant” (ASEAN+3 Finance Ministers 2012). As of August 2012, the economies most likely to require access to CMI funds (i.e., the middle-income, financially open ASEAN economies of Indonesia, Malaysia, the Philippines, and Thailand) could draw a theoretical maximum of \$22.76 billion apiece, far above their IMF quotas, which ranged from \$1.54 billion (Philippines) to \$3.14 billion (Indonesia).¹ Even given the expansion of IMF lending limits during the first decade of the twenty-first century, Chiang Mai emerged as a substantially larger potential provider of currency crisis funding.

As of May 2013, no country had requested or received funding through the CMI mechanism. Thus, essentially every aspect of both the original scheme and the “multilateralized” version remained untested. That said, the rules and processes of fund disbursement can easily be summarized. The original system, the BSA network, was designed so that a country experiencing a currency crisis would become immediately eligible to draw on the full amounts of its BSAs once it entered negotiations with the IMF to establish a standby agreement.² Thus, the support would initially function as bridge funding until an agreement with the IMF could be concluded. At that point, the CMI funds would be supplemental to the IMF agreement and piggyback on IMF conditionality. The basic functions of bridge and supplemental funding remained in place with CMI Multilateralization (CMIM) as well.

The 2009 agreement—implemented in 2010—to increase funding commitments and “multilateralize” CMI sought to address perceived existing shortcomings. It also called for the establishment of the ASEAN+3 Macroeconomic Research Organization (AMRO, discussed in section 15.1.6 below), which was tasked with improving multilateral surveillance among the East Asian economies. Expansion addressed concerns about the magnitude of rescue funds, although the global financial crisis—and even more so, the eurozone crisis—soon threw into question whether the new level of funding would be sufficient. Multilateralization formally transformed CMI into a reserve pooling arrangement, with stricter requirements for providing funds in the event of a currency crisis. It standardized the lending agreements and conditions for all CMI participants and established a formula for how much each country could access. It also established a system of weighted voting for decisions concerning disbursement, with voting shares assigned to each country based on their financial commitment (ASEAN+3 Finance Ministers 2010).

While the 2009 agreement was clearly a big step for the ASEAN+3 states, it is important to note what it did not do. First, it did not eliminate the IMF link in favor of an autonomous decision-making process based on weighted voting. Instead, the commencement of negotiations with the IMF remained a precondition for a vote by participating countries on whether to disburse linked funds. Second, “reserve pooling” did not imply common management of committed funds. Rather, each country continued to manage its own foreign exchange reserves autonomously, but formally committed a specific amount for CMIM purposes. Finally, although the governments committed to

an enhanced surveillance mechanism in the form of AMRO, disbursement of CMIM funds was not formally linked to regional surveillance.

The global financial crisis of 2008–9 and the eurozone crisis of 2010–12 revealed two major challenges to the ASEAN+3's approach to emergency liquidity provision, even after the multilateralization and quota expansion implemented in 2010. First, in order to access the bulk of funds to which a given country was entitled under CMIM, it would still have to enter into negotiations with the IMF, which would likely be a catastrophe for a financially open major economy like South Korea or Singapore, as capital flight and global trade disruption would almost certainly ensue (Kawai 2009; Grimes 2011a, 2011b). The Korean funding crisis in the fall of 2008, which was resolved by the establishment of a dollar swap line with the US Federal Reserve, highlighted the problem that even a well-managed economy could come under funding pressure in a crisis due to contagion.

Second, the failure of European Union multilateral surveillance to detect Greek economic mismanagement and malfeasance shook East Asian confidence in the ability of a regional surveillance mechanism to detect and prevent crises (Grimes 2011a, 2011b). Subsequent crises in Ireland, Portugal, and Spain raised further concerns.

In response, in 2012 the ASEAN+3 finance ministers agreed to several major enhancements of CMIM (ASEAN+3 Finance Ministers 2012), including the increase in committed funds and reduction of the IMF link noted above. More fundamentally however, in order to address the kind of problem that South Korea had encountered in 2008, they agreed to establish a new facility called the Precautionary Line (CMIM-PL), which could be extended without strict conditions or IMF involvement to countries that had demonstrated responsible macroeconomic and financial management. The establishment of dual tracks for crisis prevention and management made obvious sense from a functional point of view; however, it also appeared to divide the ASEAN+3 states into two classes—those deemed responsible or systemically important and those deemed irresponsible. This move may negatively affect regional political solidarity in the longer term, as it could force Japan and China to make divisive decisions as to which countries qualified for the CMIM-PL and which would have to go to the IMF (Grimes 2011a, 2011b).

15.1.5. Bond Market Initiatives

Some Asian economies have also sought to use regional cooperation to transform domestic financial markets. With the exceptions of Hong Kong and Singapore, Asian economies in the postwar/postindependence period have tended to rely much more on banks than on capital markets. Indeed, many analysts of the developmental state argued that bank-based finance offered significant advantages for industrial policy implementation (Johnson 1982; Zysman 1983; Woo 1991; Aoki and Patrick 1994). Not surprisingly, financial market liberalization came relatively late to the region. In East Asia, where liberalization of local financial markets has progressed much further than

in other parts of Asia, it began slowly in Japan in the mid-1970s and in Taiwan and South Korea approximately a decade later. But by the early 1990s, financial liberalization accelerated rapidly in Southeast Asia and South Korea, with the encouragement of the IMF, the US Treasury, and multinational financial institutions (Wade 1998; Wade and Veneroso 1998).

Reforms included significant reductions in capital controls, resulting in inflows that contributed to the erosion of export competitiveness and the creation of asset bubbles. Financial reforms also made it much easier for private-sector actors to borrow externally in order to fund projects at home, allowing Thailand and other countries to develop a substantial “double mismatch”: in the aggregate, they were borrowing short-term in dollars to fund long-term domestic projects (Goldstein 1998; Ito and Park 2004; Arner et al. 2006). The dangers of the double mismatch were demonstrated in 1997 with the AFC.

While many critics identified excessive liberalization of financial markets as a prime cause of the crisis (Sakakibara 1998), another group of policymakers and scholars had a very different interpretation (Ito and Park 2004; Ghosh 2006; Gill and Kharas 2006; Plummer 2009). They argued that the double mismatch had developed not only because of the ease of moving money across borders, but also because of the inadequacy of local financial markets, which made domestic funding opportunities unattractive. In particular, they pinpointed the lack of well-developed bond markets as a problem for savers, borrowers, and basic interest rate formation. Instead of advocating a reversion to closed, bank-based financial systems, they called for regional efforts to support the development of local-currency bonds.

Regional efforts have taken two main forms: ASEAN+3’s Asian Bond Markets Initiative (ABMI) and EMEAP’s Asian Bond Fund (ABF) (Ghosh 2006). There have also been initiatives by APEC and the Asian Cooperation Dialogue (ACD, a pan-Asian grouping including members from East Asia, Central Asia, and the Middle East), but these have had little or no practical impact.

ABMI was begun in 2003 with the dual mission of improving local-currency bond markets and creating region-wide bond markets. Most of ABMI’s efforts have been conducted through working groups that address bond market shortcomings in member economies, ranging from regulation to market infrastructure (Ghosh 2006; Kharas and Gill 2007; Grimes 2009). However, ABMI has not provided incentives to accelerate liberalization. Thus, ABMI guidance to member governments regarding financial governance and bond markets has been based on domestic agendas, and progress has been self-paced.

The basic model of ABMI has been what one Japanese author has called the “Field of Dreams” approach—“if you build it, they will come” (Kimura 2006). While governments could improve market infrastructure and rules, there could be no guarantee that reforms—which could be costly or politically painful—would invigorate local financial markets. ABMI did include limited efforts to jump-start demand—for example, encouraging multilateral organizations to issue local-currency bonds—in addition to removing obstacles to bond market growth, but such pump-priming has

not had impressive results (Oh and Park 2006; Grimes 2006, 2009). Meanwhile, the 2012 finance ministers' communiqué called for a substantial Credit Guarantee and Investment Facility for local-currency bonds, significantly expanding a small-scale ADB program. However, no details were offered regarding size, conditions, or timing.

ABF is a program to invest EMEAP foreign exchange reserves in the government bond markets of emerging economy members (ASEAN-5, China, Hong Kong, and South Korea), but it is more useful to think of it as a broader initiative consisting of four components (Takeuchi 2006; Ghosh 2006; Chan et al. 2012). In the first round of ABF investing (ABF1) in 2003, the EMEAP central banks invested a cumulative total of \$1 billion of their foreign exchange reserves in the dollar-denominated sovereign debt of EMEAP emerging markets. The second component (ABF2) was a \$2 billion cumulative investment by the EMEAP central banks in 2004, this time in local-currency government bonds of EMEAP emerging markets. By 2011, the total value had reached slightly over \$4 billion. The third component was the 2005 creation of a parallel set of local-currency bond funds into which private-sector actors from around the world could invest. At the time that the private-sector funds were established, there were high hopes that they would become attractive means of luring global investors into local-currency bond markets, but the actual results have been desultory.³

The final and probably most important component has been the extensive efforts among the central banks to improve bond market regulation, supervision, and infrastructure in the targeted markets (Ma and Remolona 2005; Takeuchi 2006). EMEAP's website emphasizes this aspect:

In particular, the ABF2 project involves EMEAP central banks taking part, in partnership with the private sector, in product design, execution and promotion. This approach has enabled all EMEAP central banks to gain an in-depth understanding of the market structure, regulatory system and impediments to financial intermediation of all other EMEAP economies.⁴

In order to establish the funds, justify ABF1 and ABF2 as foreign exchange reserves under BIS accounting rules, and make the private-sector funds accessible to foreigners, ABF negotiations delved deeply into the legal and practical infrastructure of the countries' financial markets, and stimulated reforms in several of them. As a central bank initiative, ABF's approach to liberalization was posed as technocratic rather than politically driven.

Asian local-currency bond markets have expanded considerably in the post-AFC period, and regulation and market infrastructure have been significantly improved. Moreover, measures of currency mismatch suggest that the ASEAN+3 economies became much less vulnerable to a crisis like the AFC. What is less obvious is the role regional cooperation has played in those changes. While it is plausible that technical cooperation and communication may have contributed to bond market development in some countries, there is little evidence to suggest that governments moved at a faster pace because of ABMI or ABF. Rather, the inability of leading states to provide public goods in the form of either rewards for compliance or negative inducements for

noncompliance has meant each government has progressed at the pace that has best served its political and economic situation (Grimes 2009).

15.1.6. Regional Surveillance and Communication

A major objective of post-1997 regional cooperation in East Asia has been to improve communication and surveillance and to build personal networks. ASEAN+3 and EMEAP have seen some important successes, particularly in terms of communication.

Some of those accomplishments have been obscured by the portrayal of the highest profile initiatives as “multilateral surveillance.” Multilateral surveillance suggests mutual goal-setting, objective scrutiny of governments’ achievement of those goals, and the imposition of consequences for nonattainment of those goals. If regional financial arrangements are judged on the basis of how far they have moved in the direction of effective multilateral surveillance, they are at best a work in progress. However, communication and dialogue have progressed greatly since the AFC, when Asian finance ministry officials often did not even know who their regional counterparts were.

As noted in section 15.1.1, the oldest of the regional financial groups are the pan-Asian SEANZA and SEACEN, which provide forums and capacity-building opportunities for central banks (McCauley 2003). Other regional and cross-regional efforts were established after the Asian financial crisis. The Asia-Europe Meeting (ASEM) Finance Ministers’ Meeting dates to 1996; as of August 2012, its Asian members were the East Asia Summit countries plus India, Pakistan, and Mongolia. ASEM, whose most active days were in the early 2000s, has sponsored policy-oriented research and has established forums for communication as well as an ASEM Contingency Dialogue Mechanism for Emergent Economic and Financial Events. Nonetheless, it is difficult to point to any concrete accomplishments by ASEM (Yeo 2003; Robles 2008). Beyond East Asia, the South Asian Association for Regional Cooperation (SAARC) established SAARCFINANCE as a regional consultative group on macroeconomics and finance in 1998, also with apparently modest results.

The most ambitious regional efforts have been in East Asia. Formal ASEAN+3 surveillance efforts have focused first on Economic Review and Policy Dialogue (ERPD), and since 2011 on the ASEAN+3 Macroeconomic Research Office, both of which are associated with the Chiang Mai Initiative (Girardin 2004; Takagi 2010). From the time of CMI’s establishment, there have been differing opinions among ASEAN+3 members as to the appropriate extent and function of regional monitoring of macroeconomic and financial policies; both ERPD and AMRO represent compromises between member states’ sovereignty concerns and more ambitious plans for regional coordination.

The centerpiece of ERPD has been off-the-record discussions at the ministerial level at each of their semiannual meetings. ERPD was specifically not set up with enforcement powers, although some participants hoped it would exert moral suasion. While participants have praised ERPD discussions as frank and useful, it is not really possible to verify either the quality of the dialogue or its impact.

In terms of attention, ERPD has been superseded by AMRO since its establishment in 2011. AMRO appears to reflect the victory of proponents of more rigorous and meaningful regional surveillance, many of whom have seen it as eventually offering a regional alternative to CMI's reliance on the IMF link (Girardin 2004; Kawai and Houser 2007; Kawai 2010; Takagi 2010). AMRO is described on its website as

the regional macroeconomic surveillance unit of the Chiang Mai Initiative Multilateralisation (CMIM) of the ASEAN+3 members. AMRO's purposes are to monitor and analyse regional economies and to contribute to early detection of risks, swift implementation of remedial actions and effective decision-making of the CMIM.⁵

As of May 2013, it had been in existence for less than three years and its website cited only eleven staff members, so it is not yet possible to assess its impact. That has not prevented analysts from making predictions, however. Proponents of reducing IMF influence in CMIM have published a variety of blueprints suggesting that an autonomous, professional group of economists will be able to carry out effective surveillance in order to provide guidance to ASEAN+3 governments regarding appropriate macroeconomic and financial policies and potentially to shape CMIM disbursement decisions. The agreement to create the Precautionary Line further raised the profile of AMRO. Other analysts, including this author, have been more skeptical about the feasibility of such ambitions, expressing doubts about the effectiveness of surveillance by AMRO's small professional staff, and the potential for AMRO economists appointed by often nondemocratic member states to provide politically disinterested analysis and judgment (Grimes 2011a, 2011b).

The Asian Development Bank has also developed an ambitious regional agenda in terms of supporting financial cooperation through research and communications. The Office of Regional Economic Integration (OREI) tracks and supports a variety of economic integration efforts across Asia, including through its Asian Regional Integration Center (ARIC) website and Asian Bonds Online, an information clearinghouse created to support ABMI. Meanwhile, the Asian Development Bank Institute (ADBI, ADB's affiliated think tank) has taken a lead in creating forward-looking plans for further regional integration and cooperation, as well as bringing together academic and policy researchers.

Finally, in the wake of the Asian financial crisis, the IMF and BIS established regional offices in Tokyo (1997) and Hong Kong (1998) respectively. The IMF office has been involved mostly in economic monitoring in the Asia-Pacific region and has also had a direct role in CMI's Economic Review and Policy Dialogue. The BIS Hong Kong office has provided high-quality analysis of financial issues in the region, much of which is relevant to efforts such as ABMI. It has also been involved in supporting EMEAP and other regional central banks in a variety of functions, including as manager of ABF1, administrator of ABF2, and secretariat of the Asian Consultative Council (ACC), a governor-level mechanism for the BIS to maintain communications with Asia-Pacific central banks (McCauley 2003).

15.2. PERSPECTIVES AND ANALYSES

While there is no question that the Asian financial crisis was a pivotal moment in East Asian financial cooperation, the reasons have been difficult to disentangle and the debate over the major drivers continues. In many cases, divisions reflect analysts' differing analytical traditions—functionalist, constructivist, and realist. They also reflect the writers' policy preferences. Some of the best analyses of financial integration and cooperation have been produced by participants in the process who hold strong normative points of view of what financial regionalism should comprise (Nemoto 2003; Kuroda and Kawai 2003, 2009).

The crisis clearly demonstrated the inadequacy of existing arrangements for dealing with the problems faced by East Asia's open economies in a world of globalized finance (Zhang 2005; Calder and Ye 2004). Frustration with the IMF's response and fears of future contagion led functionalist writers and policymakers to seek regional solutions that would guarantee sufficient funds and adequate attention to the circumstances of the East Asian economies.

The AFC also set in motion what Higgott (1998) called the "politics of resentment," which remained a constant undertone of regionalism in ensuing years. While there is no doubt about the anger and frustration in crisis countries, analysts have differed as to its character and content. One major current of the literature argues from a constructivist point of view that the crisis made immanent a clash of identities that had been festering for years. Lee (2006, 2008) argues that the AMF proposal grew out of realization by Japanese policymakers that they had a fundamentally different view of the roles of government and economy than did the United States. In this reading, the financial crisis was a tipping point that forced a confrontation with the American-led world order. Although Japan lost that round, the CMI process can be seen as a step-by-step progress toward a regional system that does not rely on the beneficence of the United States (Yu 2003).

Realists also see confrontation between the United States and East Asia as central to the move to regional financial cooperation. However, rather than focusing on ideas and identity, they focus on power. An example of this approach can be seen in works that present CMI as a credible threat to the global monopoly of the IMF (Katada 2004; Grimes 2006, 2009). In this interpretation, the CMI creditor countries would be able to benefit from third-party enforcement via the IMF link, but at the same time could shape the behavior of the IMF in an Asian crisis because they would maintain a credible threat of exit. I have also argued that Japan and its East Asian partners have sought in their regional financial initiatives to band together to constrain the United States, which has in the past used its structural power in currency politics and international organizations to shift onto its trading partners some of the costs of its massive domestic consumption and global military reach (Grimes 2009).

15.3. KEY ISSUES AND OPEN QUESTIONS

While different approaches converge when considering the broad picture of responses since the AFC, there is divergence when it comes to specifics. Scholars and policymakers have repeatedly debated a small set of key issues on which interpretations remain divided. These include membership, leadership, scope, and enforcement. Most of the major debates have focused on the Chiang Mai Initiative, although they apply to other aspects of financial cooperation as well.

15.3.1. Membership and Leadership

A central question for many writers has been patterns of inclusion and exclusion—most importantly, whether the United States is in or out (Bowles 2002; Lee 2006, 2008; Hamanaka 2009, 2011). This debate is not new; rather, it is partly a continuation of the broader argument of whether regionalism should focus on East Asia or the Asia-Pacific that dates at least to the late 1980s (Funabashi 1995; Kohsaka 1996; Ravenhill 2001; Ōba 2004).

While functionalist approaches to defining Asian economic regions do exist (e.g., Munakata 2004), membership is more typically understood to be a political question of how to handle the United States (Ravenhill 2010). On the power politics side, the key analytical question across issue areas has been whether the benefits of having the United States as a member—increased resources, better relations with global institutions—outweigh the negative effects of the US tendency to exert undue influence. Of course, if the purpose of a grouping is to act as a counterweight to US power in a given issue area or to act as a credible hedge against US or IMF actions, as with CMI, it would be essential to exclude the United States.

Other authors emphasize policy issues or worldviews. Lee (2006, 2008) argues that Japan's AMF proposal developed from Japan's "challenge to the American neoliberal world order." The idea that there is a growing East Asian identity that naturally excludes the United States is also a common argument among those authors who are writing from a Southeast Asian perspective (Bello 1998; Stubbs 2002).

Membership is also inextricably tied to the question of leadership. Hamanaka (2009, 2011) argues that even before the Asian financial crisis, the Japanese government consistently sought to exclude the United States from financial cooperation efforts and quickly lost interest in those (such as the APEC Financial Ministers Meeting and the Six Markets Group) in which US participation could not be prevented. For Hamanaka, the Japanese preference for excluding the United States stemmed from a desire to exert leadership.

Looking at ASEAN+3 financial regionalism, there are major questions as to what sort of leadership is even possible. At one level, we might consider leadership in terms of

ideas (see generally Stubbs and Mustapaha chapter). It is widely understood that Japan (and Japanese analysts) were instrumental in creating both an initial vision for regional cooperation and for proposing enhancements in the first decade of CMI. Of course, it is seldom the case that ideas alone are sufficient to create expensive new international ventures, and at least in the early years Japan had many advantages in terms of wealth, lendable capital, expertise, and international structural power (Grimes 2009). As this relative power has eroded and the confidence of Chinese and other ASEAN+3 officials has risen, it has become harder to identify “leadership” in Asian financial cooperation.

The issue of leadership is also complicated by the “ASEAN Way” nature of most decision-making in the ASEAN+3 (Suzuki 2004; Terada 2004). However, with the establishment of weighted voting for disbursement decisions in CMIM, there has been a formal recognition of differential power within the group, even though the consensus principle holds for most decisions. It is also evident that there has been quite a bit of jousting between China and Japan for the mantle of leader, as seen for example in the selection of the first director of AMRO.

15.3.2. Scope

Financial cooperation is composed of multiple elements, including emergency liquidity provision, financial market cooperation and integration, communication, and surveillance. In theory, these elements can come together in a coherent whole, which is how major advocates of East Asian financial regionalism have envisioned it (Kuroda and Kawai 2003; Kawai 2009). In practice, however, governments have varying preferences for the different elements, and often prefer a piecemeal approach.

I have already noted the self-paced nature of bond market initiatives, which means that cooperation in that regard can be found more in word than in action. The more contested question has been how to conceptualize and implement surveillance. Policymakers have had to thread their way among three opposing challenges: obtaining accurate and meaningful analyses, creating autonomy for the ASEAN+3 relative to the IMF, and preserving the policy autonomy of potential borrower countries. Leaving aside the question of capability—which is a massive challenge even for the IMF, let alone a small group of economists in the AMRO office in Singapore—the key political issue is a conflict of interest between potential CMI creditors (primarily Japan and China) and potential borrowers (primarily the ASEAN-4, which are emerging markets with sufficiently open capital accounts to experience massive inflows and outflows). In short, the creditors do not want to risk their investment by allowing bad policies, and the borrowers do not want to sacrifice their autonomy to outsiders. Moreover, many ASEAN+3 governments are highly sensitive to criticism, whether internal or external.

The allure of severing the IMF link is enormous for the Southeast Asian countries, particularly those that were most deeply affected by the AFC. However, since the creditors have been very clear that surveillance is a necessary condition for greater ASEAN+3 discretion in dealing with crises, borrowers must accede to it even as they

seek to keep surveillance from becoming too obtrusive. This logic may shift over time if South Korea, Singapore, and other economies decide to welcome more intrusive and goal-oriented surveillance in order to prequalify for the CMIM Precautionary Line, but that is as yet untested, given the newness of both CMIM-PL and AMRO.

15.3.3. Enforcement

Enforcement has also been central to disputes about the character and implications of East Asian financial regionalism. At the core of the debate between constructivist proponents and realist skeptics of financial regionalism has been the question of the effects of CMI's IMF link. For proponents, the link has been a temporary necessary evil, which the East Asian economies will seek to jettison over time due to the logic of regional identity and resentment of the IMF and United States. Proponents present one or both of two arguments: (a) that implementing the IMF link was necessary to gain US acceptance of CMI in the wake of the confrontation over the AMF; and (b) IMF enforcement is unavoidable until regional surveillance and enforcement measures can be effectively instituted.

For realists, the IMF link serves two valuable purposes (Grimes 2006, 2009, 2011a, 2011b). First, it addresses the moral hazard problem by allowing creditors to avoid politically costly blame for a decision not to provide money to an economy in the midst of a crisis or for imposing strict conditions. Second, it addresses the problem of rivalry between Japan and China, as it reduces uncertainty for each about how the other will act in dire circumstances. (Rhee 2004 also focuses on the issue of intraregional rivalry as a reason for pessimism about cooperation efforts.)

The 2012 agreement to reduce the IMF link while increasing available funds and establishing the Precautionary Line clearly strengthens the constructivists' case that regional cooperation is moving inexorably in the direction of greater autonomy from the US-led global financial architecture. Given that decision, is there still a case to be made for a realist interpretation of East Asian financial regionalism? One possibility is that these latest reforms will prove over time to change CMIM less than they appear to. A more ominous possibility is that the constructivists are right about the direction of institutional development of CMIM, but that the realists are right about the political implications. Prior to the 2012 agreement, I argued that creating something like the CMIM-PL would clearly address the biggest functional gaps in the system, but that the two-tiered system implied by the new arrangements would threaten to destroy the political bases of ASEAN+3 cooperation (Grimes 2011a, 2011b). Essentially, the new system requires conditionality decisions by the ASEAN+3—or more specifically, Japan and China. As of this writing, preapproval appears uncontroversial for South Korea and Singapore, but if Malaysia or another ASEAN-4 economy were to find itself in a crisis in coming years, a decision to force them into an IMF program instead of providing CMIM-PL funds could be devastating to regional unity and would also raise the possibility of a contest between China and Japan for regional leadership.

15.4. IMPLICATIONS FOR THE INTERNATIONAL RELATIONS OF ASIA

Financial integration and cooperation in Asia have potentially significant implications for domestic, regional, and global politics. Financial integration can have positive impacts in terms of increasing interdependence and opportunities for mutual economic gain. The economic map of Asia will look very different if India and other South Asian economies are more fully integrated into the existing East Asian production networks, and financial integration can be a part of that process. In contrast, if the regions remain separated in terms of financial flows, it will severely limit the ability of regional investors to benefit from each other's growth.

Equally important, financial integration presupposes a significant degree of financial openness. Although emerging markets will likely maintain capital controls to prevent sudden inflows or outflows, meaningful financial integration will require liberalization, which in turn will make those economies more vulnerable to capital flight and currency crises if their economic policies do not satisfy the expectations of international investors. This too will change the way in which some Asian economies interact with the rest of the world. Of course, many Asian economies are not prepared for this type of integration, due to low levels of financial system development, poor regulation or supervision, or unwillingness of governments to be held liable to foreign investors.

With regard to cooperation, implications depend on whether—and which—regional financial initiatives are effective. The bond market initiatives, if effective, would have considerable potential to transform domestic political economies, particularly in emerging markets whose financial systems are not highly developed. Whether the type of liberalization supported by ABMI and ABF would be stabilizing or destabilizing is very much an open question, whose answer will depend on implementation.

The possibility of regionalization of bond markets also potentially opens up major new economic opportunities for at least some markets. Malaysia, for example, is working to become the regional center for Islamic finance. At the same time, there is no sure forecast in this regard. Japanese financiers and officials had hoped that regional bond market initiatives would improve prospects for Japanese financial institutions and make Tokyo the most important regional financial market center; however, to date Hong Kong has profited much more than Tokyo from the growth of East Asian financial markets.⁶ Nonetheless, despite over two decades of growing financial openness, nothing in East, let alone South, Asia yet approaches a genuinely regional financial market. India and its South Asian neighbors remain far less integrated with each other than East Asia. Nor has there been much integration between East and South Asia, despite efforts by Japanese financial institutions and officials to foster financial relations with India through investment agreements and capacity building. Efforts such as these could contribute to bringing India into the East Asian economic sphere, but their success is by no means assured.

The Chiang Mai process could also have profound implications for participating countries and the region. For example, if CMIM were to be seen as credible by currency speculators, potential borrowers could reduce their foreign exchange reserve accumulations, which are uniformly high relative to the size of their economies. In principle, this could support a reduction in regional and global imbalances and support for more domestic demand-driven growth models. However, that has not been the case so far. Other potential impacts hinge on whether multilateral surveillance will be effective. On the one hand, meaningful surveillance could lead to better economic policies and fewer crises and contagions. On the other hand, public pressure from other ASEAN+3 governments could create serious political backlash within a given country.

The potential global implications of Asian financial cooperation are also significant, particularly with regard to the IMF system. I have already noted one scenario: that CMI and CMIM have created a credible threat of exit from the IMF system, which should increase the leverage of the East Asian countries both in general and in times of crisis. Arguably, this leverage has already been manifested. In the years following the AFC, the IMF established new facilities and procedures that significantly expanded the size and speed with which funds could be disbursed while reducing conditions and introducing various forms of ex ante conditionality, all of which were major priorities of the ASEAN+3 governments.

A second possibility is that CMIM could become effectively autonomous from the IMF, although a decisive break from the IMF seems unlikely any time soon. A more likely scenario would be that the IMF and ASEAN+3 would negotiate responses to any contingencies involving East Asian economies; this might be similar to the way that the ECB and EU have worked with the IMF and national governments in the context of the eurozone crisis. Henning (2011) has considered some of the ways in which increasingly capable regional groups could complement the IMF in a crisis, or vice versa, but this remains an unsettled question.

Looking more broadly at the interaction between regionalism and global governance, one-fifth of the members of the G20—Japan, China, South Korea, Indonesia—are members of the ASEAN+3, while India and Australia remain part of the broader Asian economic region as well as founding members of the East Asia Summit. This raises the possibility that Asia as a region—or at least East Asia—will become a more unified force in global economic governance, with its global role reinforcing regional cooperation, as it has for the EU and its predecessors. However, realist analysis suggests that the opposite is at least as likely. With multiple states representing Asia in the G20, Financial Stability Board, and Basel Committee, there is less incentive for those countries to bring a united front on issues where their interests diverge and greater incentive to push their own individual interests (Grimes 2012).

Turning to the regional level, financial cooperation will both reflect and affect changing dynamics. The rise of China and waning of Japan as the largest economic power in East Asia will likely be accompanied by growing Chinese influence on financial integration and cooperative initiatives. Over time, influence over ASEAN+3 and EMEAP will be a useful tool for China in affecting the economic and political behavior of other

East Asian economies. However, it will be far less effective in promoting Chinese power relative to states in other parts of Asia, such as India.

Membership issues will also continue to resonate. Patterns of financial cooperation have not only reflected East Asia's greater regional financial integration relative to other parts of Asia, but it also tends to support the solidification of East Asia as a region. If India continues to be excluded from the major cooperative efforts, it is likely to retard the progress of integration between East and South Asia. Alternatively, it is possible that East Asian cooperation will expand to include other economies that are increasingly integrated into the regional economic system, including India, Australia, and New Zealand. The choices to be made about expanding membership will have to balance the prospect of expanded resources with the likelihood of increased internal competition and diversity of views.

Finally, as noted in section 15.3.3, it is quite possible that the creation of a two-tiered system for CMIM will have the political effect of weakening it rather than the economic benefit of saving it. While many analysts, including myself, have focused on the leadership struggle that involves China, Japan, and the United States, it is important to bear in mind that the success of regional cooperation depends on ASEAN states' acceptance of the arrangements. Although that acceptance had been secured as of mid-2012, a financial crisis that forces one CMIM member (e.g., South Korea) to go to the IMF while providing funds without conditions for another (e.g., Malaysia) could significantly affect prospects for increased financial cooperation in Asia.

NOTES

1. The amount is calculated as SDR 1.51 per US dollar, using quotas as of May 3, 2013.
2. A description of the full complexities of pre-multilateralization CMI can be found in Grimes 2009, ch. 3.
3. According to a BIS staff study, the private-sector funds totaled only about \$3.5 billion as of mid-2010 (Chan et al. 2012, 4–5).
4. <http://www.emeap.org/index.asp?menu=aboutemeap>, accessed August 20, 2012.
5. <http://www.amro-asia.org/>, accessed May 2, 2013.
6. By 2005, both Hong Kong and Singapore had surpassed Japan as markets for intermediating intra-Asian portfolio investment, and Hong Kong had surpassed Japan in intermediating intra-Asian foreign direct investment (although Japan still led the way in intra-Asian banking activity) (Leung and Unterroberdoerster 2008). See also Pauly 2011.

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CHAPTER 16

CURRENCY AND EXCHANGE RATE REGIMES IN ASIA

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16.1. INTRODUCTION

ASIAN states' management of their currencies plays a central role in their development strategies, international relations, and the region's relationship with the rest of the world. The choice of exchange rate regime among many Asian governments has been driven in large part by countries' economic growth models, which have favored exports, particularly to the United States. The global currency environment, centered on the US dollar since World War II, has provided a logical focal point for these governments' policies. Even as the integration of regional markets progressed rapidly in Asia during the 1990s and 2000s, the dominance of the dollar persisted while the valuation of many Asian currencies became politically controversial. At the regional level, financial cooperation in the form of Chiang Mai Initiative Multilateralization (CMIM) and the ASEAN+3 Macroeconomic Research Office (AMRO) in Singapore—discussed by William Grimes in the preceding chapter—raised expectations for a monetary complement to this expression of Asian cooperation. Yet the numerous proposals for regional currency arrangements over the last ten years have not as yet yielded substantial action on the part of governments. China's spectacular economic growth, its integration into "Factory Asia," and its globalization more broadly over the last two decades has made that country's exchange rate policy particularly important within the region and globally. The role of the Chinese renminbi in international trade and investment is projected by some to eclipse that of the US dollar within several years.

Scholarship on the political economy of currency relations in Asia combines work in international economics and international relations. The field is generally centered on three compelling questions. First, what explains the pattern of Asian exchange rate policies and Asia's role in international payments imbalances? Second, will a regional monetary arrangement akin to the European Monetary System of the 1980s and 1990s

ever emerge in Asia? Third, what sustains the international role of the dollar, will the renminbi displace it, and, if so, what would be the consequences for Asia's relationship to the United States and the rest of the world? After reviewing recent history and contemporary monetary relations in Asia, we review the scholarship on these questions with an eye toward three levels of analysis—national, regional, and global.

We argue that the US dollar's dominance as a currency for international transactions in Asia has been a stable equilibrium. As such, the use of the dollar has served the political and economic purposes of most of the export-oriented Asian countries and has been reinforced by path dependence, network externalities, and the political difficulties of establishing regional currency initiatives. We argue that widespread use of the dollar has facilitated a shift on the part of many Asian countries toward shadowing the renminbi as the weight of the Chinese economy increases within the region. Shadowing the movements of the Chinese currency is likely to continue, but the extent to which the renminbi displaces the US dollar as a trade, investment, and vehicle currency remains to be seen. We conclude with lessons for analyzing international relations of Asia and discussion of alternative futures for the region's currency relations.

16.2. MONETARY RELATIONS IN ASIA

During the last six decades East Asia has thrived under the dominance of the “top currency” in the international hierarchy, the US dollar (Helleiner and Kirshner 2009). With the exception of Japan—which began to float the yen against the dollar as the Bretton Woods system ended in 1971—the East Asian currencies have been pegged to the dollar, the pound sterling, or a basket of key currencies, or floated with close management (Ilzetzki, Reinhart, and Rogoff 2008). The Asian monetary authorities have generally chosen to maintain stability of their currencies against the dollar at low rates that many analysts (such as Goldstein 2006; Bergsten 2007; Gagnon and Hinterschweiger 2011; and Bhalla 2012) describe as “undervalued.” China, which moved from an erratic dual exchange rate regime to a stable unified one in 1994, implemented a fixed exchange rate strategy by closely managing the renminbi-dollar rate through mid-2005 (Goldstein and Lardy 2008). India adopted current account convertibility in 1994 and floated the rupee during the Asian financial crisis of 1997–98 (AFC) but otherwise maintained a de facto dollar peg until the mid-2000s. The Reserve Bank of India liberalized capital movements gradually and intervened in the foreign exchange market to sustain the peg, though much less heavily than Chinese authorities (Panagariya 2008, 203; Patnaik and Shah 2009, 2011).¹ Even after the currency shock of the AFC, when Southeast Asian currencies were forced off their (mainly) dollar pegs and lost value precipitously, most of them subsequently returned to regimes in which they moved closely with the dollar and the renminbi, with the exception of the Korean won (McKinnon 2005). As the Soviet Union disintegrated in 1991 and Russia created a new ruble in 1993, the five new Central Asian republics (Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan,

and Uzbekistan) left the ruble zone and adopted separate currencies with volatile floating exchange rates until the late 1990s and early 2000s. With differing commitments to the market economy, these republics then adopted managed floating or crawling peg regimes against the US dollar with limited capital controls (Broome 2010). (See table 16.1.)

Table 16.1 Exchange Rate Regimes in Asia, 1990, 2000, 2010

Groups	Country	1990	2000	2010
Southeast Asia	Brunei Darussalam	De facto CB narrower than $\pm 2\%$	De facto CB narrower than $\pm 2\%$	De facto CB narrower than $\pm 2\%$
	Cambodia	NA	NA	De facto crawling peg
	Indonesia	De facto crawling peg	Managed floating	De facto CB $\pm 5\%$
	Laos	De facto CB narrower than $\pm 2\%$	Dual market w/ missing data	NA
	Malaysia	De facto CB narrower than $\pm 2\%$	Preannounced peg or currency board arrangement	De facto CB $\pm 5\%$
	Myanmar	Freely falling	Dual market w/ missing data.	Dual market w/ missing data.
	Philippines	De facto crawling peg	De facto CB narrower than $\pm 2\%$	De facto CB $\pm 5\%$
	Singapore	Moving band $\pm 2\%$	Moving band $\pm 2\%$	Moving band $\pm 2\%$
	Thailand	De facto peg	Moving band $\pm 2\%$	Moving band $\pm 2\%$
	Vietnam	NA	NA	De facto crawling peg
Greater China	SAR Hong Kong, China	Preannounced peg or currency board arrangement	Preannounced peg or currency board arrangement	Preannounced peg or currency board arrangement
	China	Managed floating	De facto peg	De facto peg
	Taipei Republic of China	De facto crawling peg	De facto CB narrower than $\pm 2\%$	De facto CB narrower than $\pm 2\%$
Asian Advanced Economies	Japan	Freely floating	Freely floating	Freely floating
	South Korea	Preannounced CB narrower than $\pm 2\%$	Managed floating	Managed floating

(Continued)

Table 16.1 (Continued)

Groups	Country	1990	2000	2010
South Asia and Oceania	India	De facto crawling peg	De facto crawling peg	De facto CB narrower than $\pm 2\%$
	Bangladesh	De facto crawling peg	De facto crawling peg	De facto peg
	Bhutan	Preannounced peg or currency board arrangement	Preannounced peg or currency board arrangement	Preannounced peg or currency board arrangement
	Nepal	De facto CB narrower than $\pm 2\%$	De facto CB narrower than $\pm 2\%$	Preannounced peg or currency board arrangement
	Sri Lanka	Preannounced peg or currency board arrangement	Preannounced CB wider than $\pm 2\%$	De facto crawling peg
	Australia	Freely floating	Freely floating	Freely floating
	New Zealand	Managed floating	Managed floating	Managed floating
Central Asia	Kazakhstan	NA	De facto crawling peg	De facto crawling peg
	Kyrgyz Republic	NA	De facto CB narrower than $\pm 2\%$	De facto crawling peg
	Tajikistan	NA	Freely falling	De facto crawling peg
	Turkmenistan	NA	Dual market w/ missing data	Dual market w/ missing data
	Uzbekistan	NA	NA	Managed floating

Note: CB = Crawling Band.

Source: Ilzetki, Reinhart, and Rogoff (2008). For details on the classification and update through 2010, see <http://personal.lse.ac.uk/ilzetki/data.htm>. For Taipei Republic of China's regime, see Patnaik and Shah (2010).

In the face of growing financial markets and increasing international capital mobility during the 1990s, some economists expected that the only viable exchange rate regimes would be at the extreme ends of the spectrum from fixity to flexibility, the so-called corner solutions (Obstfeld and Rogoff 1995). These analysts recommended either dollarization or currency boards, on the one hand, or freely floating rates on the other. Contrary to this advice, most of Asia gravitated toward the supposedly unstable “intermediate regimes” of soft pegs and managed floating (Williamson 2000).

What explains the exchange rate regime choices among Asian states in the 1990s and most of the 2000s? One group of scholars emphasizes the international currency environment, while another focuses on the export-based development strategy and associated domestic economic structure. The choices confronting governments in regards to exchange rates had been relatively simple under the Bretton Woods system, in which the US dollar was fixed to gold while other currencies—from the Deutschmark to the Japanese yen—were pegged to the dollar and thus indirectly to gold. The International Monetary Fund (IMF) monitored the regime and provided official financing to support the dollar pegs. When the regime collapsed in the early 1970s, countries' choice of exchange rate regime and reference currency became a critical policy decision. The decision was especially important for trade-dependent emerging market economies, which were thus particularly sensitive to exchange rates and repeatedly experienced financial crises in the 1980s and 1990s.

East Asia's continued reliance on the dollar, some economists argued, arose from the financial structure of the developing countries and emerging economies in the region. Lacking broad and deep local-currency bond markets for long-term investment—referred to as “original sin” (Eichengreen and Hausmann 1999)—these countries were forced to borrow in foreign currencies. Because the denomination of their external assets and liabilities was therefore mismatched, currency volatility and depreciation was very expensive. “Fear of floating” (Calvo and Reinhart 2002) on the part of these governments was exacerbated by the absence or underdevelopment of efficient forward markets in foreign exchange, which would have otherwise enabled traders and investors to cover exchange-rate risk. As a consequence, these governments faced strong pressure from domestic constituencies to maintain a stable exchange rate (McKinnon 2005, 26).

Creditor countries in the region with high savings and current account surpluses faced an equally unfortunate situation, which McKinnon (2005) has labeled “conflicted virtue.” Japan, China, Singapore, and others in this category confronted the dilemma that they retain excess savings in their local currencies but could not lend abroad in them. Thus, those countries lent to foreigners in dollars—especially to the United States—and thereby acquired dollar claims (McKinnon 2005, 6–9), giving rise to a currency mismatch that left them vulnerable to volatility and appreciation of the home currency. This argument maintains that facing “original sin” on the debtor side and “conflicted virtue” on the creditor side, compounded by heavy export dependence on the US market, the best solution for regional monetary and financial stability in East Asia was dollar pegging prior to the 1997–98 crisis and soft pegging thereafter.

Whereas McKinnon emphasized the importance of the US dollar as an anchor for Asian monetary policy—his argument centers on nominal variables and currency mismatching—the so-called revived Bretton Woods (RBW) school emphasized real variables such as trade competition, industrial expansion, and return on investment in explaining Asia's preference for low valuation against the dollar (Dooley, Folkerts-Landau, and Garber 2003). East Asian countries have opted in favor of accumulating large dollar reserves, even at high opportunity cost, because those countries

placed much higher priority on compiling an internationally competitive capital stock to expand industrial production and absorb excess labor. The costs of holding dollar reserves—higher returns on these investments that were forgone and capital losses resulting from dollar depreciation—were thought to be a relatively small price to pay for rapid economic development. In the view of this school, these interests were complementary to those of the United States and the international monetary system and the constellation of payments imbalances that resulted—current account surpluses for Asia and deficits for the United States—could remain stable over several decades.

For most of the East Asian countries, the exchange rate regime has been an important underpinning of economic success because it allowed them to maintain export competitiveness by keeping their currencies undervalued during their rapid growth era. The incentive to maintain stable and undervalued exchange rates, particularly against the US dollar, was a priority for these countries. This is because a large portion of the goods produced by the region's manufacturers—which are often price sensitive (Wade 1992)—have traditionally been absorbed by the United States. Since the 1990s, as intra-regional production networks expanded in the form of “Factory Asia” (Baldwin 2006), East Asia continued to depend on US and European demand for its final products (ADB 2010). The tradable goods sectors, both export and import-competing, favored a stable and low-valued currency and dominated countries' respective exchange rate policies (Kojo 1998; Liew and Wu 2007; Steinberg and Shih 2012). Furthermore, such interests are supported by the states, often characterized as the “developmental state” of East Asia (Johnson 1982; Woo-Cummings 1999), whose catch-up strategy and economic-growth mandate led the region's governments to support their export sectors even at the expense of purchasing power for consumers.

Japan and South Korea are the two countries in East Asia in the 2000s with currency regimes characterized by less stability and currencies that were not generally undervalued. Their greater tolerance for exchange rate fluctuation is attributable to the maturity of their economies, which boast firms that operate globally with highly hedged foreign exchange positions (Hatch 2010). By contrast, consistent with its development model, China's insistence on the undervalued renminbi—sometimes fixed to the US dollar and at other times floating in a closely managed fashion against the US currency—sustained the extraordinary growth in the country's exports to the United States even after the global financial crisis (GFC) of 2008–9 (Huang 2009).

This developmental strategy of expanding exports and industrial production at the cost of domestic consumption is complemented by financial repression—controls on credit, interest rates and external capital movements (Lukauskas 2002, 380)—through which the government directs or influences the allocation of capital in the economy.² As a result, East Asian governments tend to control financial channels heavily, with banks serving as the main financial channels for businesses (Wade and Veneroso 1998) and with relatively limited development of the financial and capital markets, particularly that of corporate bonds (McCauley 2003).

Over time, however, this soft-pegging and undervalued-currency strategy has begun to impose substantial costs, which are rising. During the 2008–9 crisis, these

soft pegs proved to be difficult to sustain. The maintenance of undervalued currencies required massive foreign exchange intervention and the accumulation of unprecedented amounts of US dollars in foreign exchange reserves. In addition to having to invest a large portion of the country's foreign exchange reserves in liquid short-term US Treasury bills, which typically have lower returns than domestic assets, Asian central banks are exposed to losses on dollar reserves arising from inflation and dollar depreciation over the long term. The accumulated foreign exchange reserve holdings of East Asian countries, which amounted to \$7 trillion in March 2014, represent an effective subsidy to these countries' tradable goods sectors.

The foreign exchange intervention necessary to depress the value of the currency carries an additional cost in the form of distorting domestic financial markets. Official purchases of US dollars and other foreign currencies causes an expansion of domestic liquidity unless offset by sterilization operations by the central bank. Such operations include selling bonds for domestic currency, jawboning or requiring domestic banks to hold them, raising reserve requirements, and suppressing domestic interest rates, thereby *reinforcing* financial repression (Goldstein and Lardy 2008).

Chinese authorities unpegged the renminbi from the US dollar in July 2005 in the first of two phases of controlled appreciation. Over the course of the next seven years—interrupted by a year of repegging after the GFC—the Chinese currency appreciated by more than 30 percent against the US dollar in nominal terms. A further increase in Chinese prices and wages contributed to an appreciation of the renminbi against the dollar of about 40 percent in real terms. Followed by several other currencies within the region—discussed below—this realignment helped to reduce the large trade and current account surpluses that China had developed prior to the 2008–9 crisis. The realignment in turn substantially ameliorated disputes with the US government over currency manipulation and payments imbalances, conflict that had begun during the first administration of President George W. Bush. Whether this conflict dissipates or re-emerges (Gagnon 2012) depends on the evolving currency practices of China and its neighbors in the region.

16.3. REGIONAL CURRENCY COOPERATION

East Asia has seen a rapid increase of intra-regional trade and investment and, in the aftermath of the AFC, some successful efforts in regional financial cooperation.³ Would a regional currency ever be a viable option? European integration has illustrated the feasibility of detaching a region from the dollar standard while retaining exchange rate stability by establishing a monetary union or regional currency arrangement. The theory of “optimum currency areas” (OCA) specifies the conditions under which a group of countries can benefit from surrendering the exchange rate as an instrument of balance-of-payments adjustment in the process of creating a monetary union (Mundell 1961).⁴ Even though East Asia's regional currency arrangement

remains informal, the region compares reasonably favorably to Europe on the OCA criteria (degree of economic diversification, openness, intraregional trade, labor and capital mobility, response to common shocks, among other factors). Eichengreen and Bayoumi (1998) concluded that nine East Asian countries met those economic criteria for an OCA at least as well as did Western Europe, but noted they lacked the financial development and political institutions of the European Union. Reviewing the literature analyzing the feasibility of East Asian monetary integration, Watanabe and Ogura (2006) note that a majority of studies (twelve out of fourteen) identified some groups of countries within East Asia meeting the conditions.⁵ Kawai (2007) and Wilson (2006) emphasize the positive impact that a common exchange rate arrangement could have compared to unilateral exchange rate policy in helping the region manage very large inflows and outflows of capital under globalized markets.

Interest on the part of East Asian academics and officials in the possibility of regional monetary integration emerged in earnest after the AFC.⁶ In the debates over the cause of the crisis, some Japanese experts labeled the episode a “capital account crisis,” and attributed it fundamentally to the structural problem of the “double mismatch” (Kuroda and Kawai 2004; Yoshitomi and Ohno 1999). The mismatch occurs in both the length of maturity of financial instruments and the choice of currency. One way to protect the region from a recurrence of such a crisis would be to eliminate the double mismatch, they argued, which called for reduction in the region’s dependence on the dollar.

The proponents of the regional currency option have made several attempts. The first attempt, in 2002, was a joint study with the European Union—named the “Kobe Research Group”—on the Asian Monetary Union (AMU), which recommended a monetary integration process to be completed by 2030. The second initiative came in 2005 from the then newly established Office of Regional Economic Integration at the Asian Development Bank (ADB), which proposed an Asian Currency Unit (ACU) modeled on the European Currency Unit, a pre-euro unit of account based on a weighted average of currency values. The ACU proposal was picked up by the ASEAN+3 at the finance ministers’ meeting in May 2006, where all thirteen participating governments agreed to conduct in-depth research on its feasibility. None of these studies or proposals, however, translated into policy actions.

Political commitment to engage in regional monetary coordination is manifestly lacking in East Asia. Scholars identify the lack of various forms of political underpinning as obstacles to making the integration possible. Focusing on the domestic politics of regional financial cooperation, Hiwatari (2003) contends that the potential participants in East Asian monetary integration have starkly different preferences depending on their domestic financial system (security-market based versus bank-credit based) and external financial position (creditor versus borrower). In particular, those states that seek to attract funds from outside the region are likely to be reluctant to support a regional arrangement (Pascha 2007, 443). East Asia as a region lacks cooperative leadership (Rhee 2004; Kwack 2004) and a burden-sharing mechanism (Chey 2010). Whereas Germany shouldered much of the burden of operating the European

Monetary System (EMS) in the provision of short-term credit to weak-currency central banks (Eichengreen 2007), neither Japan nor China seems ready to provide liquidity for supporting a regional monetary arrangement in East Asia. Furthermore, Hamilton-Hart (2003) identifies the lack of financial administrative capacity among the Southeast Asian governments as a critical factor in preventing regional cooperation from flourishing. Moreover, the sovereign debt crisis within the euro area—the most widely heralded example of regional cooperation in the world prior to the GFC—has highlighted insufficient economic convergence, the financial links between banks and governments, and the loss of national macroeconomic policy tools to combat recessions as potential pitfalls for Asian governments and policymakers.

However, the absence of formal monetary agreements does not mean that there is no cooperation in this issue area in Asia. To the contrary, exchange rate policy has been effectively coordinated among China and the more advanced countries of ASEAN. When China began the first controlled upward float against the dollar in July 2005, Southeast Asian countries confronted a choice between pegging softly to the dollar or to the renminbi, or to a basket in which they both had significant weights. The governments of the larger emerging market countries in Southeast Asia generally chose to follow the renminbi—loosely during the first period of managed floating until July 2009, then more tightly during the second controlled float after June 2010.⁷ Cumulative movements in real exchange rates as well as co-movements of these currencies on a daily basis also provide evidence that these countries have formed an effective “renminbi bloc” (Henning 2013b). Given the real and financial shocks that have struck the region during this period, and the amount of intervention in the currency markets, these outcomes can be regarded as deliberate policy (Henning and Katada 2013).⁸

This cooperation has two particularly striking features. First, while effective, it is informal; there are no explicit agreements that provide for stabilization of the Chinese and Southeast Asian currencies and the Korean won. No institution is delegated the responsibility to oversee or facilitate exchange rate convergence. CMIM is not designed to assist in the stabilization of exchange rates (Henning 2009), and, while it is still evolving, AMRO is not mandated with this objective. Second, this intraregional currency stabilization, limited though it might be, occurs in the presence of continued widespread use of the US dollar as the international currency of the region. While it might appear paradoxical at first glance, this pattern of outcomes is not an accident.

There are several advantages to maintaining the prominence of the dollar in the region, as it has allowed states to avoid conflict in three ways. First, by using the dollar as a common point of reference, and floating jointly against it, China and Southeast Asian countries avoid large competitive shifts across the economies within the region. They do so, furthermore, while sustaining large trade surpluses vis-à-vis the United States and others outside the region. These benefits would not have been possible, or at least been far more difficult to achieve, if East Asian governments had chosen different currencies to which to peg or had shifted toward more flexible exchange rates. It was not practical to peg to a currency other than the dollar; the euro, in particular, was untested and pegging to it could have compromised competitiveness in the US market.

Second, the political rivalry between Japan and China makes choosing to peg explicitly to the renminbi or the Japanese yen difficult for Southeast Asian governments. These governments prefer instead to balance the two large states against one another and exploit, where possible, the rivalry. For their part, neither the Japanese nor Chinese authorities are likely to be willing to allow the other's currency to prevail in the regional setting (Grimes 2003, 2009; Kwack 2004).

Finally, the dollar as the *de facto* focal point of coordination has allowed Asian governments to avoid having to negotiate a joint peg or common basket. As discussed above, over the last decade, there have been various proposals for joint pegging to a common basket for Asian currencies, including the ACU.⁹ Most such proposals would require *joint* decisions on the part of East Asian countries in general, Japan and China in particular. None of these proposals have been adopted owing to the political difficulty of agreeing on such critical details as the weight of the various national currencies in the regional unit. For these reasons, broad use of the dollar as an international currency in Asia has been a stable equilibrium.

16.4. THE ROLE OF THE DOLLAR AND RENMINBI

A central question surrounding Asia's currency arrangements is how long the dominant role of the US dollar will continue. Subramanian (2011, 109) predicts the "possible eclipsing of the dollar as the premier reserve currency" by the renminbi by 2020, not just in Asia but globally as well. McKinnon (2013) emphasizes the stability of the dollar standard despite its being "unloved." Eichengreen (2011, 135–47) argues that the renminbi could become a regional reserve currency but not a dominant reserve currency globally for the foreseeable future. Currency dominance rests on the balance between the forces of inertia and the rise of China.

The dollar remains dominant in East Asia due to path dependence, domestic preference, regional economic and political environment, and network externalities. We have included the use of the dollar as the facilitator of informal currency cooperation in the region among these forces of continuity. For its part, of course, the United States reaps several substantial advantages from issuing the top currency, ranging from savings in transaction costs, ability to borrow in its own currency—thereby avoiding currency risk—seigniorage, political prestige, and power to coerce (Kirshner 1995; Cohen 1998; Helleiner 2009). Most recent scholarly attention, however, focuses on the potential sources for change.

Volz (2009, 158–59; 2010) argues that Asia's reliance on the dollar can be problematic owing to (a) swings in the dollar-euro and dollar-yen rates, (b) dependence on US monetary policy, and (c) possible erosion of the international real purchasing power of the region due to inflation in the United States and depreciation of the dollar. The cost

of constraining domestic monetary policy by softly pegging to the dollar was placed in stark relief by the GFC of 2008–9. The Federal Reserve eased interest rates to nearly zero and then embarked on quantitative easing in 2010, presenting Asian governments with a choice between allowing their currencies to rise against the dollar or intervening more heavily to stabilize them. Because inflation rates had already begun to rise in Asia, and greater intervention would raise them further, the Fed's action prompted vituperative verbal exchanges that were dubbed "currency wars."

Given the difficulty of creating a regional currency such as the euro, any regional alternative to the dollar would likely come in the form of fostering the internationalization of a national currency within Asia. The Japanese government tried to elevate the yen in this role beginning in the mid-1980s and particularly in the aftermath of the AFC of 1997–98 (Grimes 2003; Frankel 2011). With its postbubble economic stagnation, lasting two decades, and the unwillingness of the country's corporations and banks to shift their transactions to yen, however, the Japanese government gave up its multiple efforts by the early 2000s (Katada 2008; Takagi 2012). Currently, it is China and its policies to internationalize the renminbi that are attracting the most attention.

As China's economy grows and the amount of trade between China and the rest of the world increases even more rapidly, so do some of the incentives to use renminbi (Mattoo, Mishra, and Subramanian 2012). As discussed above, these forces have contributed to the shift in the weight of the renminbi in the currency baskets of Southeast Asian countries. In addition, since the mid-2000s and particularly after the onset of the GFC, the Chinese authorities took several steps to promote the use of the renminbi. This effort has an international trade track—through invoicing and settling transactions in renminbi—and a financial track—allowing renminbi accounts and bond issuance in Hong Kong and abroad.¹⁰ It includes an aggressive campaign by the People's Bank of China (PBOC) to introduce bilateral swap agreements with other central banks. Since 2008, PBOC has established such agreements with eighteen counterparts for a total of nearly 2 trillion yuan (roughly \$320 billion). While some of the correspondent banks are outside the region, most are Asian. In contrast to the CMIM, these agreements are bilateral and provide swaps of short duration to supply currency in which renminbi-denominated transactions can be settled. Unlike other international currencies where the market largely determined the process and speed of their respective global use, the Chinese government is taking deliberate steps in "managed internationalization" (McCauley 2011; Frankel 2011) of the renminbi. This effort to "manufacture" an international role for the currency, as Cohen (2013) emphasizes, is unprecedented in modern history.

However, the success of the Chinese government's efforts to internationalize the renminbi will hinge on several factors, including management of the country's capital account liberalization and increasing exchange rate flexibility along with the country's financial sector development (Prasad and Yi 2012). As discussed earlier, China's financial institutions and foreign exchange regime preferences have long been heavily influenced by its export-promotion growth model and financial repression, and the embedded interests of its export sector and underdeveloped financial sector could

become political obstacles to a fundamental shift in government policies (Liew and Wu 2007; Huang 2009; Steinberg and Shih 2012). Chinese capital controls indeed give rise to the need for the short-term central bank swaps. Without them, foreign firms could obtain renminbi for trade settlement directly from the onshore market. This raises the question as to whether these swaps would be useful after and offshore renminbi markets such as Hong Kong's could survive, a liberalization of the Chinese capital account.

Finally, security questions and regional politics will continue to be factors that constrain the internationalization of the renminbi. Historical grievances that remain unresolved, conflicting territorial claims, and security flashpoints such as North Korea and sporadic border violence in Southeast Asia are likely to favor a role for the US dollar over any regional currency. This conclusion is reinforced by uncertainty about the trajectory of Chinese domestic politics over the long term. Shifting to use of the renminbi for reserve holdings, trade invoicing, and formal currency pegging would require overcoming substantial objections on political grounds in Japan, South Korea (Park and Song 2011), and other Asian countries. We return to the relationship between economic and security questions in the section below.

16.5. ANALYSIS OF INTERNATIONAL RELATIONS

The evolution of currency relationships in this region offers insights into international relations generally. The first insight relates to power analysis and the importance of domestic preferences. Scholars have sometimes viewed relationships among currencies in structural terms, wherein a dominant state exercises influence over weaker ones through its ability to issue the prevailing international currency (Cohen 1977; Strange 1971). In this perspective, the sticky institutional nature of currency use (Kindleberger 1967) and network externalities (Krugman 1984) constrain the choices of governments that issue lesser currencies. Over the past several decades, the dollar's structural role in the East Asian economy has been overwhelmingly dominant. China's spectacular growth, meanwhile, could be changing the foundations of the currency structure by giving Beijing more resources with which to influence the policies of others within the region and beyond, both directly and indirectly through market. The notion that a relative shift in power capabilities will lead to conflict between China, its neighbors in the region, and the United States has a long tradition in the study of international relations.¹¹

However, currency relations in Asia suggest that the increase in economic size of China alone does not explain exchange rate policy choices. Domestic politics establish state preferences, which in turn inform exchange rate decision-making. Hence, following Moravcsik (1997, 2008), a prior step in power analysis must be to establish the

preferences of actors. For example, had Southeast Asian countries' domestic political structures favored the nontradable sector over the tradable sector and the abandonment of financial repression, Southeast Asian monetary authorities could well have accepted substantial currency appreciation against the renminbi as well as against the US dollar.

The rise of China and its associated economic transformation might thus be better conceptualized as part of preference formation than as the exercise of power. In the presence of cross-border integration of markets and firms within the region, Southeast Asian monetary authorities might opt for greater currency stability with respect to the renminbi than with respect to the US dollar regardless of Chinese preferences. Particularly when little or no overt attempts to influence exchange rate policies are apparent and Chinese firms and policymakers do not necessarily prefer the outcome, which has generally been the case in East Asian currency cooperation, power-based interpretations are problematic (Henning 2013b).

The second insight relates to the connection between regional economic integration and the regional security order. Issue segmentation is a distinctive feature of relations among the states of Asia and their regional arrangements. Trade agreements are not coordinated with financial cooperation. Balance of payments and crisis finance do not appear to be coordinated with currency matters or the short-term swap agreements that are meant to facilitate bilateral trade and investment. The region's oft-cited cross-border production networks (Ravenhill in this collection; Hatch and Yamamura 1996; Peng 2002), rapidly increasing number of free trade arrangements (Aggarwal and Koo, and Stubbs and Mustapha in this collection; Dent 2003; Solís, Stallings, and Katada 2008), and successful regional financial cooperation (Grimes in this collection; Henning 2009) have not generated official interest in pursuing currency integration.

Such fragmentation with respect to economic issues also applies to separation between the economic and security spheres. In contrast to Europe and Latin America, Kahler (2012) observes, economic and security relations have run on distinct and separate tracks in East and South Asia, and Asian governments have been broadly successful in preventing security tension and intraregional rivalries from undermining economic agreements (Kahler 2013). Concern over Chinese military expenditures, territorial disputes, and flashpoints such as North Korea have not impeded the expansion of trade and investment in the region. An agreement between China and Japan at the end of 2011 to begin direct trading in their national currencies on the foreign exchange markets, bypassing the dollar as a vehicle, at the same time as they were disputing territorial claims offers a recent example. The two tracks do not disrupt one another, which contributes to stability in economic relations. But neither do they reinforce one another, which allows political rivalry and militarized disputes to persist. The question of whether the dual-tracking of relations in Asia can withstand the further rise of China, political transition within Asian countries, and/or the possible collapse of the North Korean government looms large for Asia and the global system. Several scholars find a strong historical link between geopolitics and the international role of currencies, albeit a long-term connection (de Cecco 2009; Kirshner 2009).

Finally, East Asia's economic model of export promotion is heavily reflected in the politics and domestic preferences of the region's foreign exchange regime. Embedded mercantilism of various types (Pempel 1997; Aizenman and Lee 2008) is still a dominant feature of political economy in most of the countries in the region. In this sense, East Asia is yet to graduate from its export reliance on the large markets of the advanced economies outside the region. Nonetheless, the recent series of economic crises, debt overhang, and prolonged deleveraging in the advanced economies prompts East Asian economies to look inward for growth, which sheds new light on the domestic institutions and politics of the choice of exchange rate regimes. India, which has not adopted the export-led model, and the Central Asian republics, some of which remain state-controlled economies while others of which are natural resource exporters, have exhibited correspondingly different patterns of exchange rate outcomes from East Asia.

16.6. ALTERNATIVE FUTURES

It is quite possible that the Asian currency status quo—by which we mean the shadowing of the renminbi on the part of the emerging-market countries in Southeast Asia while continuing to use the US dollar as the dominant currency for invoicing, intervention and official reserves—will persist. The currencies of the smaller ASEAN countries, especially Vietnam, and of Japan and India would continue to move more independently from the renminbi under this scenario, while the South Korean won would fall somewhere between the two patterns. We have pointed to several sources of stability in these arrangements. We nonetheless conclude by tracing three “alternative futures” for currency relations in Asia as a framework for examining the relative power of theoretical approaches in the coming decades. Declining to predict the future, we use this technique to summarize the key factors that will shape the evolution of currency relations in Asia.

The first alternative future would be the expansion and formalization of the informal renminbi bloc. Under this scenario, more currencies would join the bloc and members would make their stabilization against the renminbi more transparent. The role of the renminbi would expand from a soft-pegging currency to trade invoicing and settlement and a store-of-value for both private investors and central banks. Political liberalization of China and an opening of its financial markets to foreign firms and financial institutions, among other things, would facilitate this outcome.

A second future would be the development of a common, regional monetary regime such as an agreement to peg jointly to a common basket of currencies (Williamson 2005) or to manage currencies within reference ranges similar to the European exchange rate mechanism that preceded the creation of the euro. We have highlighted the lack of political momentum for this project. But if rivalries among countries of the region soften and if there were to be further deepening of intraregional trade and

capital markets, these developments would strengthen incentives for stabilization on a regional basis. A regional regime would receive a fillip, were the members of ASEAN+3 to harness CMIM and AMRO to this project.

The third future would witness the opposite transformation of exchange rate policies. Rather than adhere more closely to the renminbi or to a common regional mechanism, the emerging and developing countries over time would follow the example of Japan in its pursuit of independent floating of its currency. Such countries would shift the primary target of monetary policy from exchange rates to domestic inflation (Eichengreen 2004; Chung and Eichengreen 2009). Economic development, capital market liberalization, and the easing of financial repression would favor this outcome. Greater sophistication of capital markets in these countries would both permit firms to hedge exposure to exchange rate fluctuation (Knight 2010) and undermine the effectiveness of capital controls as a tool for stabilizing currency rates.

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NOTES

1. On Indian exchange rate policy, see also Acharya 2012; Bhalla 2012; and Gopinath 2005.
2. Through such measures, the governments of East Asia channeled credits to export industries and productive sectors to achieve rapid economic growth (Amsden 1992; Calder 1993; Wade 2004; Shih 2008).
3. Because the integration of trade and investment has been particularly pronounced in East Asia, and numerous proposals for monetary integration have been put forward, this section focuses on that region rather than Central Asia or South Asia.
4. McKinnon (1963) elaborated upon Mundell's formulation by emphasizing the importance of national economic characteristics and openness to economic exchange within the group of countries considering a currency area.
5. The major obstacles to satisfying the conditions for an optimal currency area are differences in the level of economic development and lack of convergence in per capita income.
6. See, among others, Grimes 2009 and Henning 2013a.
7. Between July 2005 and March 2012, the nominal value of the renminbi rose 32 percent against the dollar, while the Malaysian ringgit, Philippine peso, Thai baht, and Singapore dollar essentially followed it upward. Despite the 2008–9 GFC and significant fluctuations, the nominal value of these currencies in the first quarter of 2012 stood within 5 percent of their mid-2005 levels against the renminbi. By contrast, the Indonesian rupiah and New Taiwan dollar moved less than 10 percent against the US dollar, to which the Hong Kong dollar is fixed. Nonetheless, the rupiah and the South Korean won, which had floated relatively independently, have tracked the renminbi more closely since the 2008–9 crisis.
8. Exchange rate regimes and their relationship to domestic macroeconomic policies are described in detail by, e.g., Cavoli and Rajan 2009; and Willett et al. 2011.

9. See, e.g., Williamson 2005.
10. See the summary of the history of major steps taken by the Chinese government in Prasad and Ye (2012, appendix B). On the role of Hong Kong as an international financial market, including the use of renminbi, see Pauly 2011.
11. See, for example, Organski 1958. Treatments of monetary power specifically and the rise of China include Kirshner 2003; Andrews 2006; Grimes 2009; and Cohen and Chiu 2013.

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CHAPTER 17

THE EVOLUTION OF FOREIGN DIRECT INVESTMENT IN ASIA

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THIS chapter surveys the evolution of Asia's foreign direct investment (FDI) patterns and considers their implications for the international relations of Asia. As with the other expressions of economic interdependence in contemporary Asia—namely trade, finance, currency, and production networks covered in this volume—FDI has direct implications for the regional dynamics of prosperity, politics, and peace (Pempel 2005, 20–21). However, mirroring the trends in the wider field of international political economy (IPE), studies of the political causes and consequences of FDI in Asia have been neglected relative to the dominant focus on trade and finance (Frieden and Martin 2002, 119; Crystal 2010). Various country- and industry-based studies of FDI in Asia have captured the attention of scholars, firms, and policymakers over the past few decades. Yet analyses of *aggregate FDI trends across Asia* remain underexamined in assessments of the region's directions.

Aside from merely mirroring wider scholarship trends in IPE, why might this be? One simple reason is that empirical analyses of actual FDI patterns—both inflows and outflows—typically focus on one or two major players rather than the region as a whole. Invariably, this has meant a focus on FDI involving dominant actors like Japan and increasingly China, while countries from South, Southeast, and Central Asia are sometimes thrown into the mix haphazardly. The fact that even the FDI patterns to date of the two economic giants in Northeast Asia are asymmetrical in their flows and regional intensity has made it difficult to mark intraregional patterns. Another significant challenge in understanding FDI realities, especially in Asia, concerns the uneven quality of the underlying data. For a variety of reasons, the consistency, quality, and accuracy of inward and outward FDI data remains problematic (Wu et al. 2002; Hamanaka 2011, 4; Salidjanova 2011, 2–3). Due to differences in compilation methodologies, government and corporate reporting discrepancies or delays, and gaps in longitudinal data, few have endeavored to map FDI realities across the region in a comprehensive manner.

To develop just such a map across dominant, middle, and emerging Asian players in the FDI regime, this chapter adopts a thematic and chronological approach. The major themes speak to broader analytical debates about the drivers of economic realities and governance across Asia. There is little question that market-oriented actors, whether within or outside the region, have been pivotal to the expansion of FDI. But this is a one-sided and incomplete explanation for understanding the political economy of FDI and other forms of capital inflows during different developmental phases of countries in the region. For example, while Japan, South Korea, and Taiwan restricted inward FDI during their immediate postwar decades of rapid growth, China has maintained a far more liberalized FDI regime during a comparable stage of its development. Meanwhile, India has lagged behind China in terms of FDI inflows, but the gap between China and India in external finance is less extreme when portfolio investment and remittances are taken into account. Political influences on the sectoral distribution of FDI are also evident in the investment flows between resource-rich and resource-pursuing countries in the region. In short, contrary to conventional wisdom, Asian states have not been passive latecomers to the FDI market. To varying degrees, they have always been important regulatory gatekeepers at home, and are also emerging as forceful drivers of investments abroad. This is not a surprise in a region where state-centric theories have informed our understanding of economic policy-making (Johnson 1982; Woo-Cumings 1999; Beeson 2009), and that may well be fortified further in yet another era characterized popularly by the “rise of state capitalism” in the global economy (Bremmer 2009; *Economist* 2010; *Economist* 2012).

As industrializing economies and regulatory gatekeepers, most Asian states during the latter half of the twentieth century guarded and defined the terms of entry into and conditions of stay within their sovereign borders. Today they continue to do the same, as a range of social and economic concerns are amplified in domestic politics. Despite the proliferation of investment-friendly and highly legalized agreements, which go so far as to allow for investor-state arbitrations that circumscribe government conduct as a matter of legal obligation, these same governments are nonetheless cautious about safeguarding their realms from one of the most visible symbols of economic globalization, namely FDI. Even as Asian states have regulated in favor of foreign investments externally, they have also moved to reregulate investments for national security and other domestic priorities. But, in all fairness, even though Asian states have the upper hand in terms of final say and governance, it is more realistically a combination of actors in both the public and private sectors seeking economic advantages across borders that are shaping FDI-related outcomes across Asia as well as other regions. This hybrid public-private partnership—what we call the state-mediated investment model—is also at play outside of Asia, and is notably shaping the map of global FDI realities. Whether in Asia or beyond, we want to be clear at the outset that the state-mediated investment model does not guarantee any particular outcome, and is as likely to be associated with conflict as with accord when actors in home and host countries compete to shape FDI outcomes over time.

The remainder of this chapter traces these themes in assessing the patterns, causes, and consequences of Asian FDI. First, it begins with the historical and contemporary

FDI patterns of the central players across Asia. These include Japan, China, India, and South Korea, as well as smaller and emerging players stretching from Southeast Asia to Central Asia that are not normally considered. While there is density in intraregional FDI, the overall map does not support teleological scenarios about investment integration in Asia as a whole. Second, the chapter reviews the various patterns of governance for state-mediated investments involving Asian actors. These include specific agreements, ranging from those in global-multilateral institutions like the World Trade Organization (WTO) to much publicized bilateral investment treaties (BITs) and now also to Asia-wide plurilateral agreements that could remap the face of institutionalized FDI governance. Third, with the widely hailed rise of Asia as a locus for understanding broader trends in the twenty-first century, the chapter concludes with some implications of the findings on FDI for prosperity and stability in the international relations of Asia.

17.1. HISTORICAL AND CONTEMPORARY FDI TRENDS INVOLVING ASIA

Some global perspective is important for setting the stage on both historical and contemporary FDI realities involving Asian actors. As distinct from the emphasis on production networks covered by Ravenhill in this volume, FDI in this chapter refers more generally to “the direct ‘transfer of funds or materials from one country (home State) . . . to another country (host State) . . . to be used in the conduct of an enterprise (investor) in that country in return for a direct or indirect participation in the earnings of the enterprise’” (Amarasinha and Kokott 2008, 120).

At the aggregate level, global investments have come a long way from the early 1990s when the United Nations Conference on Trade and Development (UNCTAD) first began to monitor them. Surveying the decade of the 1980s in its first ever *World Investment Report* (WIR) in 1991, UNCTAD found a global economy where growth in FDI was at around 29 percent per year, three times faster than world exports and four times faster than world output (UNCTAD 1991, 3–14). Global FDI outflows were estimated at absolute levels of \$196 billion and worldwide stocks stood at \$1.5 trillion. Developed countries accounted for the lion’s share of these patterns, garnering between 75 and 80 percent of FDI inflows and accounting for about 70 percent of global FDI outflows during the 1980s.

At that time, as UNCTAD also noted, Asian actors were already making a name for themselves in two distinct ways, as recipients and sources of FDI. First, in the latter half of the 1980s, countries in East, South, and Southeast Asia experienced the highest growth of FDI inflows, surpassing Latin America and the Caribbean for the first time as the largest set of developing country host nations. Second, a key question became whether trends in FDI could be attributed to the logic of the Triad seen

to rule international economic relations—namely, the United States, the European Community, and Japan, which was then feared widely as the preeminent economic challenger.

Time has only served to reinforce these patterns, though it has also brought out other players and trends in the contemporary FDI regime. In 2012, UNCTAD estimated that global FDI outflows were above \$1.6 trillion and global FDI stock was at \$20.4 trillion (2012a, 2–3; annex table I.1; UNCTAD 2012b). Developed countries, and particularly the old Triad members from the 1980s, still remain the center of gravity as far as FDI realities are concerned. Within the developed economies, the United States, the European Union, and Japan alone account for close to 65 percent of all global FDI outflows, including cross-border acquisitions, greenfield investments, and reinvested earnings. Excluding Japan, developed countries also account for about 50 percent of all incoming FDI flows. From a global perspective, the picture has not changed substantially. But Asia still deserves a closer look because it looms large as a region among the developing countries. UNCTAD estimates show that by 2012 Asia altogether accounted for 27 percent of FDI inflows and 17 percent of FDI outflows worldwide.

UNCTAD also estimates aggregate intraregional FDI patterns in the Asian region. Starting in the early 1990s, the sources of FDI in the region have been shifting from the United States, which played a leading role in the 1960s and 1970s, and from Japan, which was also pivotal in the 1980s (UNCTAD 2010, 39–41, table II.6). In their stead spectacular gains have been made by countries in East and Southeast Asia (China, Hong Kong, Korea, and Singapore). The net result of all this activity is potentially that intraregional FDI already accounts for about 40 percent of the region's total FDI stock—and possibly up to 50 percent if investments via offshore financial centers are included. The ADB's Asian Regional Integration Center (ARIC) estimates that cumulative FDI (meaning the percentage of regional FDI inflows to total FDI from the investing region beginning in 1995, i.e., Asia-Asia) was at around 75 percent in 2009.

Whatever the significance of these global and broad regional statistics at this stage, they mask some of the country-by-country patterns that might be more critical to understanding the IR of Asia. The economic rise of Asian actors has reignited the debate over the politics of FDI—in terms of drivers and governance as discussed below—not just within Asia but also worldwide. These Asian actors, along with others, deserve closer consideration, as their actions and interactions in the FDI regime are important elements in assessing regional directions.

17.1.1. Dominant Asian Players

The remainder of this section provides an overview of the dominant, middle, and emerging Asian players that reflects their present economic weight in the global economy related to outward and inward FDI. It also notes how the state-mediated investment model applies in each case.

17.1.1.1. *Japan*

During the 1950s and 1960s, Japan's external investments were characterized almost exclusively as a resource-seeking investment strategy primarily in East and Southeast Asia (Hatch and Yamamura 1996, 20–21; Park 2003, 1741–43). In the 1970s and 1980s, as a host of regulatory and economic realities began to impinge on firms' profitability in the home market, some labor- and capital-intensive industries, such as textiles, chemicals, and steel, established production bases in Asia. However, by and large, the size of Japan's FDI outflows remained negligible throughout these decades.

Set against these earlier waves of Japanese FDI, the 1980s represented a turning point due to the steep appreciation of the yen. In 1985, at the behest of the United States, then in the economic doldrums, the historic Plaza Accord sought to coordinate foreign-exchange policies among the G5 countries (Britain, France, Germany, Japan, and the United States) so as to cause the yen to appreciate against the dollar (*Japan Times* 2010). The idea was that reducing the excessive value of the US dollar would both help restore US export competitiveness and reduce the US trade deficit. Between 1983 and 1985 the yen appreciated over 90 percent against the US dollar, and the era of *endaka*—the rampaging yen—had arrived (Petri 1991, 51–52). Whatever effect the exchange rate coordination turned out to have for the United States and for correcting global imbalances, one result was historically decisive from the perspective of Japanese FDI outflows. The most notable impact of this appreciation was that it ended up affecting the profitability of Japanese exports negatively, and Japanese firms began their massive investments abroad in industries such as automobiles (Hatch and Yamamura 1996, 20–21; Pempel 2005, 21; Tachiki 2005, 154–63). But currency politics was a necessary, not sufficient condition for increased Japanese FDI. Home governments in developing countries of Southeast Asia welcomed Japanese businesses alongside Western ones, as they were eager to restructure their own industrial organization and boost their economic welfare. In the United States and Europe, Japanese firms were spurred on by trade protectionism that made them adopt direct investment as a reasonable “tariff-jumping” response.

By the late 1980s, Japan was commanding global attention as an investment powerhouse. In 1989, Japan emerged as the world's largest investor country, with its outward FDI peaking at around \$67.5 billion (Bayoumi and Lipworth 1997, 12). The geographical and sectoral composition of Japanese FDI drew much attention as well, particularly in the United States, which was then suffering from the “diminished giant syndrome” (Bhagwati 1993). In the 1980s, 75 percent of all Japanese FDI was concentrated in the industrialized countries, with the United States alone receiving over 50 percent of the total. This investment grew most significantly in the finance, insurance, transport, and real estate sector. Some investments drew a great deal of media attention, such as the 1989 buyout of Columbia Pictures Entertainment by Sony; the controlling share acquisition of the Rockefeller's Group Rockefeller Center in New York by Mitsubishi Estate; the purchase of MCA by Matsushita; and the acquisition by Japanese interests of the Pebble Beach Golf club, home to major American golf tournaments (Alexander 1997, 8).

So pervasive was the American perception of a Japanese economic invasion that a cover of *Newsweek* magazine in October 1989 openly sensationalized the theme. Mimicking the Columbia Pictures logo, the cover depicted the Statue of Liberty draped in a kimono, holding aloft the celebrated torch. If FDI was one facet of economic interdependence that could promote more harmonious relations, it was certainly not to be found in the content of US-Japan relations in the 1980s and early 1990s.

This negative reception in the United States drew attention to the drivers of Japanese FDI. Certainly there are many general economic motivators for FDI, such as securing higher rates of returns, exploiting economies of scale, penetrating foreign markets, reaping regulatory benefits, avoiding exchange rate fluctuations, and retaining firm-specific assets (Bayoumi and Lipworth 1997, 12–13; Alexander 1997, 9–13). But for Japan, the state-mediated investment model deepened the swirling controversies concerning its outward and inward FDI patterns. This derived from popular understandings of Japan's emphasis on "developmentalism" that resonated with revisionist views of the way Japan functioned and sought to advantage itself by picking winners (Pekkanen 2003, 9–18, 212–13; Milhaupt 2008, 5–9). Japanese FDI, in other words, was not simply a seamless matter of "Japanese-type trade-oriented" investments that were in keeping with shifts in comparative advantage and continuous industrial upgrading in both the home and host economies (Kojima 1978, 15–16).

On the outward investment side, more particularly in Asia, Japanese FDI was supposed to be distinguished by the same single-minded intra-network cooperation between the Japanese government and businesses that characterized the domestic political economy, leading to suggestions that Japanese multinational corporations (MNCs) were more Japanese than multinational (Hatch and Yamamura 1996, 15–19, 192–95). On the inward FDI side, Japan was marked as one of the most impenetrable markets for foreign investors in the world for players like Coca-Cola, IBM, and Texas Instruments (Encarnation and Mason 2009). Japan followed a selective and highly circumspect approach to liberalization after joining the Organization for Economic Cooperation and Development (OECD) in 1964, and comparative figures even today can only speak to the "success" of that approach relative to Western and Asian players: inward FDI stocks as a share of GDP in 2011 stood at 3.8 percent for Japan, compared to 49.6 percent in the United Kingdom, 25.2 percent in Germany, 19.4 percent for the United States in the West; and in Asia already roughly 12.2 percent for South Korea and India, and 24.7 percent for China (OECD 2012). Japan continues to stand out at the lower end of the spectrum for the paucity of incoming FDI flows and stocks worldwide, compared to both developed and developing countries.

Whether assessing Japanese investment flows, or stocks, or the record rise of merger and acquisition (M&A) activities, the controversies about the realities and determinants of Japanese FDI are not likely to go away. Rather, they are likely to become even more acute as Asia becomes as important in Japan's FDI portfolio as the United States and Europe have traditionally been (Pekkanen 2012, table A1; JETRO 2012, 21–3). Within Asia, Japan's state-mediated investment model continues to face challenges

such as “hollowing out” in the industrial structure and the rise of prominent FDI players such as China with eyes on domestic investments in Japan (Nakamura 2002).

17.1.1.2. *China*

Although China was relatively autarkic during the Mao era (1949–76), FDI has played a significant role in the country’s efforts at economic reform and liberalization since 1978. China’s state-mediated investment model created a more liberalized environment for FDI than many of its regional neighbors; yet China’s comparatively modest outward flows have attracted more international scrutiny because it is largely driven by state-owned enterprises. During the initial phase of reform, the central government limited FDI to four special economic zones (SEZs) in the coastal south, but later extended this openness to fourteen coastal cities and, eventually, the rest of the country. Localities open to FDI offered favorable terms for foreign investors, including tax breaks and privileged access to land and bank credit. Even in rural areas, local governments competed with one another aggressively to attract FDI in a dynamic that David Zweig has called “rural internationalization” (Zweig 2002).

Due to a combination of central state policies, local state practices, and external interest in China’s labor supply and market potential, China has been the top recipient of FDI among developing countries every year since 1992; and the leading destination for FDI in the world since 2002. From 1991 to 2008, its cumulative volume of realized FDI exceeded \$862 billion. Compared to Japan, South Korea, and Taiwan, China has been much more open to foreign capital, and as a result, FDI represents a greater percentage of the country’s GDP (3.12 percent in 2010) than is the case for its regional neighbors (.03 percent for Japan and 0.42 percent for South Korea in 2011) (World Bank 2012a).

However, the extent to which these massive inflows of FDI are foreign requires some qualification. First, a significant portion of China’s officially recorded FDI is not genuine FDI, but rather, “round-trip capital” that originates from within China and re-enters the country in the guise of FDI. Round-trip capital appears in the errors and omissions line in national balance of payments and is closely correlated with China’s FDI inflows from Hong Kong and other tax-free havens. Economists also estimate round-trip capital by calculating the difference between PRC-reported FDI inflows and the amount of FDI reported by investing economies going to China.¹ Studies from the late 1990s estimate round-trip FDI at between 25 to 35 percent of total FDI (Lardy 1995; Sicular 1998; and World Bank 1996).

At the same time, China’s FDI has been dominated by investment from neighboring economies that are ethnic Chinese. Throughout the 1990s, about two-thirds of China’s cumulative FDI originated from Hong Kong, Taiwan, Macau, and Singapore. Hong Kong alone accounted for over half of China’s total FDI until 1996. During the early 1990s, the next largest source was Taiwan, at approximately 10 percent, and starting in the mid-1990s, investment from the Virgin Islands started to be documented and to expand. Although FDI from Japan, Europe, and North America increased in relative terms during the 2000s, as of mid-2009, flows from the four Chinese economies accounted for nearly 54 percent of China’s FDI; and Hong Kong and the Virgin

Islands remained the largest sources of FDI at 46.5 percent and 13.6 percent of total FDI, respectively.²

Yet FDI statistics involving Hong Kong, Taiwan, and the Virgin Islands need to be interpreted carefully. In addition to serving as a conduit for round-trip capital from the mainland, Hong Kong has served as a transfer vehicle for Taiwanese investors that faced government restrictions on investing directly in China. Triangulation of FDI statistics among Taiwan, Hong Kong, the Virgin Islands, and China suggests that starting in the mid-1990s, the decline in Taiwanese FDI to Hong Kong—and in turn, the relative decline in Hong Kong's FDI to China—reappeared in the form of growth in FDI from Taiwan to the Virgin Islands, and growth in FDI from such tax havens to China. This shifting of Taiwanese investment channeled through Hong Kong to various offshore islands is generally attributed to concern about Hong Kong's future after its handover from Britain to China in 1997. Although the Asian financial crisis—coincidentally—broke out shortly after Hong Kong's handover, its changed status as a Special Administrative Region (SAR) of China has not adversely affected the security or convenience of trade and investment activities conducted through Hong Kong.³ Moreover, as a reflection of warming bilateral relations, Taiwan lifted a host of restrictions on Taiwanese investment in China in 2008; a trade agreement was signed in 2010 that reduced tariffs on hundreds of products; and the two countries signed an investment protection pact in 2012 that safeguards the legal interests of investors from both sides.

In terms of outward FDI (OFDI), the volume of China's investments expanded in an accelerated manner over the course of the 2000s. In 2001, the country's total outbound investment was \$6.9 billion; by 2011, it had grown to \$74.65 billion, which places China as the world's sixth largest investor. Because about 90 percent of China's external investments derive from state-owned enterprises, there has been growing concern about its intentions, even though the value of its OFDI accounted for only 4.4 percent of the total global investments in 2011. Moreover, as with IFDI, most of its OFDI activity is concentrated within the region. Asia accounts for 71.4 percent of China's OFDI, while 13 percent is invested in Latin America, 5.8 percent in Europe, 3.8 percent in Africa, 3.2 percent in North America, and 2.8 percent in Oceania (Ding 2012). In 2011, about 36 percent of its OFDI took the form of mergers and acquisitions in mining, manufacturing, and electricity production and supply.

17.1.1.3. *India*

The initiation of liberalizing reforms in 1991 provided more opportunities for foreign investors in India, but it was not until the state lifted more restrictions on investment in several industrial sectors that FDI accelerated in the early 2000s. India is now the largest recipient of FDI in South Asia, accounting for over four-fifths of total FDI in the region. In 2011, FDI inflows to India reached nearly \$33 billion. Investment is concentrated in manufacturing, finance, construction and real estate, nonfinancial services, information technology, telecommunications, construction, and energy. The primary sources of FDI are Mauritius, Singapore, the United States, the United Kingdom, Netherlands, Japan, Germany, and the United Arab Emirates.

In India, FDI from Mauritius is somewhat comparable to that of FDI from Hong Kong to China. Due to low corporate tax rates and an agreement with India on avoidance of double taxation, Mauritius attracts investors who establish shell companies—called “overseas commercial bodies” or OCBs in India—as a means to reduce their tax liabilities in India. The proportion of FDI from Mauritius has grown over time, as it is also a channel for round-tripping. From 1991 to 2000, FDI from Mauritius represented 31.5 percent of India’s total FDI flows, increasing to 38.8 percent during the period 2001 to 2004, and reaching 49.6 percent of total inflows during the period 2005 to 2009. About 10 to 14 percent of FDI from Mauritius and other tax-free havens is estimated to be round-tripping by Indian companies or foreign investors based in India (Rao and Dhar 2011).

Despite India’s dominant market position as a destination for investment in South Asia, its absorption of FDI has trailed behind China. Over the course of the 1990s and early 2000s, China received about sixteen times more FDI than India.⁴ By 2008, India had moved up in FDI rankings, reaching second in global FDI flows after China; but in that year India still trailed China by about \$60 billion. While many observers assume that the gap between India and China is due primarily to investment climate, closer examination of the patterns of capital inflows reveals that FDI may not be the most reliable indicator of investment from abroad. Indeed, India’s FDI statistics were not even comparable with others until the early 2000s, when it recalculated FDI in alignment with the IMF’s standard definition of FDI. Prior to this readjustment, India’s particular definition of FDI excluded several components—such as reinvested earnings by foreign investors, proceeds of foreign equity listings, intercompany foreign loans to domestic subsidiaries, and overseas commercial borrowing—that were conventionally included in FDI data.⁵ Meanwhile, India also attracts a significant amount of capital from abroad through other channels, including portfolio investment and remittances. As of mid-2010, for example, portfolio investment and FDI in India totaled \$138.9 billion and \$180.5 billion, respectively, which means that looking only at FDI understated the country’s total investment inflows by 77 percent. This is particularly striking in the case of India due to its attractiveness as a destination for portfolio investment.

At the same time, India has been the leading recipient of remittances since 2005, followed by China. During 1992–2001, China received an annual average of \$1 billion in remittances, which is barely an eighth of India’s annual average of \$7.7 billion in remittances over the same period. Although the remittance gap between the two countries narrowed in the early 2000s, the cumulative difference in remittances from 1991 to 2008 is sizable: \$194 billion to China versus \$270 billion to India. Of particular interest, examining FDI alongside remittances reveals that India has received \$151 billion more external finance in the form of remittances than FDI since 1991.⁶

As with inward FDI, India’s outward investment increased after 1991 and expanded more significantly after 2005. India is also the dominant source of OFDI in South Asia. In 2011, outflows from the region reached \$15.2 billion, of which India’s OFDI was \$14.8 billion (UNCTAD 2012a). While China’s OFDI has been concentrated in the broader Asia region, with more recent incursions into Latin America and Africa,

over two-thirds of India's OFDI has been in advanced industrialized countries, including the Netherlands, United States, United Kingdom, and Switzerland. Investment in offshore financial centers, such as Singapore, Mauritius, the Cayman Islands, and Hong Kong, reflects efforts by Indian companies to channel their investments through special purpose vehicles to structure mergers and acquisitions in developed countries. India's OFDI has been directed at manufacturing (agricultural machinery, basic organic chemicals, pharmaceuticals, petroleum products), services (business services, data processing, financial services, architecture), and wholesale and retail trade (including restaurants and hotels). Unlike China, where OFDI is dominated by state entities, private corporations are more active in India's external investments. However, in 2011 India enacted a policy to promote acquisitions and buyouts of raw material concerns by "public sector undertakings" (PSUs). As in China, the policy shift reflects state priority on acquiring strategic assets in the energy sector.

17.1.2. Middle Asian Players

17.1.2.1. *South Korea*

From the 1960s to the 1980s, FDI played a marginal role in South Korea's industrialization process as the state restricted inflows of foreign capital in the service of national priorities such as technology transfer. With this principle in mind, during the mid-1990s, IFDI increased in volume and reached \$3 billion by 1997. The implementation of neoliberal reforms required by the IMF in the wake of the Asian financial crisis created a more favorable environment for foreign investment, including the establishment of new agencies such as Invest Korea and the Office of the Foreign Investment Ombudsman. Along with foreign investment zones (FIZs), these new entities have promoted IFDI by offering foreign-invested enterprises tax incentives, cash grants for R&D projects, rent subsidies, and financial support for training employees (Ahn 2008). By 2004, South Korea's annual IFDI reached \$13 billion; and as of 2011, the largest investors were the European Union (\$5 billion), the United States (\$2.4 billion), Japan (\$2.3 billion), and China (\$650 million). Greenfield investment in manufacturing has been focused in the electronics and chemicals sectors, but going forward, growth in M&A activity is expected in the service sectors of information technology, finance, and logistics. The US-Korea (KORUS) FTA, which went into effect in March 2012, offers US investors the same type of treatment as Korean investors in the initiation, acquisition, and operation of investments in Korea. The FTA also protects all forms of investment (in enterprises, debt, concessions, IPR), and provides a transparent mechanism for arbitration of disputes (US Department of State 2012).

Meanwhile, South Korea's outward investment has outstripped its absorption of FDI and has shifted increasingly from developed to developing countries, with implications for the sectoral distribution of its investments. As a resource-poor country, during the 1980s South Korea's state-mediated investment targeted mining, fishing, and forestry; but in recent decades its OFDI has turned to manufacturing, especially in the electronics and communications equipment industries. Although the United States

continues to account for the largest share of South Korean OFDI, investment in Asia has expanded in the last decade, accounting for nearly 56 percent of total OFDI. Within Asia, China has been the primary recipient of South Korean investment since bilateral diplomatic relations were established in 1992, accounting for 40 percent of Korea's total FDI since the mid-2000s (Kim and Mah 2006). South Korean investment is concentrated in China's eastern and northeastern localities (Shandong, Jiangsu, Beijing, Tianjin, and Liaoning) and focused on labor-intensive manufacturing sectors, including consumer goods, clothing, textiles, footwear, and leather goods. These investments in China are primarily motivated by export promotion, followed by low wages (Kim and Mah 2006, 893). A similar logic holds for Korean FDI in Southeast Asia, especially Indonesia, Vietnam, and the Philippines. In short, over time the logic of state-mediated FDI in Korea has shifted from state-defined developmental priorities (technology acquisition) to more market-oriented motivations.

17.1.2.2. ASEAN

Originally established in 1967, the Association of Southeast Asian Nations (ASEAN) includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei (1984), Vietnam (1995), Laos (1997), Burma/Myanmar (1997), and Cambodia (1999). Although ASEAN's establishment was originally motivated by political and security objectives—namely regional peace and stability—there have been various efforts at regional economic cooperation, especially since the Asian financial crisis. The signing of the Framework Agreement on the ASEAN Investment Area (AIA) in 1998 aimed to increase FDI flows to the region, while also reducing intraregional barriers to investment. In this spirit, ASEAN countries have concluded a host of bilateral agreements to promote FDI, including BITs and double taxation treaties (DTTs). By 2002, 2,181 BITs and 2,255 DTTs had already been signed. As in Korea, the turn to greater openness to FDI was meant to reduce reliance on short-term financing of current account deficits, and provide more opportunities for technology transfer and enhancing competitiveness in global markets.

Over the course of the 2000s, these efforts have been effective in increasing FDI flows to ASEAN countries, albeit with variation in the volume and sources of flows. As of 2010, Singapore, Thailand, Malaysia, Indonesia, and Vietnam accounted for over 90 percent of the region's total FDI of \$76.2 billion. Meanwhile, the main sources of FDI in that year were the European Union (20.6 percent), the United States (10 percent), Japan (10 percent), and ASEAN itself (16.7 percent) (ASEAN 2012, table 27). Flows from China, the Cayman Islands, and Korea have also grown in importance, ranging from 4 to 5.5 percent of total IFDI, and expanding by rates of nearly 90 percent annually in 2005–6. About 54 percent of FDI is in the services industry, including trade and commerce, finance, and real estate. Manufacturing accounts for nearly 34 percent of FDI, and investment in the primary sector has grown to nearly 10 percent in recent years as China and India have pursued investment in agriculture, fisheries and forestry, and mining (Karimi, Yusop, and Law 2010).

Outward investment has been led by TNCs based in Singapore seeking lower production costs in the region (e.g., in Thailand, Indonesia, Laos, and China) as well as markets beyond ASEAN (e.g., in China, the United States, Australia, and the United

Kingdom). At the same time, TNCs based in Malaysia, Indonesia, Thailand, and other ASEAN countries have established a presence in Singapore and Hong Kong to access more developed international trade, R&D, and financing services. Although Singapore dominates intraregional FDI in ASEAN (accounting for about 64 percent of total intraregional flows), Malaysia (15 percent), Indonesia (13 percent), and Thailand (5 percent) are also investing in the region (Hiratsuka 2006).

17.1.3. Emerging Asian Players

There are also other FDI players in Asia that deserve attention even though they do not figure prominently in either global or regional aggregate patterns. The most notable features are on the inward FDI side. In 2010, for example, the World Bank estimated that net inflow as a percentage of GDP for Afghanistan and Pakistan was at 0.4 percent and 1.1 percent respectively (World Bank 2012b, table 6.10). In Central Asia the range is more spread out on the same indicator, with Uzbekistan (2.1 percent) and Tajikistan (0.3 percent) identifiable at the lower end, and Kazakhstan (7.2 percent), Kyrgyzstan (9.5 percent) and Turkmenistan (10.4 percent) registering at the other end. Even as weak states in weaker economies, the governments in these countries tend to be the main gatekeepers for inward FDI, and investments become a vehicle for their larger strategic or political gambits.

The state-mediated model appears more relevant if specific FDI cases are taken into account. In Pakistan, for example, the government has recently courted Japanese investors, and already made strong overtures to the Chinese by inviting them to build the Gwadar port that could serve as an alternative route to the Malacca Straits for regional traders (Ahmed 2012; *Express Tribune* 2011). In Central Asia, the governments have taken significant measures to increase FDI since the early 2000s (Sholk 2011). Their geographic location between China, Russia, and India and the significant deposits of oil, natural gas, and rare earths metals, most notably in Kazakhstan, Turkmenistan, and Uzbekistan, have made them attractive to foreign MNCs and governments. China, in particular, is seen to be the real great power in the region with its cash power and effective implementation of large-scale projects that are attractive to the Central Asian governments (Hook and Gorst 2011). These investment realities provide a sense of the political and strategic fault lines existing among the regional and foreign governments as discussed elsewhere in this volume.

17.2. ASIAN STATES AND THE INSTITUTIONAL GOVERNANCE OF FDI

Like other players in the FDI game worldwide, Asian states continue to structure incentives and disincentives for foreign investors. The FDI Restrictiveness Index put

forth by the OECD, for example, is an important tool for understanding the continued tight regulatory role of Asian states in comparative perspective (Kalinova, Palerm, and Thomsen 2010, 17; OECD 2011, 100, 103). This index gauges the restrictiveness of FDI rules based on a set of constraints (foreign equity limitations, screening or approval mechanisms, impediments on key foreign employment, and operational restrictions). The index suggests that Asian countries from the rising economic players in East Asia and South Asia to middle players in Southeast Asia rank among the world's most restrictive investment regulatory regimes. In other words, from the perspective of foreign investors, countries such as China, India, Japan, Indonesia, and South Korea all continue to have significant regulatory bottlenecks that can potentially be addressed through international governance structures. This is as true for within Asia as without. Both private and hybrid public-private economic interests have similar stakes in foreign operations; they both need, among other things, to stabilize market access, ensure favorable investment environments, shelter direct and indirect assets and personnel, reduce discriminatory treatment, and generally protect against the arbitrary whims of foreign governments, actors, and jurisdictions (Pekkanen 2008, 3–4).

Quite apart from the material economic realities in the previous section, the map of Asia's FDI institutional governance deserves attention for at least two reasons. First, it is analytically in line with our emphasis on state-mediated investment models. From their creation to their implementation, governing structures such as BITs only serve to reinforce the centrality of state actors with their varying perspectives on regulatory space (Sonarajah 2010, 231–32). Whether multilateral, plurilateral, or bilateral in and out of the region, Asian governments remain central to the political and diplomatic task of shaping FDI realities. Second, given the centrality of states—which we discuss in the concluding section—these governance structures have moved beyond bilateral ventures, and can become important building blocks for future regional institutional ventures with direct implications for the IR of Asia (see generally Part IIIB; and also chapters by Stubbs and Mustapha, Aggarwal and Koo, and Green in this volume).

A brief overview below shows that FDI governance structures involving Asian states stretch from the global to the regional, with dominant and middle power Asian states increasingly taking the bold lead in setting governance patterns. Much attention has been given to the rise of bilateral investment treaties (BITs). But very little attention has been focused on the plurilateral legal agreements designed for and by Asian governments, such as the ASEAN and especially the CJK (China, Japan, and South Korea, alphabetically) governments, which are replacing the importance of BITs at the regional level.

First, at the global level, the WTO Agreement on Trade-Related Investment Measures (TRIMs) provides rudimentary governance in this area. As its preamble makes clear, it focuses precisely on what it stands for, namely the trade-restrictive and distorting effects of investment measures. As the coverage of TRIMs extends only to goods, and is not concerned directly with the protection of investments and investors within member countries, it is also important to note other provisions related to investments in the WTO agreements.⁷ One of the four modes in the General Agreement on

Trade in Services (GATS) identifies the supply of services through “commercial presence” in the territory of another member, which is taken to mean direct investment in services such as branches of financial institutions.⁸ The WTO is a classic creature of public international law, and states are its proper subjects. As such, its provisions as well as its dispute settlement procedures both govern and reinforce the conduct of all states, including Asian ones. For example, China, Japan, India, the Philippines, and Indonesia have all been involved in the dispute settlement proceedings involving TRIMs provisions (Pekkanen 2012, 127). Their embroilment in the rules-based proceedings also alerts them to the importance of governing and securing cross-border investments in line with their visions.

A second source of governance that ensures the centrality of governments to the FDI regime is found in the network of older and newer generation of BITs, whose proliferation has attracted much attention (Elkins, Guzman, and Simmons 2006; Tobin and Busch 2010). At the end of 2011 there were well over 3,000 international investment agreements, and close to 90 percent of these were actually BITs (UNCTAD 2012a, 84). Reflecting the patterns around the world, Asia too has moved forward with governing investments through BITs that allow for a range of investor protections in politically risky environments, and also allow for investor-state dispute resolution mechanisms. BITs are meant to answer to specific operational realities, such as local employment, local financing ratios, exports, and technology transfers, expropriation and compensation, repatriation of profits, foreign exchange guarantees, dispute settlement procedures, and so on. Asia—along with Oceania—has emerged as one of the world’s leading regions for BITs, accounting for about 41 percent of all of BITs signed in 2008. Importantly, in 2009 China was designated the world’s second largest signer of BITs—behind Germany—with the second Asian spot going to South Korea in tenth place (UNCTAD 2009, 2–3).

Virtually every Asian state stretching from South Asia to Central Asia, and onto Southeast Asia and Northeast Asia has a BIT network in place.⁹ Pakistan, for example, holds the distinction for having inked the world’s first ever BIT with Germany in 1959, and today has over forty signed BITs (Poulsen and Vis-Dunbar 2009). Interestingly, among the dominant powers India has over eighty BITs, while Japan only has eighteen such treaties. Even North Korea has over twenty such BITs in place. Indonesia has signed over sixty such treaties, and Thailand about forty. In Central Asia, Kazakhstan and Uzbekistan have signed roughly between forty and fifty BITs, with Kyrgyzstan, Tajikistan, and Turkmenistan again roughly falling in the range of twenty to thirty BITs.

Along with the expanding network of BITs, many of the Free Trade Agreements (FTAs) involving Asian countries also have investment-related chapters and/or provisions that provide coverage for investors, and that can coexist alongside with the BITs. One sample survey suggests that Asia-related FTAs are concerned with the same protections as those found in BITs, including overall treatment standards, expropriation clauses, transfer of capital provisions, compensation requirements, and so on (Sauve 2007, 27–64, esp. 41, table 3, table 7, table 8). The justification given for this is normally

that signatories want to ensure the most favorable treatment for foreign investors from among the different agreements (UNCTAD 2012a, 86). An example of this is found in the ASEAN-China Investment Agreement that coexists with nine other BITs between the individual ASEAN countries and China.

Third, and finally, this very coexistence that is unlikely to go away hints also at a noticeable trend with respect to BITs—they are declining in importance in favor of more region-wide initiatives (UNCTAD 2012a, 84). This is not apparent from a quantitative perspective as the universe of investment governance continues to be dominated by BITs, as noted above. However, in terms of economic significance the shift to regional initiatives is significant. There are at least two such ventures that deserve attention. One is the new and improved ASEAN Comprehensive Investment Agreement (ACIA)—complete with more specific provisions for arbitration and enforcement of awards—that is focused on both the protection and liberalization of investments for all investors and their FDI in ASEAN (Pekkanen 2012, 130–32). This agreement has come out of ASEAN's long efforts at negotiation and cooperation over investment issues stretching over twenty years, building on agreements dating back to the 1980s and 1990s. Unsurprisingly, given the need to balance investor protections with legitimate regulation to promote development, there are policy exceptions, for example, that pertain to the necessity to safeguard the balance of payments, as well as to general and security matters.

Another regional initiative, with more significant consequences for the prospects of Asian regionalism, concerns the cooperation among the dominant East Asian giants, specifically the Trilateral Investment Agreement between China, Japan, and South Korea. (Pekkanen 2012, 132–34, 152–54, table A2; UNCTAD 2012a, 85). After a long and winding negotiating history spanning well over a decade, and one that survived the most turbulent political relations among the two countries, China, Japan, and South Korea have also finally signed an investment pact which, if events stay the course, promises to make their economic weight equivalent to that of the North American Free Trade Agreement (NAFTA). As with all investment agreements, this one is not merely hortatory. Substantively, it is careful in defining key concepts such as the definition of treatment, fair and equitable treatment, indirect expropriation, and most-favored-nation treatment. With some minor peculiarities, the dispute settlement provisions are reasonably solid and time-bound, recourse to arbitration is standard, remedies are outlined, awards are considered final and binding, and rulings are enforced by the country subject to the dispute. Notably, in keeping with their tight domestic regulatory holds, the three Asian states have also specified regulatory space for the attainment of certain policy objectives such as taxation exceptions, essential security interests and prudential matters, and temporary derogations from the free-transfer obligation.

All of these governance structures may or may not affect FDI realities, but governments are nonetheless aware that they remain important investment-friendly signals for businesses with direct interests in the region. Their institutional presence is not simply a matter of credible signaling or even of the possibilities of arbitration and litigation that are now receiving research attention (Alexandrov, Moroney, and Porges 2009; Nottage and Wearmantry 2011). Rather, more fundamentally, the very existence

of these governance structures helps to constrain the behavior of public and private actors, provides a mechanism for dealing with economic partners, and more broadly suggests also a political logic at work that offers a means for improving diplomatic relations and regional directions (Pekkanen 2008, 3–4; Ravenhill 2010, 199–200).

17.3. FDI AND DIRECTIONS IN THE IR OF ASIA

One of the defining features of Asia as a region is vast internal diversity in terms of economic development, coupled with multiple historical and contemporary layers of political distrust. Under these circumstances, the proliferation of trade and investment agreements and growing density of intraregional investment is remarkable. At the same time, Asia presents itself as a region with lopsided investment realities, and national patterns of inward and outward FDI within the region could be interpreted as growing economic integration based on comparative advantage. Regional FDI is being fueled by the availability of lower wages, export opportunities, financial intermediation, distribution networks, R&D facilities, consumer market potential, real estate development, and resource extraction. In an era when the monetary security of the US dollar and euro has become more tenuous, investing in Asian economies holds particular appeal. If the locus of economic growth and leadership lies in Asia in the twenty-first century, as various observers have presaged, then there is all the more reason for Asian investors to concentrate their financial and productive assets within the region. The economic logic is compelling. Yet the drivers of FDI in Asia extend beyond private economic entities. State-owned enterprises, sovereign wealth funds, and various public-private hybrid investment vehicles have also contributed substantially to the expansion of intraregional FDI. Their presence also reinforces the centrality of regional governments in shaping the contents and direction of FDI realities.

The economic and legal moves by Asian states do not operate in a vacuum; if anything they only raise political concerns because the region remains sensitive to deep historical animosities that can incite popular protest against investors from particular countries. Contested sovereignty over the Senkakus/Diaoyu Islands, for example, threatens the viability of Japanese investments in China. Taiwanese and Hong Kong investors are simultaneously opportunistic and wary of their stakes in China. In addition, investment regulation on the ground of protecting national security is also rising as a prominent feature in countries such as Japan (Pekkanen 2009). On many fronts, then, even as Asian states have enacted liberalizing investment arrangements, including regional BITs and innovative region-wide schemes, regional FDI remains vulnerable to geopolitical distractions, emotional and often destructive protests, and national security concerns. Economic interdependence does not erase any such historically conditioned issues, meaning that for all practical purposes Asian states will continue

to reinforce their own importance in crafting FDI portfolios and investment governance for the foreseeable future.

NOTES

1. Economists also estimate round-trip capital by calculating the difference between PRC-reported FDI inflows and the amount of FDI reported by investing economies going to China. For example, Wei notes that during 1998 to 2002, 9 percent of China's FDI came from the British Virgin Islands, but accounted for 177 percent of China's capital outflows. Moreover, four out of the top ten sources of China's FDI are tax havens (Wei 2005, 723–24).
2. "Table of Investment Utilization of FDI from Jan. to Jun. 2009," Foreign Investment Department, PRC Ministry of Commerce, available at <http://www.fdi.gov.cn>.
3. Instead, Hong Kong's attractiveness as a platform for conducting business on the mainland has only increased with the 2003 signing of the Closer Economic Partnership Arrangement between Hong Kong and China. All the FDI confidence indices have continued to rank Hong Kong very highly, e.g., the World Bank's 2009 Ease of Doing Business ranked Hong Kong number four out of 181 economies.
4. Specifically, from 1992 to 2003 India attracted \$19.9 billion in FDI, accounting for 1.8 percent of its gross capital formation; during the same period, China received \$312.4 billion in FDI, accounting for 11 percent of its gross capital formation. Unless otherwise indicated, the FDI statistics cited in this chapter are from Global Development Finance Indicators, World Bank, available at <http://publications.worldbank.org/GDF/>; and UNCTAD, *World Investment Report* at <http://www.unctad.org/wir>.
5. One study, for example, found that India's FDI in 2000 would have been nearly three and a half times higher if measured according to IMF guidelines: rather than the \$2.3 billion reported on India's balance of payments, the economy's FDI would have been \$8 billion (Srivastava 2003).
6. During 1992–2001, India received \$270 billion in remittances, vs. \$119 billion in FDI.
7. See WTO, Agreement on Trade-Related Investment Measures, Articles 1–9 and Annex.
8. See WTO, General Agreement on Trade in Services, Article I.2.c.
9. The numbers of BITs for Asia is from the UNCTAD database on "Country-Specific Lists of Bilateral Investment Treaties," concluded as of June 1, 2012, and referring only to the date of signature, available online at [http://unctad.org/en/Pages/DIAE/International%20Investment%20Agreements%20\(IIA\)/Country-specific-Lists-of-BITs.aspx](http://unctad.org/en/Pages/DIAE/International%20Investment%20Agreements%20(IIA)/Country-specific-Lists-of-BITs.aspx).

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CHAPTER 18

PRODUCTION NETWORKS IN ASIA

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PRODUCTION networks have been the principal engines driving Asia's remarkable economic growth in the last quarter of a century. Their spread has led to high levels of intraregional trade, especially in mechanical and electrical components. Economists have labeled the breaking down and geographical dispersion of the various dimensions of a commodity chain into research and design, manufacture, distribution, and marketing "fragmentation" (Arndt and Kierzkowski 2001). This process has transformed the export composition of developing economies and created new webs of interdependence. The structure of international trade has changed markedly: by 2007–8, manufactures accounted for 85 percent of the total merchandise exports of developing East Asia and they constituted nearly three-quarters of ASEAN's exports (Athukorala, forthcoming, table 1).¹

In that trade is now based on vertical specialization, that is, the exchange of components that are part of the same product, it differs from previous horizontal intra-industry trade in which countries exchanged similar products differentiated by brand name, for instance, BMWs for Volvos. Economists have been slow to recognize the transformative effects of production networks and how, in the words of two Japanese economists, "the pattern of international division of labor and international trade in East Asia is no longer adequately explained by the textbook versions of international trade theories. The international division of labor is not by industry, but by production process" (Kimura and Obashi 2011, 1). Global production networks have, in the words of the WTO's former director general, Pascal Lamy, produced "a new paradigm where products are nowadays 'Made in the World'" (World Trade Organization 2012b, 4). Economists are also slowly acknowledging that the contemporary pattern of trade largely undermines a favorite analogy in East Asia that sees the economies of the region advancing sequentially through various stages of industrialization in a "flying geese" formation (for an early criticism of the contemporary relevance of the analogy see Bernard and Ravenhill [1995]).

In this chapter, I consider first what factors have driven the development of production networks and what explains their geographical concentration. I then examine how

the benefits from participating in the networks are distributed, before concluding with a discussion of the implications of the growth of networks for theories of international political economy and international relations more generally.

18.1. WHAT HAS DRIVEN THE GROWTH OF PRODUCTION NETWORKS?

For economists, these new trends in production and trade have been driven primarily by technological developments, especially reductions in transport costs, and by the lowering or removal of border and other barriers to trade. Together these have enabled components to be moved at relatively low cost around the region in order to take advantage of differences in factor costs and concentrations of skills. These elements, often portrayed as the key features in what is portrayed as Asia's "market-led" development, have indeed been important. And the institutional underpinnings of Asia's economic integration do indeed stand in marked contrast with those of Europe, where an overarching intergovernmental agreement provides the foundation for closer economic cooperation.

Nonetheless, the role of governments in facilitating the growth of production networks should not be overlooked. Their contribution over the last quarter of a century has taken many forms: the establishment of export-processing zones that permitted duty-free import of components for assembly into products that were subsequently exported, and which were the basis for the early footholds that many countries in the region, including China, gained in these networks (Warr 1989);² similar nongeographically specific provisions through duty-drawback arrangements; the unilateral lowering of tariffs (important throughout the region from the mid-1980s onward); and government commitments in regional and global trading agreements, not least the 1996 Information Technology Agreement that freed up a substantial part of trade in the region's single most important export sector (World Trade Organization 2012b).

Tariff provisions on the part of countries importing the assembled product in some instances have encouraged outsourcing of specific processes, for example, the US "yarn forward" rule, which requires the use of US materials if the product is to benefit from US tariff concessions. Governments have also entered into a substantial number of bilateral investment agreements, providing greater security for foreign investors (see the Pekkanen and Tsai chapter in this volume). As discussed later in this chapter, some governments, recognizing the significance of building local capacities and of the economic advantages of agglomeration, have played a significant role in the establishment of local centers of competencies in various industries. Other governments, not always with a great deal of success, have actively encouraged domestic industries to establish offshore networks, a notable example being Taiwan's "Go South" strategy

in the mid-1990s, during which Taipei tried to encourage local companies to invest in ASEAN to counter a growing dependence on mainland China.

The development of new business models has also played a crucial role in the contemporary evolution of production networks. Outsourcing is not a new phenomenon in manufacturing: it has been a long-standing practice in the clothing industry, where piece workers (independent subcontractors) sew garments or fashion accessories in their homes. International subcontracting is of more recent origin, coming to prominence from the late 1960s onward when US-based semiconductor companies began outsourcing production to facilities in Singapore and Taiwan. In the early stages, at least, the pattern was one of companies establishing their own subsidiaries in relatively low-cost labor locations.

Soon, however, an entirely different business model was developed in which companies outsourced all of their manufacturing to subcontractors with which they had only arm's-length relations. The pioneer of this model was Nike, which used Korean and Taiwanese companies to manufacture its athletic shoes. The essence of the model was that the lead company was able to take its profit at those points in the value chain where barriers to entry were greatest. The model was soon taken up in the IT industry, where companies responsible for the design and manufacture of components, personal computers, or mobile telephones soon shed their manufacturing facilities. Their competitive advantage lay in (increasingly complex and costly) research and development, control of core technologies such as operating systems, and control of a brand name and/or of marketing and distribution networks. This model was originally characterized by Michael Borrus and John Zysman (1997) as "Wintelism," denoting the combination of Microsoft's control over the operating system of personal computers and Intel's dominance of the processors that powered most personal computers in the 1990s ("Intel Inside"). However, the logic of the business model has been carried furthest in recent years by Apple, which controls research and development, proprietary technology, brand name, and distribution channels, but contracts other companies to do its manufacturing. Outsourcing of production has become common in other sectors of the IT industry: for instance, more than a dozen "fabless" suppliers of integrated circuits enjoyed revenues of more than a billion US dollars in 2010. These included such relatively well-known companies as Nvidia and Broadcom. The relative importance of controlling core technologies is seen in frequent complaints about the expense that licensing fees add to the costs of production of electronic goods.³

18.2. PRODUCTION NETWORKS: WHO'S IN?

Contemporary production networks take many forms. At one end of the spectrum is the traditional model of a network that is contained entirely within a particular transnational corporation (TNC), which operates one or more subsidiaries offshore. At the other end of the spectrum are networks in which the relations between companies

are at arm's length, involving no equity stake and remaining entirely market-based. In between are many hybrids, sometimes involving joint ventures between locally owned and foreign companies, a preferred model in China, or arrangements in which the lead firm in the network may provide various inputs to network members, ranging from capital to personnel (and other forms of technical assistance), to equipment or design specifications. Whereas it used to be the case that the bundle of goods provided by a TNC (capital, technology, management, brand name, marketing) was seen as largely indivisible, in many industries in the last quarter of a century a process of unpackaging—of dismantling industrial functions into unaffiliated specialist units—has occurred. Most notably, with the evolution of global capital markets, local companies were able to secure finance through alternative channels. Similarly, some technologies became commonly available, “off the shelf” stock; meanwhile domestically owned companies in the more technologically advanced countries in the region, notably Korea, Taiwan, and China, greatly expanded their research and development capabilities.

Nowhere are these trends more evident than in the rise of electronic contract manufacturers (ECMs). Their role in manufacturing most of the mobile phones and many other electronic devices currently in production was largely overlooked until the adverse publicity that the largest ECM, HonHai Precision of Taiwan (better known by its trading name of Foxconn) received in 2011 because of suicides among its workforce that was producing iPhones and iPads. Outside of the industry, however, relatively few people are aware of the scale of these companies: in the three decades in which it has been in existence, HonHai has grown into the world's sixtieth largest company by revenue, with total sales in 2011 of over US\$90 billion, more than 50 percent above those of its principal customer, Apple.⁴ Although HonHai alone accounts for almost half of the total revenue of contract manufacturers, the industry features other large players including the Singapore-based Flextronics, ranked 334 on the Fortune Global 500, with 2011 sales of US\$29 billion. Of the other top ten contract manufacturers, three are East Asian companies: New Kinpo Group (Taiwan); Shenzhen Kaifa Technology (China); and Universal Scientific Industrial (Taiwan).⁵

Much of the academic literature on production networks has been devoted to the construction of typologies of the various forms that networks take.⁶ Sharpston (1975) provides one of the earliest examples, drawing a distinction between lead firms that are themselves manufacturers in the same industry and those that are retailers—a division later refined by Gereffi (1994) in distinguishing producer-driven and buyer-driven commodity chains. With the move to outsourcing, it would be reasonable to expect that the importance of buyer-driven chains has increased in the region, although there remain some very significant manufacturing sectors, such as automobiles, where producer-driven chains predominate.

The relative novelty of production networks combined with their opacity produces very substantial gaps in our knowledge of their structure and operations. Some studies suggest that relationships within networks, at least those led by Japanese assemblers, may vary with distance. Ando and Kimura (2009) found that long-distance

transactions, for example, involving companies in Japan and ASEAN economies, typically occurred intrafirm—that is, between subsidiaries of the same company—whereas transactions within host economies were normally conducted at arm’s length, and those across borders in Southeast Asia were a combination of intrafirm and arm’s-length transactions. There is also evidence from various parts of the world, including case studies in Southeast Asia, that the nationality of the lead firm makes a difference to the openness of networks—with those led by Japanese-based corporations typically more closed than those of their US or European counterparts (Borrus 1995; Encarnation 1999; Ernst and Ravenhill 1999; Ravenhill 1999).

Production networks have been especially important in East Asia, in part because of its dominant role in the global IT industry, which has been particularly amenable to “fragmentation.”⁷ East Asian enmeshment in networks began in the late 1960s with semiconductor assembly, primarily through linkages with US companies. Intraregional trade through production networks increased markedly in the second half of the 1980s when, following the Plaza Accord, which produced a substantial revaluation of the currencies of Japan, Korea, and Taiwan, companies from Northeast Asia shifted a significant part of their export-oriented production to Southeast Asia. A second major expansion and shift in the orientation of production networks came in the second half of the 1990s with the emergence of China as the preferred location for final assembly. Today, as labor costs in China rise, we are seeing the beginnings of a third shift toward lower-cost locations in the region, most notably Vietnam, but also increasingly Indonesia.

The growth of production networks in East Asia was part of a global trend toward production fragmentation. World trade in components increased substantially in the first decade of the twenty-first century, up from 24 percent of global manufacturing exports in 1992–93 to 46 percent of the total in 2006–8. In the same period, the share of developing economies in network exports doubled, primarily because of growth that occurred in East Asia. In 2007–8, exports within production networks accounted for fully 60 percent of East Asia’s manufacturing trade, in comparison with a world average of 51 percent. The figure for ASEAN was higher still, with more than two-thirds of its manufactured exports taking place within production networks (Athukorala, forthcoming, table 4).

In contrast to the dominant role that production networks have played in East Asian manufacturing exports, their role in Central and South Asia to date has been minor. In India in 2006, the share of parts and components in total manufacturing trade was 10 percent, only slightly up on 1996. This figure was only one-half of the world average, substantially under one-half of the figure for China, and less than one-quarter of that for ASEAN (Asian Development Bank 2008, 65). In a composite index that the Asian Development Bank (ADB) calculated for regional economic integration, India was located 1.5 standard deviations below the average for Asia as a whole (Asian Development Bank 2008, 46). South Asia’s share of global nonoil trade in 2007–8 was only marginally higher than the 1969–70 figure (1.2 compared with 1.1 percent). That of India did increase in the period, but only from 0.9

to 1.1 percent, so that at the end of the period its share in world manufactures trade was less than Thailand's, an economy only one-quarter of its size. The percentage of manufactures in total Indian exports actually fell from 72.1 to 69.2 percent in these years (Athukorala, forthcoming, table 1). The share of final products and components from the machinery sector in India's exports in 2007 was smaller than that of Indonesia and Vietnam, and substantially less than half of that of China (Kimura and Obashi 2011, 11, figure 5).

The reasons for the low participation of Central and South Asia in production networks are a mirror image of the factors underlying East Asian success. One issue is beyond governments' control: these economies are further removed geographically from the Northeast Asian economies whose firms have been the principal leaders of regional production networks. And they lack the cultural links provided by the overseas Chinese communities in other parts of Asia. But government policies have also hindered their integration into the region; tariffs on manufactured imports in the region were high until recently. India was particularly notorious in this regard; the desire to protect local manufacturing in turn was reflected in the incomplete product coverage of the preferential trade agreements that India entered into. Not only was this a characteristic of the principal regional agreement, the South Asia Free Trade Area (whose other members are Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, and Sri Lanka), but also of India's early bilateral agreements, such as that with Singapore (Institute of South Asian Studies 2006) (see the chapter by Narlikar in this volume). Moreover, India has historically not been regarded as having a business climate welcoming to foreign investors. In the International Finance Corporation / World Bank evaluation of countries on "ease of doing business," India was ranked 132nd, behind Indonesia and substantially below Vietnam (ranked ninety-eighth).⁸ Out of 183 countries, India was ranked in the worst three economies for the enforcement of contracts and for dealing with construction permits. On another metric constructed by these two agencies, the ease of trading across borders, India ranked 127th of 185 countries: the costs of exporting a container from India were estimated at \$1,120, nearly double the figure for China (\$580).⁹ Finally, South Asia lags far behind East Asia in adult literacy: the average for the two regions for the period 2005–10 was 61 percent for South Asia and 94 percent for East Asia. India's adult literacy rate of 63 percent was lower than those of ASEAN's least-developed economies, Cambodia and Laos.¹⁰

In Central Asia, the business climate is rated more favorably than that in South Asia, and adult literacy rates approach 100 percent. Most of the countries in the region have relatively open trade regimes, particularly in comparison with South Asia. The region, however, is geographically remote from major markets: transport costs for these landlocked countries are high. Equally important as a hindrance to participation in production networks, the region's geographical remoteness increases the time it takes to transport goods to market: the time taken to move goods from Tashkent to Paris—250 hours—is estimated to be ten times that for transportation from Warsaw to Paris (Lucke and Rothert 2006, 4) Central Asian countries were

at the bottom of the World Bank's "Trading Across Borders" rankings: Uzbekistan was ranked 185th, Tajikistan 184th, Kazakhstan 182nd, and Mongolia 175th. Traditionally, transport links were directed toward other members of the Council for Mutual Economic Assistance; the former Soviet Union was the only significant export market for the relatively small manufacturing sectors of Central Asia, a relationship that was fractured in the early 1990s (see Cummings chapter in this volume). Some of the Central Asian economies have started reconstructing elements of these ties through the negotiation of bilateral free trade agreements; for example, Azerbaijan has signed agreements with Russia, Georgia, Kazakhstan, Moldova, Ukraine, and Uzbekistan. Meanwhile, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan are all members of the Shanghai Cooperation Organization (SCO) together with Russia and China: members of the SCO have agreed to negotiate a free trade agreement. However, with the exception of China's involvement in the SCO negotiations, the agreements that the Central Asian economies are entering into are with their former Soviet bloc partners rather than with East or South Asia. In oil-rich countries such as Kazakhstan, labor costs are high in comparison with those of other Asian developing economies; because of their geographical remoteness, lower labor cost countries in Central Asia tend to export labor rather than to attract manufacturing facilities.

18.2.1. The New "Hewers of Wood and Drawers of Water"?

The essence of the business model that drives outsourcing through production networks is the principle that lead firms will maintain control of those parts of their global value chains that are the most profitable. A substantial literature has documented, for example, how TNCs retain the higher value-adding activities, such as research and development, in their home countries (summarized, for example, in Hirst and Thompson 2009). Some studies of production networks have noted their "hierarchical" character: key technologies remain under the control of lead firms (Bernard and Ravenhill 1995; Hatch and Yamamura 1996).

Discussions of the distribution of the gains generated by production networks came to the fore with the publication of studies on which companies/countries captured the value added in the production of the iPod and iPad (Linden, Kraemer, and Dedrick 2007; Kraemer, Linden, and Dedrick 2011; Xing and Detert 2011). In the absence of publicly available data on the costs of inputs, these studies inevitably make heroic assumptions. Nonetheless, such is the order of magnitude of the differences in the returns to various factors in the value chain that observers can have confidence in the general conclusions of the research. Although the iPhone and iPad are regarded for trade purposes as being "made in China," neither contains any components actually sourced from within China itself. They are assembled by the Taiwanese company Foxconn using Chinese labor. Kraemer, Linden, and Dedrick estimate that no more than \$10 of the \$229 to \$275 factory costs of iPhones and iPads is accounted for by labor and

this is the only portion of the value added that is retained in China. Apple's profit on the iPhone is variously estimated to be between 58 and 64 percent of the retail price. Roughly 10 percent of the profits go to components suppliers in Japan, Korea, and Taiwan.¹¹ Similar orders of magnitude had previously been estimated for the athletic footwear industry: for a pair of Nike shoes retailing in 1999 for \$90, the ex-factory price was estimated to be \$22.50, of which labor costs, the only local contribution to the value added, were \$3.37 (Spar 2002, 15).

Concerns about the low share of value added retained by assemblers/manufacturers have been magnified by data suggesting that the real price of manufactured goods exported by developing economies has fallen in the last quarter of a century, a trend often blamed on China's emergence as the world's assembly plant, given its vast reserves of relatively low-cost labor. One consequence is that developing economies dependent on the export of manufactures have experienced a decline in their terms of trade relative to those of industrialized economies and some commodity-exporting developing economies. Again, comprehensive data to support anecdotal evidence—the declining retail prices of clothing, many electrical goods, and so on—are not available, but the best estimates support these arguments that the returns to developing economies from many of their new manufactured exports are disappointing (Kaplinsky 2005).

On the other hand, it would be naive, given the astounding rates of growth enjoyed by Asian countries and the dominance of network trade in the region's exports, to suggest that there are no benefits to be gained for less developed economies from participation in network trade, even primarily as assemblers of components manufactured elsewhere. High rates of economic growth can be sustained for a considerable period by the movement of underemployed labor from low-productivity rural pursuits to labor-intensive assembly activities dependent on foreign technology. And while the returns for contract manufacturers on their revenue are relatively low, the size of total revenues earned by the larger companies ensures them a substantial profit. In 2011, for instance, HonHai's profits were only 3 percent of its total revenues (in contrast to Apple's profit to revenue ratio of 22 percent). Nonetheless, HonHai in that year earned a return of 5.2 percent on assets, amounting to US\$2.45 billion profit.¹²

In the twenty-first century global economy in which trade is dominated by production networks and capital is mobile, developing economies have a clear interest in adopting policies that increase their attraction as production bases (Baldwin 2011b). But merely facilitating assembly activities is unlikely to be sufficient if governments aspire to capture a larger portion of the value added within production networks. Participation in network activities may bring employment and exports, but little diffusion of technology to domestic companies and little upgrading of the skills of the workforce. The Thai automobile industry is a case in point. Thailand has succeeded in establishing itself as the principal Southeast Asian regional hub for automobile assembly, which has generated substantial inward foreign direct investment, domestic employment, and rapidly increasing vehicle exports. But the participation of local firms in the industry is very limited; so too is the diffusion of technologies (Doner,

Noble, and Ravenhill, forthcoming). To capture a greater share of value added within the industry requires a movement beyond extensive assembly operations.

Essentially the same argument—but using different terminology—is made by the World Bank, which has warned in several major reports of the danger of Asian economies falling victim to a “middle income trap” (Yusuf and Nabeshima 2009; World Bank 2012). In a global economy where trade is largely unimpeded, developing economies can initially compete by marrying their low-cost labor with imported technologies. But as the gains from the reassignment of underemployed labor from rural activities are exhausted (and wage rates rise), then developing economies find themselves squeezed from both ends of the technological spectrum (by lower labor cost countries in assembly activities and by higher income countries in more technology-intensive production). In the Bank’s words (World Bank 2012, 12), “if countries cannot increase productivity through innovation (rather than continuing to rely on foreign technology), they find themselves trapped.”

Innovation—also referred to as “upgrading”—poses significant challenges for developing economies. It requires the building of appropriate institutions to provide not just an adequate supply of personnel with the skills to develop and apply new technologies, but a multitude of support services that are needed in a modern economy. These challenges return the focus to the role of the state. An emphasis on technical education can achieve some objectives: in information technology some countries (not least India) have moved from competing through the provision of low-cost unskilled labor to competing through relatively low-cost engineers. Dieter Ernst (2005, 56, figure 2) estimated that the annual cost of employing a chip design engineer in India in 2002 was one-tenth of the level of that in Silicon Valley; the cost in China in that year was even lower. Yet providing a labor force with the requisite skills satisfies only one of the dimensions required for capturing additional value added from production networks—and countries risk losing some of the investment in skilled labor given its potential international mobility.

The first step in ascending the ladder of value-added tasks is for companies to move from assembling products to others’ specifications (original equipment manufacture) to where they are able to undertake their own design. Here, again, a role exists for states to foster local competencies. State initiatives have been critical to enabling some local companies in the region to gain a foothold in production networks through the promotion of domestic centers of expertise. The emergence of the electronics industry in Taiwan was a notable example: the role of the quasi-governmental Industrial Technology Research Institute (ITRI) in acquiring and developing technologies in electronics, which were often then commercialized by companies in the adjacent Hsinchu Science-Based Industrial Park, is well known (Noble 2000; Wade 1990; Mathews and Cho 2000).

Few countries in the region to date have replicated the success of Taiwan in nurturing and promoting domestically owned companies in an internationally competitive industry—and, of course, countries now face higher entry barriers to the industry than was the case in the early years of ITRI. Even where governments have

recognized the problem of the middle-income trap, few have invested in the institutions required for technological upgrading. China is one of the exceptions. The country's Twelfth Five Year Plan, released in 2011, restated government concerns at the limited gains to the economy from being the world's assembly plant and the desire to move from "made in China" to "designed in China." The plan builds on the 2006 "National Medium to Long-Term Plan for the Development of Science and Technology (2005–20)" that identified eleven key areas, eight frontier technologies, and seventeen science and engineering megaprojects to receive priority funding. By 2008, China's R&D expenditure as a share of GDP was estimated at 1.8 percent, substantially below that of Japan (3.45 percent) and Korea (3.36 percent) but substantially higher than that of other lower income economies in the region including Thailand (0.21 percent), the Philippines (0.11 percent), Indonesia (0.08 percent), India (0.76 percent), Mongolia (0.24 percent), and Kazakhstan (0.23 percent).¹³ Given the size of China's GDP, its total expenditures on R&D are expected to exceed those of Japan within a few years, at which time it will become the second largest investor in R&D in the world.

While it is not difficult to map the substantial variation across the region in the efforts that states are investing in upgrading industrial networks, providing an explanation for the differential responses is more difficult. To meet the challenges posed by upgrading, governments have to invest in institutions. These investments inevitably come at the expense of current consumption and require a vision on the part of a government that extends beyond the distributive politics perceived to be necessary to secure reelection. A government's willingness to invest in institutional upgrading is likely to be shaped by the interplay of several economic and political factors: the internal and external threats that it faces (the more severe the former, the greater the likelihood that distributive politics will dominate; the more severe the latter, the greater the likelihood that governments will invest in upgrading); the natural resource base (the greater the relatively stable flow of revenue from natural resources, the less pressure governments will face for upgrading and, arguably, the more difficult it will be to pursue upgrading because of "Dutch disease" effects that raise the costs of labor and lead to exchange rate appreciation); and the degree of ethnic heterogeneity (the greater the heterogeneity, the more likely that emphasis will be placed on distributive politics).¹⁴

Although moving up the value chain within production networks is a significant challenge for all governments, one characteristic of production networks is nonetheless encouraging from a developmental perspective. Although instances exist of footloose behavior in production networks in the region, nowhere more obvious than in the shift of assembly of athletic footwear from Korea and Taiwan to Southeast Asia and China (albeit under the control of locally owned companies in Korea and Taiwan), a number of studies have suggested that transactions within production networks, especially in machinery parts and components, are more stable than other international trade.¹⁵

In the next section, I explore the implications of the growth of production networks for theories of international relations.

18.3. THE SPREAD OF PRODUCTION NETWORKS IN ASIA: IMPLICATIONS FOR IR/IPE THEORY

18.3.1. Production Networks and Commercial Liberalism

The essence of the commercial liberalism argument (see the chapter by Haggard) is that growing economic interdependence makes international conflict less likely because it increases the costs of going to war. Normally this argument is couched in terms of the potential costs to participants in armed conflict that arise from the loss of access to export markets. With the growth of production networks, not only has trade become even more important in national wealth creation (with exports constituting a growing share of GDP) but the potential costs of armed conflict disrupting economic linkages are magnified by the termination of access to inputs critical to international competitiveness as well as the loss of export markets.

Nowhere in the world has foreign trade grown as rapidly as a component of national welfare as in Asia, especially its Northeast and Southeast subregions. For the developing economies of East Asia and the Pacific, the ratio of exports to GDP rose from 7.7 percent in 1970 to 46.2 percent in 2006 (after which it fell because of the global financial crisis). For China, a continental-size economy that would be expected to have a relatively low ratio of trade to GDP, the respective figures for exports are 2.6 percent and 39.1 percent. The *entrepôt* status of Hong Kong and Singapore explains their exceptional exports-to-GDP ratios that are currently over 200 percent. Other, larger, East Asian economies, however, also have unusually high ratios (77 percent for Thailand and Vietnam; over 100 percent for Malaysia).¹⁶ East Asia's positive trade balance with the rest of the world is reflected in slightly lower ratios of imports to GDP, but these nonetheless are high by global standards (the ratio of imports to GDP for the developing economies of East Asia and the Pacific peaked at 40 percent in 2005).¹⁷ And, as noted above, the share of production networks in East Asia's trade is substantially above the world average.

The economic integration that characterizes the global economy of the first quarter of the twenty-first century is very different from that of 1945, let alone that of 1914. To compare contemporary economic interdependence with that of previous eras is very much a matter of placing different objects in the same category: there have been qualitative changes in the character of interdependence as well as quantitative changes. Countries depend on transnational linkages through production networks for critical inputs into their products; the networks also give them access to distribution and marketing channels and to brand names. Not only is this a world in which the costs of territorial conquest far outweigh any conceivable gains, but the potential costs of severing links with the global economy have also never been greater. Production networks

have made a significant contribution to changes in the calculus of the costs and benefits of going to war.¹⁸

18.3.2. Is Asia Decoupling from the Global Economy?

The continued rapid growth of many parts of Asia at a time when the global financial crisis created stagnation in most industrialized economies reinforced voices that suggested that Asia is effectively decoupling from the global economy.¹⁹ Besides the divergence in growth rates, the other element underlying the decoupling argument is the apparent increase in intraregional trade in Asia as a percentage of countries' total trade. The ADB, in particular, is fond of making the argument that the role of intraregional trade in Asia now exceeds that in Europe and North America.²⁰

Several flaws are evident in this argument, however. First, the aggregate data used to produce these comparisons include trade between China and Hong Kong, much of which is entrepôt in character. Companies in Hong Kong also provide logistical services that facilitate the transshipment of intermediate goods from one part of China to another (often from one export-processing zone to another).²¹ Second, trade within production networks leads to a substantial double-counting of the value of goods (sometimes referred to as a "magnification effect"): each time a component crosses a national border, its full value is counted for trade purposes even if the value added to it within a country may be negligible.²² Such double-counting is not, of course, a problem unique to the Asian region. What is different in Asia, however, is the share of overall trade that is conducted within production networks: the magnitude of the double-counting problem consequently is much greater there than in most other parts of the global economy. Third, even though East Asian economies provide the major market for components produced within the region, the destination of finished products remains predominantly markets outside the region (Athukorala 2006b). A substantial shift in the pattern of trade within the region has occurred with the growth of China—but much of this is driven by China's role as an assembly plant for goods that are subsequently exported to Europe and the Americas. At the same time that the dependence of other Asian economies on the Chinese market has grown substantially, China's export trade has moved away from the region to extraregional markets (Ravenhill 2008). It is far too early to proclaim that the region is decoupling from the global economy—which, were it to occur, would inevitably have implications for non-economic dimensions of international relations.

18.3.2.1. *Production Networks, Trade Disputes, and the China Threat*

Discussion of the double-counting problem in network trade raises another key area in which the growth of production networks is impinging on broader international politics: the danger in relying on national trade data in popular understandings of trade imbalances between countries. Nowhere is this more important for the economic dimensions of contemporary international relations than in the relationship between

China and the United States. The studies cited earlier in this chapter on the geographical distribution of value added in the iPhone and iPad themselves made important contributions to this debate in pointing out that only a small fraction of the supposed surplus in trade in Apple products between China and the United States actually accrues to China. Xing and Detert (2011, table 2) estimate that in 2009 the United States recorded a trade deficit with China because of imports of iPhones that amounted to close to US\$2 billion. Of this figure, however, less than \$75 million (under 4 percent) came from value that was actually added to the product in China itself; imported components constituted the remainder. Making rather heroic assumptions, the WTO (World Trade Organization and IDE-JETRO 2012, 104, figure 9) estimates that in aggregate terms the overall US trade deficit in China would have been cut by more than 40 percent in 2008 if it had been measured in value-added terms rather than by conventional national trade statistics.²³

An understanding of how production networks operate across the region also helps to alleviate another concern in trade relations: the fear in other parts of the region that China's growth would crowd out their exports. When China was completing its accession to the WTO, a number of econometric studies suggested that the countries that were most likely to be adversely affected by the normalization of China's trade relations would be its neighbors in Southeast Asia.²⁴ To be sure, China, as anticipated, has proved to be a formidable competitor as an exporter of goods requiring low-labor cost assembly. It has displaced some exports of final products from a number of Southeast Asian countries in extraregional export markets. At the same time, however, production networks have been reconstructed across the region to foster a new division of labor in which other countries (including the low- and middle-income economies of Southeast Asia) have benefited from exporting components to China. Belderbos and Zou (2006), in a survey of Japanese electronics subsidiaries in nine Asian countries, found that the growing attractiveness of China had not led to a decline in employment in Japanese subsidiaries in ASEAN countries, but rather a reconfiguration of their activities across the region. In aggregate, the composition of exports from ASEAN to China changed dramatically in the first decade after China's accession to the WTO away from raw materials to manufactures. And China has become the single most important export market for the majority of ASEAN countries. ASEAN fears of being crowded out by China have proved to be misplaced (Ravenhill 2006; Athukorala 2009).

Although all countries are apparently benefiting from the vertical disintegration of manufacturing within the region, some elements of zero-sum competition inevitably will be present. This is particularly the case where countries attempt to establish themselves as regional hubs for a particular industry. For instance, given the size of the regional market, Thailand's success in becoming the principal location in Southeast Asia for auto assembly unavoidably limits the opportunities for other Southeast Asian countries to compete in final assembly in this industry. Even here, however, opportunities exist for countries to carve out profitable niches for themselves, for example, Indonesia's specialization in the assembly of "people-movers." And other opportunities may exist for the production of components, for example, the Philippines' relatively

small auto industry specializes in the production of transmissions for Toyota that are exported to other countries for assembly in finished vehicles.

18.3.2.2. *Production Networks and Trade Agreements*

The foundations for the current complex web of production networks in Asia were in place well before the region turned to preferential trade agreements at the start of the twenty-first century. As I suggested in the first part of the chapter, the absence of formal intergovernmental trade agreements in Asia appeared to have little impact on the development of networks, which thrived under the various facilitating arrangements that governments put in place. Of course, it is impossible to test the counterfactual—whether production networks would have been even more extensive if a region-wide trade agreement had been in place. However, given that widespread production networks predated preferential trade agreements, this seems unlikely.

To what extent are regional trade agreements necessary to enable further elaboration of networks? Richard Baldwin (2011a) has argued that the complexity of contemporary trade “requires complex rules” that address the needs of key actors in production networks, in particular in the areas of competition policy, intellectual property rights beyond the TRIPs agreement, free movement of capital, and investment assurances. The first generation of preferential trade agreements that Asian countries entered into seldom addressed these “WTO Plus” issues (Dent 2006; Ravenhill 2010; Solís 2011). The agreements to which China and India were party were particularly superficial in their coverage. The major exception to this generalization is the later agreements that Japan negotiated with Southeast Asian partners, particularly those with Malaysia and Thailand that were intended to facilitate the operation of Japanese-led production networks in these economies (Manger 2009).

It is impossible to say whether the development of production networks is being hampered by the absence of intergovernmental treaties on the topics that Baldwin lists or, indeed, whether trade agreements are the best vehicle for addressing these issues. We do know that companies make relatively little use of many of the existing agreements, with a few notable exceptions, such as Thai automobile exports to Australia under the bilateral trade agreement between these two countries. The reason, suggested by various surveys of firms, is that the agreements fail to create a sufficient advantage over the most-favored-nation tariff for firms to undertake the paperwork needed to qualify for the preferential tariff (Kawai and Wignaraja 2009; Kawai and Wignaraja 2011). And a genuine risk exists that attempting to tackle twenty-first-century issues of principal concern to actors in production networks through overarching trade agreements may see the negotiations derailed by old-fashioned protectionism directed at traditional sectors such as agriculture, as appears to be happening in the Trans-Pacific Partnership negotiations (Capling and Ravenhill 2012). The “twenty-first century” issues might more effectively be addressed through more specific agreements such as bilateral investment agreements, the total number to which Asian countries are already party substantially exceeds the number of preferential trade agreements (chapters by Dent and by Pekkanen and Tsai in this volume).

18.4. CONCLUSION

The spread of production networks has transformed the economic geography of Asia. A substantial portion of the increase in intraregional trade in the last quarter of a century is attributable to trade in components resulting from the fragmentation of the manufacturing process. An understanding of production networks suggests that the conventional wisdom that Asian integration is market-led is at best only partially correct. Although the significance of state-owned enterprises and joint ventures in Northeast Asian networks, especially in China, should not be overlooked, it is undeniable that private-sector actors are the dominant players in these networks. And networks have flourished in the absence of an overarching intergovernmental economic agreement along the lines of the European Union. Indeed, the proliferation of preferential trade agreements in the region to date (see the chapters in this volume by Dent, by Aggarwal and Koo, and by Stubbs and Mostapha) has done little to change their operations. Governments, nonetheless, have played a critical role in facilitating the development of cross-border networks by implementing measures that have significantly reduced the costs of moving components around the region. Such state action in promoting industrial upgrading is an important factor in determining the distribution of value-added production within networks.

The growth of production networks has substantially reinforced the traditional commercial liberal argument about the costs of conflict outweighing any conceivable gains. Breaking the links that provide the local economy with key technological inputs as well as access to brand names, distribution channels, and final markets would place not just exports, but overall economic growth, at risk. Regardless of this, as seen in the attacks in China on the subsidiaries of Japanese corporations during tensions over sovereignty of the Diaoyu/Senkaku Islands, production networks can also provide new outlets for expressions of interstate friction.

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NOTES

1. Most of the discussion of production networks has referred to manufacturing industries. The services components of these networks, a dimension in which India has excelled, is often overlooked. The WTO estimates that services constitute over half of the value

- embedded in supply chains (World Trade Organization 2012a). Also overlooked are the production networks that exist in commodities trade—see Wilson (2013).
2. In 2006, it was estimated that 40 million workers in China were employed in export processing zones (World Trade Organization / IDE-JETRO 2012, 21, table 1); in 2009 roughly one-half of its exports came from these zones (World Trade Organization / IDE-JETRO 2012, 22).
 3. In 2006, for instance, a Chinese newspaper article noted that payments to foreign patent holders were the equivalent of 20 percent of the price of each Chinese-made cell phone; 30 percent of the price of a personal computer; and 20 to 40 percent of the price of computer-controlled machine tools. “China’s Dependence on Foreign Technology Exceeds 50%,” *Chinanews*, May 26, 2006, <http://www.china.org.cn/english/scitech/169484.htm>, quoted in Serger and Bredine (2007, 147).
 4. Data from “Fortune Global 500,” CNN Money (2012 Cable News Network), http://money.cnn.com/magazines/fortune/global500/2011/full_list/index.html.
 5. “The MMI Top 50 for 2011,” <http://www.mfgmkt.com/mmi-top-50.html>.
 6. Mapping has been the other major feature in the literature on production networks. In itself this is no easy task because it necessitates going beyond the standard national trade data used by most economists. Studies have typically made use of OECD data on outward processing, and of the UN’s COMTRADE database. But coverage is far from complete, and careful judgments have to be made as to what constitutes a component rather than an assembled product. Prema-chandra Athukorala (2006b, 2005, 2006a, 2011) has been a pioneer in presenting these data for East Asia.
 7. By 2007–8, over 58 percent of total world exports of IT products originated from Asia, up from 30.8 percent in 1994–95; China accounted for one-half of this share (Athukorala, forthcoming, p. 7 of manuscript). Industry-specific factors (beyond the more general economy-wide issues such as availability of infrastructure, financial stability, favorable investment regime, etc.) that determine whether an industrial sector is suited to fragmentation include the value-to-weight ratio of components; the presence of local companies and a local labor force with relevant skills; whether or not assembly has to be close to markets to adapt the product to local tastes; and the political sensitivity of the assembly industry in major markets.
 8. Figures for June 2011. The World Bank (2012), “Doing Business: Economy Rankings,” <http://www.doingbusiness.org/rankings>, accessed June 12, 2012.
 9. Data for June 2012. The World Bank (2013), “Trading across Borders,” <http://www.doing-business.org/data/exploretopics/trading-across-borders>, accessed August 2, 2013.
 10. Data from UNICEF (2012), “Statistics and Monitoring,” <http://www.unicef.org/statistics/>, accessed June 12, 2012.
 11. The dominance of assembly activities where most components are sourced overseas explains the “paradox” of China’s export composition, which consists of far more technologically advanced products that would be anticipated for a country at its level of per capita income (Rodrik 2006).
 12. And this was a year in which Sony made a net loss while Panasonic earned profits amounting to only 1 percent of its revenues. All data from “Fortune Global 500,” CNN Money (2012 Cable News Network), http://money.cnn.com/magazines/fortune/global500/2011/full_list/101_200.html, accessed June 14, 2012.
 13. All data from World Bank, “Research and Development Expenditure as a % of GDP,” <http://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS>, accessed June 18, 2012.

14. For a more detailed discussion see Doner, Noble, and Ravenhill (forthcoming, ch. 3).
15. See the studies reviewed in Kimura and Obashi (2011, 15–17).
16. All data from World Bank, “Exports of Goods and Services (% of GDP),” <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>, accessed June 20, 2012.
17. Data from World Bank, “Imports of Goods and Services (% of GDP),” <http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS/countries>, accessed June 20, 2012. Foreign trade is much less significant for South Asian economies, reflecting the smaller role of production networks in the region. For South Asia as a whole, the ratio of exports to GDP peaked in 2008 at 22 percent; for India the ratio reached 29 percent, while the figures for central Asia averaged 55 percent. For some, the relatively low levels of economic interdependence in South Asia might explain the greater propensity for interstate war in the region.
18. For further discussion in the Asian context see Ravenhill (2009).
19. For further discussion see Emmers and Ravenhill (2011).
20. For instance, Asian Development Bank (2011).
21. For more details on Hong Kong’s role in regional production networks see World Trade Organization / IDE-JETRO (2012, 24–26).
22. In itself, this problem generates significant anomalies when examining trade data for Asian countries. For instance, the Philippines is the country in the world whose exports are most heavily concentrated on electronics—but the vast majority of the value added to these products occurs elsewhere. It has an equally high concentration of electronics in its imports. However, the Philippines does not have the highest foreign content ratio in overall manufactured exports—Singapore (71 percent) holds this distinction, followed by Vietnam (48 percent). Koopman et al. (2010, 33, table 3).
23. The WTO, alarmed at how misleading data can inflame trade disputes, has increasingly advocated the use of statistics on value-added production to measure trade. It has launched a dedicated “Made in the World” website, http://www.wto.org/english/res_e/statis_e/miwi_e/miwi_e.htm, to support this initiative. See also “Lamy Suggests ‘Trade in Value-Added’ as a Better Measurement of World Trade,” http://www.wto.org/english/news_e/news11_e/miwi_06jun11_e.htm, accessed June 18, 2012.
24. See, for example, Ianchovichina and Martin (2003), Ianchovichina, Suthiwart-Narueput, and Zhao (2004), Ianchovichina and Walmsley (2003), Weiss (2004), Weiss and Shanwen (2003), and Eichengreen, Rhee, and Tong (2004).

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PART IV

INTERNATIONAL
SECURITY

*A. Foreign Security Relations
and Policies*

CHAPTER 19

JAPAN'S FOREIGN SECURITY RELATIONS AND POLICIES

CHRISTOPHER W. HUGHES

JAPAN'S security policy is of central concern to understanding the international relations of Asia, and has been the object of fascination and fierce contestation in the postwar period. The history of prewar militarism and disastrous defeat in the Pacific War, culminating in the atomic bombings of Hiroshima and Nagasaki, the US-led Occupation and demilitarization of Japan, and the introduction of Article 9—the “peace clause” of the Constitution—have combined to ensure that any discussion of Japanese security policy remains highly controversial domestically, regionally, and internationally. Japan's choices regarding the development of its security policy have been of concern to neighboring East Asian states fearful of Japanese revanchism. Such choices have also been of crucial interest to the United States, Japan's principal security partner; the United States seeks to boost Japanese support for the US-led bilateral security alliance system (see also chapter 38), which is intended to preserve the existing balance of power in the region. Finally, Japan's security debates have attracted considerable academic interest, with IR theorists puzzled by Japan's apparent pursuit of a constrained security policy uncharacteristic of many other advanced industrial powers.

The purpose of this chapter is to integrate and make sense of these debates in order to present an analysis of the principal drivers and overall trajectory of Japan's security policy. To undertake this exercise, the chapter is divided into three main parts. The first part provides an overview of the main theoretical and policy debates that have framed our understanding of the development of Japan's security policy, specifically: the mix of international and domestic political factors in dictating policy shifts; the degree of and resistance to any shifts toward a more assertive military stance for Japan; and assessments of the impact of Japan's security policy on regional and global stability. The second part engages in and tests these three central debates through an examination of the evolution of Japanese security policy from the postwar period through to the contemporary period. It begins by elucidating Japan's Grand Strategy and its distinctive military and nontraditional approaches to security in the postwar period

to provide a baseline from which to judge the extent of change in security policy. It then examines the contemporary regional and global security challenges that have generated external pressures for change—including particular sets of security relations with key states in Northeast and Southeast Asia—as well as the domestic policymaking actors, institutions, and societal attitudes that mediate these external pressures. The third part of the chapter assesses concomitant changes in Japan’s national security doctrines and military capabilities and the development of cooperation pursuant to the US-Japan alliance, which provide further empirical proof of the degree and direction of travel in Japan’s security stance, especially with regard to military versus nonmilitary conceptions of security.

In line with this analysis, the third part of the chapter makes a number of arguments concerning the development of Japan’s security that challenge many of the dominant positions in the three key debates outlined above. First of all, it postulates that Japan’s security policy is—contrary to the position of certain theorists and policymakers—most definitely experiencing an ever strengthening and significant trajectory of change, if still in cautious incremental stages. Japan is moving toward a more assertive military role in defending its own territory, in conjunction with the United States in projecting military power externally, and much of this policy impetus comes at the expense of more nontraditional conceptions of security. Moreover, in contrast to those who argue that Japan’s security policy will remain largely constrained by domestic factors, the evidence suggests that international pressures from neighboring East Asian states and the alliance with the United States are now gaining the upper hand in pushing Japan along this more assertive and militarized security trajectory as a major player in East Asia. The conclusion is that Japan’s development of military security has new and possibly unpredictable ramifications for regional and global security. Japan is likely to move closer toward security collisions with China and other neighbors, and its ability to manage cooperation and tensions within the US-Japan alliance will influence US attempts to maintain security in East Asia and beyond.

19.1. DEBATING JAPAN’S SECURITY DIRECTIONS

Three key debates have framed our understanding of Japan’s security policies. The first, of both theoretical and policy relevance, concerns the key drivers behind the development of Japan’s security policy, and the relative weight of international versus domestic variables in determining policy (Soeya 1998). In effect, it reveals the contestation between scholars of realist and constructivist persuasions (see chapters 2 and 4 respectively).

Neorealist analysis asserts that Japan will be increasingly cajoled by the deteriorating international security environment to convert its economic strength into military

strength, and to aspire to great power status, even through the acquisition of nuclear weapons. Japan's principal reason for maintaining its anomalous international status as a relatively demilitarized nation in the postwar period has been its reliance on US hegemony and its concomitant opportunity to relegate to the United States the heavy lifting required to ensure its national security (Waltz 1993; Lind 2004). Offensive realists posit that with the decline of US hegemony and security guarantees, and facing the new security threat from a rising China, Japan will inevitably be obliged to shoulder responsibility for its own security and will emerge as a formidable military player, thereby restoring the regional balance of power (Mearsheimer 2001, 372–77, 396–400). Defensive realists argue that Japan's changing external security environment may not induce such drastic change in its security policy, given the United States' continued presence in the region, the superiority of US and Japanese defensive weapons, and the geographical distance between Japan as an island nation and its potential adversaries. Hence, Japan may only need to adopt the role of a circumscribed balancer to make the minimal commitments necessary to the US-Japan alliance to maintain the balance of power against China; or it may increase its purely defensive capabilities while reassuring its neighbors about its military motivations; or again, it may be able to pursue its national interests through the mercantile realist use of economic rather than military power (Twomey 2000; Midford 2002; Heginbotham and Samuels 1998; Green 2001). Realism thus offers a rich menu of options for explaining Japan's security policy, but all approaches are united by a belief that the international structure is the primary trigger for post-Cold War change.

The main counterperspective to realism has been that of constructivism, which locates the principal explanation for developments—or, as this perspective would often argue, relative nondevelopments—of Japan's security policy at the domestic level. Constructivists argue that the primary drivers of Japan's security choices are deeply embedded domestic norms, particularly pacifism and antimilitarism. These norms are diffused among policymaking institutions and Japanese society more widely, and lead to an ingrained resistance to the Japanese state's use of military power for national security ends or for glorification of the military (Katzenstein and Okawara 1993; Katzenstein 1996; Berger 1993, 1998; Oros 2008). Constructivists contend that these norms are sufficiently strong to counteract international structural pressures, providing a high degree of continuity and resistance to the remilitarization of Japanese security policy—even to the point of its becoming an “immovable object” (Friman et al. 2006).

The second dominant debate focuses on questions of the degree of shift and fundamental trajectory of Japan's security policy. The default position in this debate is that Japan continues to show no fundamental deviation from its postwar trajectory of the so-called Yoshida Doctrine, involving a minimalist set of military doctrines and capabilities for the Japan Self-Defense Forces (JSDF), avoidance of overseas military commitments, and sheltering behind US security guarantees (Samuels 2006; Takao 2008; Hagström and Williamson 2009; Midford 2011). In turn, Japan remains committed to nonmilitary security policy, such as that embodied by the conceptions of

Comprehensive National Security and Human Security. The challenge to this default position is the argument that Japan is now gradually shifting toward the trajectory of a so-called normal, military power, prepared to deploy military force for national security ends and in support of the US-Japan alliance, both in the East Asia region and globally (Green 2001; Hughes 2004; Hughes and Krauss 2007; Kliman 2006; Pyle 2007).

The third and final major debate revolves around question of the implications of any possible shift in Japan's security policy for its own, the region's, and global security. As articulated by Japanese government policymakers and their counterparts in the United States, the argument is that changes to Japanese security policy are to be encouraged because they are measured and appropriate as befitting an advanced industrial democracy and ally of the United States. Japan's potentially shifting security policy is thus of benefit to regional stability (Cronin and Green 1999, 310–22; Osius 2002; Armitage and Nye 2007; Calder 2009). The opposing view from a number of Japanese commentators, but also vocal foreign and revisionist academics, is that Japan's growing military activity signifies new dangers. Japan may be moving either unconsciously or consciously toward the recrudescence of militarism, or is becoming too entangled in US military strategy, and thus re-establishing itself as a destabilizing influence in the balance of power against regional neighbors such as China and North Korea (Hook 1996; DiFilippo 2002; McCormack 2007, 55–89; Hughes 2009).

19.2. CHANGES AND DIRECTIONS IN JAPAN'S SECURITY POLICIES

19.2.1. Japan's Postwar Grand Strategy

Japan's security policy for most of the postwar period has been governed by the Yoshida Doctrine, as broadly formulated by the conservative prime minister Yoshida Shigeru (1946–47, 1948–54). In the aftermath of defeat in the Pacific War, Japan remained embattled by a mix of international and domestic pressures on security policy. Internationally, Japan was faced with the threat of Soviet Communism in the Far East; the United States holding out the prospect for ending the Occupation and restoring Japan's sovereignty in return for pledges to rearm and assist in the Cold War struggle; and continuing East Asian suspicions of Japanese militarism. Domestically, those to the right of the policy-spectrum called for large-scale rearmament and military autonomy to resist the encroachment of Communism, but met strong resistance from left-wing policymakers determined to maintain the principles of Article 9. Meanwhile, the parlous state of the Japanese economy imposed limitations on the pursuit of an assertive security policy.

Consequently, the Yoshida Doctrine in the immediate postwar period and ever since has plotted a politically and strategically expedient path for Japan through these

contending international and domestic pressures (Samuels 2003, 2010–11; see also chapter 8 in this volume). Japan under Yoshida committed to minimal rearmament through the eventual establishment of the JSDF in 1954, and to the simultaneous signing of the San Francisco Peace Treaty and US-Japan Security Treaty in 1951 (Weinstein 1971, 103–27). Japan's choice for minimal rearmament satisfied US and conservative pressures for a greater national defense effort, while also reassuring East Asian neighbors and domestic opposition that Japan was not retreading the path of becoming a significant regional military power. Japan's conclusion of the peace treaty enabled it to regain its independence, and the bilateral US-Japan security treaty initiated an implicit Grand Strategic bargain that helped to mitigate international and domestic pressures. Under the treaty Japan obtained *de facto*—and in the revised treaty of 1960, explicit—guarantees from the United States in return for its provision to the US military of bases on Japanese territory for the projection of power onto the East Asian continent. Moreover, the United States provided extended nuclear deterrence. To a large degree Japan was thus able to outsource its security concerns to the United States without the need for major rearmament, and thereby defuse immediate left-wing opposition over security issues. In addition, rather than expending resources on Japanese military development, the United States provided its security treaty partner with the economic dispensations of aid and access to markets to boost its development as a “bastion of capitalism” in the Cold War struggle (Hughes 2004, 21–23).

Japan's commitment to the Yoshida Doctrine and alignment with the United States has not been uncontroversial or without strategic costs, what in international relations literature are referred to as the risks of abandonment and entrapment (Snyder 1997). Abandonment entails risk that the United States as a global superpower with wider ranging strategic interests than just the defense of Japan might overlook its security treaty duties, or even abdicate them entirely. Japanese policymakers during the Cold War were less concerned about abandonment due to Japan's central position in assisting the United States to oppose Communism in East Asia and enable tripwire presence of the US military on Japanese territory. Entrapment, however, has long been a constant and greater fear, in that the United States might pursue policies that generate war in the region which Japan would be inevitably drawn into, or even pressure Japan to dispatch the JSDF overseas to support US-led expeditionary warfare (Hughes and Fukushima 2004).

Consequently, Japanese policymakers have moved with considerable caution and hedging in designing security policy. Since the 1950s Japan has strictly adhered to interpretations of Article 9 that its military force can only be exercised for the national defense of Japan's territory, and thus Japan cannot exercise the right of collective self-defense to defend other states and even its US ally outside its immediate territory. Moreover, Article 9 gave rise to a range of other antimilitaristic prohibitions including: the 1967 Three Non-Nuclear Principles (not to produce, possess, or introduce nuclear weapons); the 1967 and 1976 bans on the export of arms and military technology; the 1969 National Diet resolution on the peaceful use of space, and the 1976 1 percent of GNP limit on defense expenditure (Oros 2008).

Throughout the Cold War Japan's policymakers remained vigilant to avoid entrapment. Japan stayed determinedly out of the Vietnam War despite the participation of other US allies such as South Korea and Australia (Welfield 1988, 210–12). It encountered increasing pressures in the latter stages of the Cold War to increase burden-sharing with the United States to counter the expansion of Soviet power in the Asia-Pacific. Japan responded with a significant quantitative and qualitative build-up of JSDF capabilities, but it continued to hedge against entrapment by holding to the nonexercise of collective self-defense, maintaining that these dispositions were purely for the defense of Japan and US units operating in and around Japanese territory under Article 5 of the bilateral security treaty. Japan and the United States did agree under the bilateral 1978 Defense Guidelines that Japan would undertake greater responsibilities for Article 6-type operations to respond to regional contingencies (Graham 2006, 122–49). But Japan avoided serious planning to support the United States in regional contingencies, and the JSDF force buildup avoided integration with US forces for fear of entrapment (Keddell 1993).

Furthermore, in line with this caution on security policy, Japanese policymakers have often sought to deemphasize the role of military power in security in relation to more economically oriented conceptions of security. Japan in 1980 adopted elements of a National Comprehensive Security Policy, which stated the need—even in the midst of the Cold War—to respond to problems of economic and resource supply instability as potential sources of interstate conflict. Japan's history of comprehensive and non-traditional security has extended into the contemporary period with the provision of large-scale official development assistance (ODA) to East Asian and other developing states, and increased reliance on the concept of Human Security, predicated on the need to mitigate the economic needs of individuals and societal groups in order to ensure state—and thus interstate—stability.

19.2.2. International Structural and Domestic Political Pressures for Change

In the post-Cold War period, Japan's traditional pursuit of the Grand Strategy of the Yoshida Doctrine has been challenged by shifting international and domestic forces working for continuity and change. These have led to notable developments in the institutional framework for making foreign policies, as well as transformations in military doctrines and capabilities.

19.2.2.1. *Global Security Challenges*

The first set of international pressures facing Japan is global security threats, multiplied in their significance by US demands for enhanced military cooperation from its Japanese alliance partner. Japan's security equilibrium was initially upset in the post-Cold War period by the outbreak of the Gulf War of 1990–91. Japanese policymakers found themselves unprepared to respond to the United States' and the international

community's expectations for a human contribution to the coalition war effort through the overseas dispatch of the JSDF for the first time in the postwar period. Japan encountered domestic political gridlock on this issue and defaulted to the provision of US\$13 billion in economic assistance to the coalition: a very significant financial contribution, but one that was derided internationally as "chequebook diplomacy" (Inoguchi 1991). Stung by this international criticism and lack of preparedness to respond to such post-Cold War crises, Japanese policymakers initiated a search for a more proactive security profile. The Maritime Self-Defense Force (MSDF) was eventually able to dispatch minesweepers to the Persian Gulf in 1991 on a noncombat mission after the cessation of hostilities, and then to pass an International Peace Cooperation Law (ICPL) in 1992 to enable the dispatch of the JSDF on noncombat UN peacekeeping operations (PKO) (Woolley 1999).

The next major international shock to affect Japan's security policy was the terrorist attack on US territory a decade later on September 11, 2001, and George W. Bush's ensuing US-led wars in Afghanistan and then Iraq. Japanese policymakers again keenly perceived the need to demonstrate solidarity with the United States and rest of the international community in combating terrorism and the proliferation of weapons of mass destruction (Midford 2003). Japan's defense planners feared the risks of entrapment if they provided direct military assistance for the United States in these conflicts, but at the same time were also cognizant of the potential risks of abandonment if they were seen not to be forthcoming as a reliable ally; they were concerned that the consequences of this would affect US support in Japan's growing regional security threats with regard to North Korea and China (Hughes 2004b).

19.2.2.2. *Security Relations in East Asia and Other Regions*

Indeed, at the same time that these new international security challenges and alliance pressures have been visited on Japan in the post-Cold War period, the regional security environment surrounding Japan in East Asia is perceived to have undergone considerable deterioration. Japan's most immediate and direct security concerns in the post-Cold War period have been in Northeast Asia, focusing particularly on North Korea (see also chapter 22). The North Korean nuclear crisis of 1993–94 first alerted Japan's leaders to the risks of the North's nuclear ambitions as demonstrated by its brinkmanship and growing ballistic missile capabilities. Japan has been confronted since the mid-1990s by the North's threat of around three hundred 1,300-kilometer-range Nodong-1 ballistic missiles capable of striking most of the area of Japanese territory, and North Korean tests of Taepodong-1 and Taepodong-2 missiles close to or over Japanese territory and airspace in 1998, 2006, 2009, and 2012. In addition, Japan has grown increasingly concerned at North Korea's determination to defy the international community and to acquire nuclear weapons—as evidenced by its nuclear tests in October 2006 and May 2009—with the ultimate Japanese fear being that the North will eventually be able to combine its ballistic missile and nuclear capabilities to create a delivery system constituting a credible nuclear deterrence (Hughes 2009b; see also chapter 26 in this volume).

Meanwhile, Japan entertains even greater anxieties over China's rise and its consequent military intentions and capabilities. The Taiwan Strait crisis of 1995–96 triggered Japanese awareness of China's increasing willingness to project power in pursuit of its national interests. Thereafter, Japanese policymakers have watched with increasing concern China's assertion of its territorial and resource interests in the East China, South China Sea, and the sea lanes of communication in the Asia-Pacific region and beyond to the Persian Gulf (Drifte 2003; Wan 2006, 31–43; Mochizuki 2007a; Manicom and O'Neil 2009; see also chapter 27 in this volume). China has expanded its maritime operations, as demonstrated by the constant dispatch of what it terms "research ships" and People's Liberation Army Navy (PLAN) vessels into Japan's exclusive economic zone (EEZ) around the disputed Senkaku Islands south of Okinawa Prefecture. Japan-China tensions further north in the East China Sea have been intensified by overlapping EEZs and territorial claims to gas field resources. Japanese policymakers have further protested to China over the lack of transparency in its military budgets and buildup; and have been particularly concerned at its acquisition of modernized capabilities in the form of fifth-generation stealth fighters, large numbers of intermediate-range ballistic missile forces, diesel and nuclear submarines, air defense and antiship destroyers, and more recently an aircraft carrier (Bush 2010, 41–86; Hughes 2012a).

For Japan these rising regional tensions have been compounded by the alliance pressures emanating from the United States. Ever since the first North Korean and Taiwan Strait crises of the mid-1990s, Japan has feared that if the United States were to launch military actions, Japan could face demands to provide military support for its ally. However, entrapment concerns have invariably been accompanied by concerns of comparable magnitude over abandonment by the United States. During the first North Korean nuclear crisis the United States requested logistical support for its forces in the event of a crisis. But Japan's avoidance of planning for Article 6 contingencies meant that it lacked any bilateral contingency planning, generating a crisis of political and military confidence in the alliance. Successive North Korean nuclear tensions and missile tests have led Japan to question its confidence in US security guarantees. The United States as a superpower with broad global security interests relating to nonproliferation has often appeared more interested in resolving the North Korean nuclear issue in its entirety rather than dealing with the more immediate ballistic missile threat to Japan; in general the United States has appeared far from implacable in deterring North Korean military brinkmanship. Furthermore, Japan has at times feared abandonment by the United States not only in relation to North Korean crises, but also in the face of rising Chinese threats. With its emphasis on access denial, China's military modernization has raised concerns that the United States may no longer possess sufficient capability or the will to sustain the costs of intervention to protect Japanese territory and maritime freedom of navigation; or even that the United States might eventually reach a general strategic accommodation with China that would sacrifice Japan's national security interests (Hughes 2011).

Meanwhile, Japan's security concerns outside Northeast Asia have been of a lower order of military importance. Japan has managed to build relatively cordial security ties

with Southeast Asia, and has been preoccupied with problems of internal political unrest in these states and nontraditional security issues, such as maritime piracy, environmental destruction, and infectious diseases (see chapter 24). Further afield in Central Asia, the Middle East and Africa, Japan has entertained similar nontraditional security concerns and an interest in the stability of energy resources and raw materials (see chapter 29).

19.2.2.3. *Institutional and Policy Changes*

Japan's new international structural pressures in the post-Cold War era have been mediated and translated into policy by a range of domestic actors and institutions, themselves undergoing change in reaction to shifts in the domestic and international political situation. The traditional low profile of Japan's security policy and adherence to the Yoshida Doctrine was ensured in the Cold War period by reinforcing policy mechanisms and stances (Pekkanen and Krauss 2005). The larger political system generally supported stasis in security policy. After its foundation in 1955, the conservative Liberal Democratic Party (LDP) governed, with only one brief interruption in 1993–94, for the next sixty years. The mainstream “pragmatists” of the LDP broadly supported a minimalist defense posture and the US-Japan alliance in order to provide security during the Cold War, while the more nationalistic “revisionist” elements of the party were largely kept from power (Samuels 2007, 109–32). The pacifist-oriented party in opposition, the Social Democratic Party (SDPJ), forcefully opposed the LDP on issues such as proposed revisions of Article 9, the constitutionality of the JSDF, and the signing of the US-Japan security treaty. However, the SDPJ never seriously sought nor was able to challenge the LDP's grip on power.

At the same time, the specific mechanisms for security policymaking reinforced the status quo. Japan in the postwar period imposed an elaborate system of civilian control to prevent the re-emergence of militarism. The Ministry of Foreign Affairs (MOFA) took the lead in devising security policy and was the gatekeeper for managing the US-Japan alliance. It helped with oversight of the Japan Defense Agency (JDA), which was only assigned the role of an administrative rather than a policymaking agency, remaining under the control of the Prime Minister's Office (Hughes 2004, 60–66). The JDA kept watch over the JSDF, ensuring that the military was strictly removed from involvement in decisions concerning national security strategy. Moreover, Japanese public opinion broadly supported the cautious security stance. It remained suspicious of the JSDF as a conventional military force, regarding its most active role as disaster relief management rather than national defense; and acquiesced in the maintenance of the US-Japan security treaty as the most effective means to guarantee national security.

In the post-Cold War period, however, these policy mechanisms and attitudes have begun to undergo radical change. The LDP managed to cling on to power for a further two decades following the collapse of the Communist threat in Europe and much of East Asia. Nevertheless, in this period the LDP's traditional governing pathway increasingly declined in legitimacy, in most part due to its failures to prevent Japan slipping into economic malaise, but also because of its inertia in security matters. In its efforts to retain power, the LDP increasingly turned to its revisionist elements keen to instigate not just economic reforms but also a more dynamic national security policy and

strengthened alliance with the United States, the best known of these revisionists being Prime Minister Koizumi Junichirō (2001–6). Similarly, the SDPJ's rigid adherence to a pacifist stance for Japan appeared to be mismatched with new realities, and it eventually accepted the constitutionality of the JSDF and US-Japan alliance and entered into coalition governments with the LDP, but also gradually faded as credible opposition. The Democratic Party of Japan (DPJ) has instead arisen as the main opposition party, generally supportive of an active security role for Japan, the need to strengthen the US-Japan alliance, and enhanced multilateral security cooperation with the UN and regional neighbors (Hughes 2012b; Easley 2010).

Japanese security policymaking mechanisms concomitantly have begun to develop in the facilitation of a more assertive security policy. The Prime Minister's Office has emerged as an improved coordinator of policy overall, especially when combined with a strong prime ministerial figure such as Koizumi (Shinoda 2007). The JDA was reformed as the Japan Ministry of Defense (JMOD) in 2007, attaining an equal role alongside MOFA in managing the US-Japan alliance in the Security Consultative Committee Meeting, or 2+2, involving foreign and defense ministers from both sides of politics. In 2006 the JSDF acquired a more integrated command structure with a new Joint Staff Office, and has increasingly been allowed to share in security policy planning with civilian bureaucrats and politicians (Hughes 2009a, 53–65; Oros and Tatsumi 2010, 27–46). Additionally, the Japanese public has become more sanguine over defense policy: it remains dubious over overseas military deployments, but nevertheless is willing to sanction these, especially if for UNPKO or if seen to contribute to international peace promotion (Dobson 2003; Midford 2011). The public has also ascribed greater legitimacy to the JSDF as a military force in general and in its role in territorial and regional defense, and raised its support year by year for the role of the US-Japan alliance as indispensable for Japanese security (Früstück 2007).

19.3. JAPAN'S SHIFTING SECURITY POLICY

19.3.1. Transformations in Military Doctrines and Capabilities

Japan's defense doctrine and military power, influenced by the international and domestic challenges identified above, have shown signs of a potentially radical shift in the post-Cold War period. Since 1957, and in line with the Basic Policy on National Defense, Japan has maintained a strictly "exclusively defense-oriented" posture." Japan determined that it would maintain only the minimum necessary JSDF force structure sufficient for self-defense: a stance reinforced by the 1976 National Defense Program Outline (NDPO) and the JSDF's Basic Defense Force (BDF), which limited the JSDF to the largely static defense of Japanese territory and eschewed power projection capabilities (Gow 1982, 56–77). However, the revised 1996 NDPO stated for the first time

that Japan would now seek to respond to any regional contingency that affected its own security through the smooth implementation of the US-Japan security arrangements. Hence, for the first time Japan was now beginning to grapple with the need for a broader regional security role, a development that was reinforced by the redefinition of the US-Japan alliance in the 1990s to improve cooperation for Article 6-type contingencies, as explored in section 19.3.3 (Hughes 2004, 67–76).

The 2004 National Defense Program Guidelines (NDPG) began to move further along the trajectory of implementing a proactive Japanese security policy. Reacting to the changing external regional security environment and the events of the so-called war on terror, the 2004 NDPG identified North Korea as a destabilizing factor for regional and international security. For the first time the NDPG stated that Japan should “remain attentive” to China’s military modernization, and emphasized Japanese global security interests “spreading from the Middle East to East Asia,” thereby mapping its interests onto those of the United States in the “arc of instability” in the war on terror (Ministry of Defense 2004). The NDPG further stressed the need for Japan to develop “multi-functional, flexible and effective” forces characterized by mobility and rapid-reaction capabilities, including power projection outside Japan’s immediate territory (Hughes 2011).

The 2010 NDPG has pushed for potential stepped changes in Japan’s defense doctrine. The threat from North Korea continues to be emphasized, but China’s military buildup is now considered a concern for the regional and global community. The 2010 NDPG formally abandoned the BDF as the last vestiges of Cold War planning, and instead adopted the new concept of a Dynamic Defense Force (DDF). The DDF is intended to enhance Japan’s ability to ward off territorial incursions and respond to regional contingencies, and to shift the weight of JSDF deployments southwards to counter China’s military buildup.

In terms of specific capabilities that reinforce the DDF, in recent years the JSDF has acquired significant defensive and power projection hardware. For example, the MSDF maintains a forty-eight-strong naval destroyer force, including Aegis-equipped destroyers for ballistic missile defense (BMD); amphibious landing ships; an expanded submarine fleet; 8,000-kilometer-range surveillance aircraft capable of patrolling deep into the South China Sea; and now light helicopter carriers. The ASDF is procuring its own BMD system, 6,000-kilometer-range transports, in-flight refueling; precision guided munitions enabling long-range airstrikes; and now the F-35A fifth-generation fighter with air defense penetration capabilities (Hughes 2011). It has also been observed that the Japan Coast Guard has been strengthened as a paramilitary force to help fend off Chinese and North Korean maritime incursions (Samuels 2008; Leheny 2006, 157–64; see also chapter 27 in this volume).

19.3.2. Legal and Constitutional Changes

Meanwhile, Japan’s policymakers have continued to push for changes in national defense posture and capabilities by challenging various antimilitaristic prohibitions.

In some areas, they have successfully breached prohibitions, as with Japan's decision since the late 1990s to implement its own program for intelligence satellites, thus reconceiving the 1969 resolution on the peaceful use of space into a principle allowing for its defensive use (Oros 2008; Pekkanen and Kallender-Umezu 2010). Similarly, in 2011 the Japanese government overturned its arms export ban and is now set to allow licensed export of military technology for humanitarian purposes and for international co-development of weapons systems. Japan's nonnuclear principles have not been formally breached, although official government investigations in 2009–10 confirmed that since the 1960s MOFA has maintained tacit agreement with the United States to allow the transit of nuclear weapons through Japanese ports. Moreover, Japanese policymakers have refused to codify the nonnuclear principles into law, thereby allowing for the possibility of the acquisition of nuclear weapons for defensive purposes (C. W. Hughes 2007; L. Hughes 2007; Schoff 2009; see also Yuan's chapter in this volume).

Japanese policymakers have increasingly tested the Constitution's overarching constraints on the exercise of force for national security ends. Attempts for formal revision of Article 9 gained some momentum before the LDP's fall from power in the mid-2000s, with the production of National Diet, LDP, and DPJ reports arguing for formal recognition in the Constitution of the JSDF and its national defense role and the need for stronger obligations for Japan to contribute to international security. In addition, procedures for a national referendum on constitutional revision were enacted in 2007. Nevertheless, the efforts for constitutional revision have been curtailed by the difficulty of requiring a two-thirds majority in both houses of the National Diet, and then a straight majority in a national referendum. Hence, Japanese policymakers have instead preferred constitutional reinterpretation as an easier route to enhance military flexibility, and in particular to exercise collective self-defense in support of the United States. In order to affect JSDF overseas dispatch to Afghanistan and Iraq, the LDP has thus used the Preamble of the Constitution, which emphasizes Japan's duties to international society as a means to partially override Article 9. Prime Minister Abe Shinzō in 2007 initiated a Council on Reconstruction for the Legal Basis for Security that argued that Japan could exercise collective self-defense in support of the United States in cases of BMD and regional contingencies (Boyd and Samuels 2005; Hughes 2009a, 112–29).

Nevertheless, Japan has continued to hold the line on the exercise of collective self-defense, in part due to continuing fears of entrapment in support of the United States, and the residual attachment of the Japanese populace to the antimilitaristic sentiments of Article 9. Added to constitutional prohibitions, Japan's security policy continues to be constrained by simple material considerations, with other demands on the budget for social expenditure ensuring the defense budget remains approximately within the specified limit of 1 percent of GNP (Hummel 1996; Hughes 2009a, 37–40).

19.3.3. Developments in the US-Japan Alliance and International Security Cooperation

Japan's degree of commitment to the US-Japan alliance and other external security activities is another key measure of deviation from its security trajectory. The first rounds of changes initiated in the US-Japan alliance were designed to respond to regional security challenges. As noted earlier, the first North Korean nuclear crisis of 1993–94 pointed to the essential lack of military interoperability of the US-Japan alliance in dealing with regional contingencies due to Japan's fear of entrapment and consequent refusal to investigate the range of support it might provide to the United States under Article 6 of the security treaty. However, following the North Korean nuclear crisis, and given further momentum by the Taiwan Strait crisis of 1995–96, Japan and the United States began to fill in these gaps in bilateral cooperation through "redefinition" of the alliance (Funabashi 1999; see also chapter 38 in this volume). The US-Japan Guidelines for Defense Cooperation underwent revision between 1996 and 1997, and resulted in Japan's Law Concerning Measures to Ensure the Peace and Security of Japan in Situations in Surrounding Areas, known as the regional contingencies law. Japan for the first time operated under the revised US-Japan Defense Guidelines and this law specified the type of noncombat rear-area logistical support Japan would provide to the United States, such as the use of civilian seaports and airports, provision of food supplies, and medical assistance.

The second round of changes moved the alliance beyond a regional to a potentially global focus for military cooperation. Following 9/11 Japanese policymakers perceived that they needed to avoid the mistakes of the Gulf War and demonstrate solidarity with the United States through dispatch of the JSDF to support the US-led coalition in Afghanistan. Hence, in October 2001 the LDP government was able to pass in short order an Anti-Terrorism Special Measures Law and subsequent legislation that enabled the deployment of the MSDF to provide noncombat refueling support for US and coalition ships in the Indian Ocean between 2001 and 2009. In addition, the LDP passed an Iraqi Reconstruction Law in 2003 that enabled the dispatch of the Ground Self-Defense Force and Air Self-Defense Force to Iraq and Kuwait for noncombat reconstruction and transport missions between 2004 and 2008.

Japan and the United States then sought to push alliance cooperation further through the Defense Policy Review Initiative (DPRI) operating from 2002 onward, and culminating in the Security Consultative Committee's (SCC) issuance of 'Common Strategic Objectives' for the alliance in February 2005 and a Roadmap for Realignment Implementation in May 2006. The strategic objectives essentially noted the ambitions of the alliance to expand its scope globally, and the roadmap looked to begin realignments of US bases in Japan to enable closer integration of the JSDF and US military, and for the United States to fulfill its larger Global Posture Review (GPR) strategy of enabling the flexible deployment of its forces from regional bases on a global scale.

The US-Japan alliance has thus progressed in terms of the integration of strategy and interoperability of deployed forces. Indeed, the increasing effectiveness of military cooperation was demonstrated by the US-led Operation Tomodachi in the wake of the 2011 earthquake, tsunami, and Fukushima nuclear disaster, which involved the mobilization of 20,000 US personnel working alongside the JSDF. However, Japan's advancement of the alliance relationship with the United States has not been without tension. First, Japan has continued its hedging behavior against US entrapment, still only sending the JSDF on noncombat missions, predicated on time-bound separate laws prescribing each mission. Second, Japanese policymakers remain concerned about abandonment, often dissatisfied with the United States' apparent inability to halt North Korea's missile and nuclear programs, and in the longer term to provide security guarantees vis-à-vis China's rise (Hughes 2004a, 126–38; Hughes 2009a, 79–89). Third, on a more local level, US-Japan tensions have rumbled on over the issue of US bases in Okinawa (Calder 2007, 166–75). The key showpiece of US-Japan efforts agreed to in 1997 was the construction of a Futenma replacement facility (FRF) elsewhere in Okinawa for the US Marines Corps' air units. However, despite three different sets of plans considered by LDP administrations for an acceptable site, and the agreement in the DPRI for an FRF at Henoko, local Okinawa opposition to the facility and its consolidation of the US military presence in the prefecture has impeded the relocation.

Indeed, US-Japan alliance tensions intensified in the immediate period after the changeover from the LDP to the DPJ administration in 2009. The DPJ decided to withdraw the MSDF from the refueling mission in the Indian Ocean in 2009, regarding this as a hazardous stretching of US-Japan alliance cooperation outside the scope of the security treaty that lacked appropriate constitutional legitimacy. In addition, the DPJ administration declared its intention to revisit the FRF agreements, indicating the possibility of relocation elsewhere in Japan or even outside Japan. The US opposition to revisiting the FRF agreements caused major ructions in the alliance and the eventual downfall of Prime Minister Hatoyama Yukio (Hughes 2012b). The subsequent DPJ prime ministers Kan Naoto and Noda Yoshihiko have adhered more closely to the bilateral alliance relationship and agreed to push ahead with the FRF agreement, not least because of rising tensions with China in late 2010 over the Senkaku Islands. Nonetheless, the US-Japan alliance is likely to continue to experience tensions even as it develops and strengthens. Japanese policymakers welcome the United States' recent orientation to East Asia in security terms, but remain nervous over the United States' extent of commitment in terms of materiel and political will to guarantee regional security.

Meanwhile, Japan's other regional and multilateral options for security remain constrained. Japan has concluded a series of bilateral security agreements with Australia and India, as well as seeking to improve defense cooperation with South Korea. But the logistical nature of these agreements—modeled on agreements with the United States and its allies and partners—simply serves to reinforce Japan's integration into US security strategy in the region, rather than providing an alternative. Moreover, Japan's attempt to sign an agreement with South Korea in 2012 was derailed by lingering South

Korean suspicions of Japan's colonial past and now growing military presence. Japan is an active participant in regional security dialogue bodies such as the ASEAN Regional Forum (ARF; see chapter 34), but these are clearly only supplements to the US-Japan alliance (Yuzawa 2007; Hughes and Fukushima 2004). Japan has maintained a steady contribution to UNPKO, dispatching the JSDF on noncombat missions to Cambodia (1992–93) Mozambique (1993–95), Rwanda (1994), Golan Heights (1996–2013), East Timor (2002–4), Nepal (2007), Sudan (2008–), and South Sudan (2012–). However, Japan's contributions to UNPKO are small in total number of personnel, and it has yet to lift the ICPL's restrictions on the use of force to protect non-JSDF personnel in these missions. Japan's other external military commitments involve the dispatch of the MSDF on antipiracy missions off the Gulf of Aden—including the construction in Djibouti in mid-2011 of the first overseas military base for the JSDF in the postwar period—which serve a further useful function of monitoring China's maritime and resource ambitions in the Indian Ocean and Persian Gulf. Again, however, although this demonstrates Japan's slowly growing appetite for JSDF overseas dispatch and a global security role, it is a relatively small effort compared to its concentration on the US-Japan alliance as the continued mainstay of its security policy.

Similarly, Japan's devotion to comprehensive and Human Security notions of security policy (see chapter 33) is increasingly under question. Japan will certainly continue to argue for the need to deploy economic power in order to alleviate societal and individual economic impoverishment, which in turn can feed into intra- and interstate instability and conflict. Nevertheless, Japan's intention is to help to stabilize and integrate neighboring states, and alleviate societal and individual poverty as a source of conflict. But Japan's declining ODA provision places a constraint on the centrality of this type of civilian power role for Japan, while much of its leading diplomatic and policy energy in regard to security in recent years has been increasingly consumed by conventional notions of security.

19.4. FUTURE DIRECTIONS

The empirical analysis presented above helps to provide answers to the three key sets of debates relating to Japan's security policy, with corresponding links to the overarching questions of this volume.

The first large Japanese question is one of the relative influence of international structure and domestic agency in orienting state strategies and policies. Japan's security policy suggests—perhaps rather predictably—that both structure and agency carry weight in determining policy outcomes, and that a more eclectic combination of realist and constructivist approaches is required (Katzenstein and Okawara 2001; Kawasaki 2001; Izumikawa 2010). Japan's entire postwar Grand Strategy of the Yoshida Doctrine has clearly been designed to navigate between the hazards of the international system represented by regional threat—on the one hand—and alliance concerns

of entrapment and abandonment—on the other—while also accommodating competing domestic interests and especially strong antimilitaristic sentiment. However, the development of Japan's security policy in the post-Cold War period demonstrates that international structural pressures have been growing in importance relative to past domestic variables. Japanese concerns over North Korea and more so over the looming rise of China have not completely overridden domestic resistance to an increased militarized stance and its comparatively restrained response: the pace of change in security policy remains cautious and incremental—perhaps remarkably so given the scale of the security challenges faced by Japan. Nevertheless, Japan's security policy in this period has clearly begun to shift in the face of these structural pressures. Such international pressures continue to be mediated through domestic policy processes, shaping policy processes and promoting representatives of the conservative right of the political spectrum in Japan. But it is now hard to imagine how Japan can wholly resist these external pressures, and it is these that dictate the overall trajectory of security policy change.

In terms of the trajectory and degree of that shift, it is apparent that even if seasonally the trend is not immediately clear, overall change is gradually increasing toward engagement with the US alliance. Japan is implementing substantial change in its national military doctrines and capabilities. The JSDF has shifted to a DDF posture and is acquiring increasingly formidable power projection capabilities. Moreover, although Japanese policymakers remain cognizant of the risks of entrapment and abandonment—so involving a considerable amount of hedging tactics and growing pains in the bilateral relationship over issues of bases and strategy—the JSDF is steadily deepening its integration with the United States' regional and global military strategy. Japan is strengthening its ability to assist US power projection in the Asia-Pacific, and has shown a growing capability and propensity to embark on cooperative global military enterprises. Although Japan's military stance remains comparatively constrained and defense-oriented, it has the considerable capacity to project defensive military power outside its own territory, or even offensive power if sufficiently threatened.

The final question on the implications of change in Japan's security policy is perhaps harder to answer than those relating to its drivers and trajectory. In many ways literature defining the debate has been polarized. As demonstrated by the discussions regarding the importance of domestic norms and continued caution in military expansion, Japan is clearly not likely to relapse into prewar militarism. Japanese policymakers in the mainstream have every intention of behaving as responsible members of the regional and international community. However, it is also not the case that Japan's current set of drivers and policy trajectory is incapable of posing concerns for regional security. Japan's development of its security policy has clearly been driven increasingly by external pressures emanating both from the regional neighbors of China and North Korea, and from the United States as Japan's ally seeking support for its continued regional and global military dominance. The extent to which policymakers have attempted to obviate the need for domestic discussion of Japanese military strategy and obscure the JSDF's military buildup certainly raises concerns for the transparency

and democratic nature of these processes, and thus the predictability of Japanese security in the future.

Moreover, Japan's increasing integration into the US security ambit raises questions for the overall shape of the regional security balance and infrastructure. The strengthening of the US-Japan alliance is touted publicly by Japan and the United States as the cornerstone of regional security and as a public good from which all states benefit. This contention is supported by the many regional states that welcome the stability provided by Japan's security connection to the United States: an arrangement that moderates Japan's security behavior, as well as helping to maintain a regional balance of power against potential challengers and against China. Conversely, however, Japan's strong attachment to the United States raises questions about a possible imbalance of power viewed from the perspective of those outside the alliance. China is clearly anxious about the US-Japan alliance being used as the foundation of a US encirclement policy, perpetuating US military hegemony and acting as a source of future conflict amongst the three powers (see chapter 20). Similarly, the overwhelming attachment of Japan to the United States, the dominance of this bilateral alliance on the regional security scene, and the way in which it helps to preserve the US-inspired hub-and-spokes system in the region, poses questions about whether it is crowding out opportunities for multilateral, East Asian-inspired security frameworks in the region. Japanese and US policymakers will argue that the strong bilateral alliance is compatible with multilateral security, but the record to date shows that the majority of Japanese security energy has gone into maintaining the alliance: multilateralism has come a distant second.

Hence, in the final calculation, Japan's security posture matters vastly to the international relations of the region. Japan's choices regarding its national capabilities, and most particularly the US-Japan alliance, are indispensable for the United States to maintain its hegemonic presence in the region, for the region's choices in responding to China's rising power, and to the shaping of future regional security architecture. The current security trajectory of Japan suggests that it is moving in directions that will support US military domination, assist the United States in stifling alternatives to the US-inspired security order, and establish the potential for collision in Sino-Japanese security relations, and thus US-Japan-China relations.

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CHAPTER 20

THE DOMESTIC CONTEXT OF CHINESE FOREIGN SECURITY POLICIES

SUSAN SHIRK

RESPONDING to the rise of a new power such as China depends on our judgments about the character of the rising power. We need to understand its *motivations* and *intentions* as well as its capabilities. Realist theories of power transition that take the objectives of countries for granted—that is, that a rising power is expansionist and the reigning power wants only to preserve the status quo—are inadequate for explaining past history and may lead to policies that function as self-fulfilling prophecies (Chan 2008; see also chapter 2 in this volume). To form judgments about how China will use its growing power we must try to understand the domestic political context in which Chinese foreign policy is made.

This analytical focus on the domestic context is particularly important because misperceptions are rampant in international relations. We tend to characterize other countries' actions as expressions of their unchanging national character while maintaining an acute awareness of the complex situational factors that explain our own country's foreign policy choices.¹ We also often misconstrue another state's defensive actions as a manifestation of its aggressive intent.² As Chinese foreign policy scholar Minghao Zhao wrote in 2012, "An exaggerated fear of China's capacities and intentions can itself become a cause of conflict and lead to tragic results" (Zhao 2012). On the other hand, as Jack Snyder explains, elites in rising powers may also have misperceptions and start believing in "the myth of security through expansion" (Snyder 1991, 1).

Bearing these difficulties in mind, a central question of the current era is—What kind of rising power is China likely to be? All rising powers exhibit some dissatisfaction with the status quo, but they differ as to how limited or unlimited they are in their aims and in their propensity to take risks (Schweller 1999). As Randall Schweller observes, "The key question is whether the rising power views the protection and promotion of its essential values as dependent on fundamental changes in the existing international order; or whether it is merely dissatisfied with its prestige and position within that order" (Schweller 1999, 19). In the extreme case of a rising

power with unlimited aims, it is intent to supplant the existing powers and become the world's dominant country. Henry Kissinger defines a "revolutionary power" with unlimited aims as one that not only feels that other nations are threatening it, as all countries do, "*but that nothing can reassure it*" (Kissinger 1964, 2, cited in Schweller 1999, 19; emphasis in Kissinger). Some rising powers behave cautiously because their leaders have an objective appreciation of the capabilities of existing powers and of the price to be paid for confronting them. Other rising powers are driven by leaders—who might be extremely insecure about their political survival—or by political groups who exaggerate their own capabilities and gamble on victory in military conflicts. Differences in political institutions also shape a government's incentives and abilities to preserve peace or initiate conflict (de Mesquita et al. 2003; Kydd 1997; Snyder 1991; Foot and Walter 2011).

But what features of the Chinese political system actually drive China's foreign policy? As Valerie Hudson has noted, answering this crucial question requires "unpacking the black box of foreign policy decision-making" (Hudson 1995, 211). This chapter analyzes some important features of the domestic environment in which Chinese foreign policymakers make their strategic choices. It also discusses the implications of these features for other Asian states as well as for critical players such as the United States.

I highlight three features of the Chinese political system:

- A politically insecure leadership that places the highest priority on the survival of Chinese Communist Party (CCP) rule and is intent on preventing large-scale unrest, avoiding public schisms in the leadership, and maintaining military loyalty.
- A leadership that is highly responsive to nationalist public opinion. Censorship and commercial incentives combine to create media myths about international and domestic threats; these myths stir up nationalist sentiments among the public and also cause officials to believe their own propaganda.
- A policy process characterized by inadequate restraint over parochial bureaucratic interests that may gain from international and domestic overreach. The CCP's collective leadership's concern with unity leads to decisions by logrolling among the bureaucratic interests they represent, including the People's Liberation Army (PLA). They therefore neglect the encompassing interests of the country or the regime (Snyder 1991).

This chapter is divided into three parts. First, I provide an overview of the changes in China's post-Mao foreign policy from restraint to assertiveness that have made it the focus of world attention. I also provide brief descriptions of China's changing relationships with key players across Asia that bear upon the future of regional relations. While attentive to other approaches in international relations theory, the second part demonstrates the importance of understanding domestic politics in accounting for China's foreign policy. The third part addresses whether China's political system can sustain its peaceful rise.

20.1. CAN CHINA RISE PEACEFULLY?

Until 2009, the signs were encouraging that the People's Republic of China (PRC) was on a peaceful path of development. China generally behaved like a cautious, responsible rising power preoccupied with its domestic problems and intent on avoiding conflicts that could disrupt economic growth and social stability. To maintain an international environment conducive to economic development, leaders Deng Xiaoping (1979–94) and Jiang Zemin (1989–2002) adopted a low international profile; they sought to avoid provoking their Asian neighbors or the United States. They ducked international controversies that might cause other countries to restrict the foreign trade and investment vital to China's economic growth or even risk military conflict. The PRC's approaches to Japan and Taiwan were more rigid and aimed at appearing strong to the nationalist public. And its crisis management was unsteady as shown from its reactions to the US accidental bombing of the Chinese embassy in Belgrade (1999) and the collision of a Chinese fighter jet with an American surveillance plane (2001). But overall China's behavior in its own neighborhood until 2009 suggested that its leaders had the motivation and skill to keep the country on a peaceful trajectory.

One of the most striking features of China's international behavior during the Deng Xiaoping and Jiang Zemin periods was its astute management of its international reputation. Conscious that China's rapid rise would lead other countries to view it as a threat, China's diplomats worked hard to reassure other countries that as it grew stronger, it would behave as a responsible global citizen and regional neighbor. They signaled that they sought friendly relations with their Asian neighbors to prevent the re-emergence of Cold War–type opposing blocs in the region. The logic of this grand strategy of diplomatic reassurance, as Avery Goldstein has explained, was to prevent the formation of a balancing coalition against the rising power, a strategy similar to that of Germany in the era of Otto von Bismarck in the 1860s and 1870s (Goldstein 2005). Chinese scholars Yunling Zhang and Shiping Tang explain that the goal of China's regional strategy was “to prevent a containment coalition led by any combination of the external great powers from emerging” (Zhang and Tang 2005, 51).

As their economic and military capabilities increased in the 1990s, Chinese leaders sought to debunk what they called the “China threat theory.” Politburo Standing Committee member Li Ruihuan said in 1999 that it was a mistake to view China's growing power as a threat because “whether a person will harm other people will not depend on the size of his build or strength, but on his moral character and conduct” (Yang and Wang 1999). Diplomats in the Asia Department of the Chinese Ministry of Foreign Affairs (MOFA) crafted a self-conscious good-neighbor policy to reassure Asian countries that China was a responsible and benign rising power.³ An important intellectual influence was Yunling Zhang, who summarized China's regional strategy as “participate actively, demonstrate restraint, offer reassurance, open markets, foster interdependence, create common interests, and reduce conflict” (Zhang and Tang 2005, 54).

To show its friendly intentions, China resolved almost all of its land border disputes with the fourteen adjacent countries in an accommodating manner that often involved giving up more territory than it gained (Fravel 2008; see also Fravel's chapter 27 in this volume).

Governmental embrace of multilateralism also signaled to other countries China's intention to cooperate. China became a staunch supporter of the World Trade Organization (WTO) and the Nonproliferation Treaty, and demonstrated its acceptance of the international status quo by participating in many more multilateral organizations than we would expect of a country at its level of development (Johnston 2003, 14). According to Rosemary Foot and Andrew Walter, China's levels of behavioral consistency with global norms of multilateral cooperation improved over time (Foot and Walter 2011, 275).

Within Asia, China enhanced its image by participating actively in the new regional organizations that emerged in the 1990s. As Cummings notes in chapter 25 in this volume, one of its first regional undertakings was founding the Shanghai Cooperation Organization (SCO, 1996), a multilateral security forum for Central Asia focused largely on preventing ethnic and religious separatism from spilling over into China. This pioneering effort established a precedent for the joint military exercises that the PLA now undertakes not just with the SCO but with countries in Northeast and Southeast Asia, and its observing of regional multilateral exercises led by the United States Pacific Command.⁴

China's use of regional multilateralism as a way of signaling its cooperative intent was particularly prominent in its approach to Southeast Asia. It participated actively in the ASEAN Regional Forum (ARF), ASEAN+3 (China, Japan, Republic of Korea), and the East Asian Summit (see also chapters 24 and 34). Beginning in 1996, China endorsed the notion of a code of conduct with the Southeast Asian countries to prevent conflict over the contested territory of the South China Sea, and signed a declaration to this effect in 2002. Most remarkably, given its historical reluctance to take the diplomatic initiative, in 2003 it founded the Beijing-based Six-Party Talks (SPT) to negotiate for the denuclearization of the Democratic People's Republic of Korea.

To impress upon its neighbors that it was a benevolent regional power, China decided not to devalue its currency during the Asian financial crisis of 1997, and this earned it goodwill from other struggling Asian economies. Once China opened its domestic markets to gain admission to the WTO (2001), its surging demand for imported components, equipment, and commodities lifted the economies of its neighbors and created a China-centered integrated regional economy (see in particular Part IIIB in this volume).

China's good-neighbor policy succeeded in enhancing its influence in the region in a nonthreatening way. Surveys indicated that while China's Asian neighbors had concerns about its military buildup, overall their views of the rising power were more positive than one might have expected.⁵ David Kang observed that East Asian countries were not balancing against China at that time because they didn't fear it—they viewed China's rise more as an opportunity than a threat (Kang 2007, 66).

Northeast Asia: The linchpin of the PRC's effort to reassure its neighbors and prevent the region from cleaving into two hostile blocs was the robust relationship it built with America's close ally, South Korea, after diplomatic normalization in 1992. China welcomed South Korean investment and became its number one export market and trading partner. China-ROK ties extended to defense consultations as well as economic, cultural, and diplomatic engagement. In 2002, 60 percent of South Koreans had a favorable view of China, according to the Pew survey.⁶ As of 2003, more South Koreans saw the United States as a threat than saw China as a threat (Sheen 2003).

This new friendship helped China balance its traditional Communist solidarity with North Korea. Its loyalty to the Pyongyang regime was becoming a security risk because of North Korea's provocative nuclear and missile programs and stubborn refusal to follow the Chinese path of market reform. Anxious about possible military confrontation between North Korea and the United States, the Chinese government took the unprecedented act of founding the SPT. When North Korea tested a nuclear weapon for the first time in 2006, the Chinese government publicly lambasted the test as a "brazen [*hanran*] act." China's leaders are reluctant to risk the collapse of the DPRK by fully enforcing the stringent sanctions favored by the United States, South Korea, and Japan. But neither do they give the DPRK a blank check: economic exchanges with the DPRK consist mostly of trade conducted on commercial terms, not foreign aid (see also chapter 26).

China's approach to Japan has always been a conspicuous outlier from its strategy of regional reassurance. Chinese leaders bolster their popular support by taking a tough public stand toward Japan. Following the 1989 Tiananmen crisis, Jiang Zemin launched the Patriotic Education Campaign to play up antiforeign nationalist themes related to the history of Japan's occupation of China during the 1930s and 1940s, themes also taken up by the commercialized mass media.

The efforts of the Asia Department of MOFA to smooth over relations with Tokyo have been continually frustrated at higher levels. From 2002 to 2006, Chinese leaders refused to meet with Japanese Prime Minister Junichiro Koizumi because of his annual visits to the controversial Yasukuni Shrine, where fourteen convicted war criminals are memorialized. In April 2005, China's central government tacitly approved widespread mass demonstrations against some new Japanese textbooks and Japan's application to become a permanent member of the United Nations Security Council (Shirk 2007; Weiss 2013). Bilateral relations stabilized to an extent when Koizumi stepped down in the fall of 2006 and Prime Minister Shinzo Abe informally agreed to cease prime ministerial visits to the Yasukuni Shrine. Even as China became Japan's largest trading partner and export destination, however, Beijing's policy toward Tokyo was buffeted by volatile public reactions (see chapters 14 and 29). In 2008, China and Japan concluded an agreement on sharing the energy resources in the contested territory of the East China Sea, but the Chinese side balked at implementation because media reports of the compromises involved caused the public to lambaste the government for selling out the country's interests (see chapter 28).

Although the Chinese government insists that its relations with Taiwan are purely domestic matters, its cross-Strait policies have important ramifications for regional

security, and for judgments about the kind of rising power it is. Taiwan, like Japan, is a hot-button issue in Chinese domestic politics and the leadership believes that no regime could survive the loss of Taiwan. Yet it can be argued that the Chinese government responded to the actions of pro-independence political leaders who ruled Taiwan during the 1990s and 2000s with greater restraint than it showed toward Japan.

The PRC's rhetoric toward Taiwan sounded strident and doctrinaire. But recognizing the huge costs of military confrontation with the United States, which has a moral and political, although not a hard legal, commitment to defend Taiwan, China's leaders have behaved cautiously toward Taiwan. They have encouraged the growth of cross-Strait trade and investment and sporadically sought opportunities for cross-Strait dialogue. When Presidents Lee Teng-hui—the native Taiwanese leader of the Kuomintang who served as Taiwan's first elected president, 1988–2000—and Chen Shui-bian—the former political activist from the Democratic Progressive Party, which traditionally advocated independence, 2000–2008—incrementally moved Taiwan toward independence through their rhetoric and symbolic gestures, China's spokespersons issued ultimatums that insisted on the “one China principle.” In 2005 China passed the Anti-Secession Law to make more credible its commitment to use force if Taiwan declares formal independence. However, no force has been used against Taiwan since 1996, when China launched massive military exercises and closed two Taiwan ports with what were ostensibly missile tests to demonstrate its strong objections to Lee Teng-hui's visit to the United States. It has never permitted a mass demonstration over Taiwan issues and has isolated Taiwan policy from nationalist public opinion more than it has in its Japan policy.

Southeast Asia: Southeast Asian countries used to view China with deep mistrust because of China's history of dominance in the region, its support for insurgencies during the Mao era, and its threat as an economic competitor. But China's skilful diplomacy redressed this situation, beginning in the early 1990s (see chapter 24). Despite the Chinese government's typical preference for dealing with countries on a bilateral basis, it ingratiated itself with Southeast Asians by supporting ASEAN's leadership role within the various region-wide multilateral forums, and by participating actively in them. MOFA's Asia Department sagely offered a free trade agreement to ASEAN after WTO accession to mollify Southeast Asian concern over losing foreign investment and export markets to China, and ensured that the agreement was implemented ahead of schedule.

The most difficult bone of contention between China and Southeast Asia is the territorial dispute over the potentially resource-rich islands in the South China Sea that sit astride the major sea-lanes (see chapter 27). China claims almost the entire South China Sea, while Taiwan, Vietnam, the Philippines, Brunei, and Malaysia claim particular islands and the waters around those islands. The Chinese navy drove the Vietnamese out of some of the islands in 1974 and 1988, and the Philippines from others in 1994. This bullying behavior alarmed the Southeast Asians and belied the conciliatory noises about cooperation that the PRC was making toward them at the same time. The ASEAN governments pressed hard for the sovereignty issues to be discussed in a multilateral setting, and their demand was reinforced by US secretary of state

Madeleine Albright's remarks at the 1999 session of the ARF. The Chinese government had always insisted that each dispute be handled bilaterally, the format that gave it the most leverage. But China, recognizing the costs of a Southeast Asian backlash, retreated from its assertive posture and began negotiating a multilateral declaration on a code of conduct for all the claimants, signed in 2002. China also undertook joint seismic exploration with Vietnam and the Philippines. Avery Goldstein wrote in 2007 that China's handling of the South China Sea issues with ASEAN reflected a choice of "dialogue over confrontation, multilateralism over bilateralism, and joint absolute gains over exclusive relative gains" (Goldstein 2007, 656).

South Asia: China's conciliatory attitude toward India is another striking example of its eagerness to improve relations with its neighbors, one that stands in vivid contrast with its more nationalistic approach to Japan. India is a potential rival comparable to China in its historical role in Asia, population size, land scale, and economic potential. The two giants had a hostile relationship for large parts of the Cold War and fought a short but bitter border war in 1962. China formed a close relationship with Pakistan and sold it nuclear and missile technology in order to balance India, then under the patronage of the Soviet Union. India also blamed its 1998 nuclear test on the China threat (see chapter 21).

China's effort to warm relations with India began in 1979, as an early part of its omnidirectional good-neighbor campaign. During a 1988 summit visit, Deng Xiaoping and Prime Minister Rajiv Gandhi agreed to decouple overall relations from their unresolved border dispute. China abandoned its support for Pakistan's position in Kashmir and started taking a neutral position that the dispute should be solved peacefully by Pakistan and India. During the fighting in the Kargil region of Kashmir in 1999, China made evenhanded public statements. When Chinese premier Wen Jiabao visited India in 2005, he endorsed India's bid for permanent membership in the United Nations Security Council. Chinese officials viewed the attention paid to India by the Clinton, Bush, and Obama administrations as a transparent attempt to use it as a counterweight to China; but perhaps because they have never taken India seriously as a threat, they intensified their diplomatic, economic, and even military ties with India in response. The navies of the two former antagonists held joint exercises in 2003 and 2005, and trade grew from just a trickle to \$75 billion in 2012.

Central Asia: China founded the SCO to enhance its ties with the former Soviet republics in Central Asia and reduce the risk that Muslim terrorists from these republics might threaten Xinjiang and the other western provinces. In addition to their internal security concerns, Chinese officials also coveted oil and gas from Central Asia to help to develop the poor provinces in the western part of the country (see chapters 25 and 28). The Chinese are very proud of this organization; it is the most institutionalized of all Asian multilateral organizations, with headquarters in Beijing and a counterterrorism center in Bishkek and regular large joint military exercises. Though Chinese strategic thinkers had limited expectations for Chinese influence in Central Asia, because the region represented a Russian sphere of influence, after the 2004–5 "color revolutions" in Kyrgyzstan, Georgia, and the Ukraine, the sense of

political vulnerability and suspicions of Western subversion shared by Central Asian and Chinese rulers served to strengthen their affinity.

20.1.1. Signs of Loss of Restraint

In recent years, however, Chinese leaders Hu Jintao (2002–12) and Xi Jinping (2012–) have evidenced difficulty in sustaining the restrained approach to Asia that had largely characterized the foreign policy of their predecessors. Instead of *reassuring* Asian countries about its friendly intentions, since 2008 China has been signaling *resolve* by taking costly actions toward them and the United States.

Following the violent protests in Tibet on the eve of the 2008 Beijing Olympics the Chinese government publicly vilified the Dalai Lama and the Western media; injected the Tibet issue into every diplomatic interaction with Western counterparts; canceled important meetings like the China-EU summit when President Sarkozy said he would meet with the Dalai Lama; and included Tibet within the loaded concept of its “core interests,” that is, the national priorities which must be defended at all costs including by force, which previously had been defined in a more limited fashion as preventing Taiwan independence. In March 2009, violent ethnic conflict between Uyghurs and Han Chinese in Xinjiang produced a similar foreign policy reaction from the PRC government, part of which involved the further redefinition of “core interests” to include Xinjiang.

In March 2009, two Chinese fishing trawlers, a fishery patrol ship, and a State Oceanographic Administration patrol ship, with a PLA Navy ship nearby, created a dangerous maritime incident when they harassed the USS *Impeccable*, an American surveillance ship collecting underwater intelligence on Chinese submarines and the contours of the ocean floor seventy-five miles off Hainan Island. Chinese fishing boats repeated this harassment against another American surveillance ship in May 2009. The US government believes that collecting military-related undersea information is within its rights in the “international waters” that begin twelve nautical miles off the Chinese coast. But the Chinese government had begun asserting what it believed was its right to exclude foreign military activities from the maritime and airspace 12–200 nautical miles offshore—its exclusive economic zone under the United Nations Convention on the Law of the Sea (see also chapter 27).

When President Barack Obama visited the PRC for the first time in November 2009, the Chinese government treated the new president coldly. It refused to allow his speech to college students to be televised nationally even though it had allowed this for Presidents Clinton and Bush. Photographic images of President Obama walking alone on the Great Wall, with no friendly Chinese official at his side, and the short, stiff press conference between President Hu Jintao and President Obama communicated that the Chinese hosts preferred to emphasize differences instead of affinity with the United States. The next month at the United Nations Climate Change Conference in Copenhagen, unusually sharp vocal criticisms of the United States by Chinese officials sent the same message.

China had worked hard for years to cement friendships with both South and North Korea; yet China estranged the South Korean public when it followed its Mao-era loyalties and decided not to criticize two acts of North Korean aggression against South Korea in 2010 (see chapter 23). When in March the *Cheonan*, a South Korean corvette, sank and forty-six sailors lost their lives, China refused to send a team to Seoul to review the findings of an international investigation that concluded that a North Korean torpedo was responsible, and did not censure the North Korean attack. A few months later, the Chinese again failed to condemn an unprovoked artillery attack by the DPRK on Yeonpyeong Island that killed two civilians and two ROK marines. China's only vocal criticism was reserved for the US-ROK joint exercises, including an American aircraft carrier, held shortly after the artillery attack in the waters between the Korean peninsula and China, much to the dismay of the South Korean public (Kim and Woo 2010; Kim and Friedhoff 2011).

In contrast to its earlier efforts to reassure the Southeast Asians about its willingness to cooperate to manage tensions in the South China Sea, China reverted to coercive actions to assert its sovereignty over the area. Foreign policy officials employed the loaded term “core interests” in working-level *démarches* to American counterparts to respect PRC claims to the South China Sea, but refrained from using the phrase in any official statements. China's five civilian maritime agencies dispatched their increasingly capable armed ships to the area with much media publicity. Like China, Vietnam and the Philippines also escalated their maritime activities; new technologies for undersea oil and gas exploration had opened up new possibilities for prospecting, and depleted stocks were forcing fishermen to catch fish further offshore. Vietnamese and Filipino ships challenged Chinese fishing boats and civilian patrol vessels. A manned midget submarine of the Chinese State Oceanographic Administration planted a flag on the bottom of the South China Sea. The Chinese established Sansha, a prefectural government and associated military garrison on Woody Island to rule over the other tiny islands and surrounding waters of the Paracels also claimed by Vietnam. As tensions rose, maritime standoffs between China and Vietnam and the Philippines grew more frequent and intense: following a negotiated withdrawal of Chinese and Philippine ships to defuse a 2012 confrontation over Huangyan Island—also known as Scarborough Reef—the Chinese returned to control access to the island by setting a rope barrier across the lagoon and stationing three government ships nearby (see chapter 27).

At the 2010 ARF meeting in Hanoi, a number of ASEAN foreign ministers and US secretary of state Hillary Clinton pressed for the sovereignty disputes in the South China Sea to be addressed by that body. The Chinese foreign minister lost his temper in a very undiplomatic manner. Soon afterward, the director general of the MOFA Asia Department was transferred—a possible hint of internal debate over the changes in China's Asia policy—and the PRC government agreed to resume discussions over implementing the resolution on the Code of Conduct, although little progress has been made so far.

The Chinese government's hostile stance to Japan also has grown more overtly confrontational over the past few years. In reaction, anti-Chinese nationalism intensified

in Japan. In 2010, the Japanese government arrested a Chinese fishing boat captain who rammed a Japanese Coast Guard vessel. After Japan released him, the Chinese government, rather than claiming victory, publicly demanded an apology and compensation, which it never received. When in September 2012 the Japanese government purchased from the private owner several of the contested Senkaku/Diaoyu Islands in the East China Sea, China allowed large scale anti-Japanese protests and challenged Japan's effective physical control over the islands by surrounding them with planes and civilian maritime ships, some of them armed. China's willingness to use force and risk escalation sent tremors of apprehension throughout the region that also reverberated in Washington.

China's new, more assertive behavior—threatening to impose higher costs on its neighbors and the United States (Johnston 2013)—caused other countries to revise their expectations regarding China's rise. They started to believe that China might not be as limited in its aims or as risk-averse as it once appeared. As a result, their mistrust of China heightened. As East and Southeast Asian countries, which always fear abandonment by their protector across the Pacific, sought to draw the United States closer, the United States accelerated its "pivot" to Asia, which included a rebalancing of US military forces to the region from Iraq and Afghanistan. These actions and reactions began to divide the region into two Cold War-type blocs: the United States and its friends and allies versus China, Russia, Central Asia, Cambodia, and the DPRK. This outcome is exactly what China's earlier Asia policies had aimed to prevent.

The dominant explanation for China's growing assertiveness is one that is based on changes in relative power: the 2008 global financial crisis and China's robust recovery from it made the Chinese more confident that they were well on their way to supplanting the United States and that the U.S. was in decline. According to the Pew surveys, the 2008 shock caused the majority of Chinese—as well as many others—to think that China was already as powerful an economic power as the United States. Interestingly, by 2011 most Chinese, but not most Americans, had returned to the more accurate belief that China was weaker economically than the United States.⁷ Chinese misperceptions concerning their country's relative power undoubtedly increased elite and mass demand for the government to assert its strength. But a number of features of domestic politics help to explain why the Chinese political system was not able to sustain a restrained foreign policy in the face of this demand.

20.2. THE DOMESTIC CONTEXT OF CHINESE INTERNATIONAL BEHAVIOR

Like their counterparts in other countries, Chinese politicians are motivated first and foremost by their political survival. Domestic politics drives foreign policy in all political systems. In China, however, national politicians have to worry about the very survival of the CCP regime (Shirk 2007, 2012). The stakes are much higher for them.

China's rise is occurring in a country with a political leadership that is extremely insecure, constantly fretting that it might be reaching the end of its reign. It is also a country with a dysfunctional policy process dominated by powerful interest groups, many of them within the state itself.

Ever since the 1989 Tiananmen crisis—when large-scale demonstrations in more than 130 cities and a leadership split over how to handle them almost brought down Communist Party rule—Chinese leaders have shown themselves more worried about regime stability than about any international threat. Keeping the economy growing is considered a political imperative to create jobs and prevent the widespread unemployment that could lead to large-scale labor unrest.⁸

The biggest danger is not China's growing economic or military strength. It is the internal fragility that could drive it to make threats from which leaders cannot retreat for fear of loss of internal support; and the possibility of international risk-taking, driven by parochial interest groups that would benefit in the short term. The nature of the Chinese political system is frustrating the restrained approach to foreign policy laid down by Deng Xiaoping during the 1980s, and making it hard for the country to sustain its peaceful rise.

20.2.1. Insecure Leaders

China's leaders have a deep sense of political insecurity. None of them have the charisma or personal following that their revolutionary predecessors once had. And as the current leaders look out from their compound in Zhongnanhai to a Chinese society drastically transformed by market reform and opening to the world, everywhere they see threats to their own political survival and to the survival of the CCP regime.

The leaders' anxieties about their survival spiked during the Tiananmen crisis as the CCP leadership divided over how to respond to the protests. Only because the PLA followed Deng Xiaoping's command to use force to put down the demonstrations did the PRC remain in power. Adding to the fears, in November 1989, the Berlin Wall fell and Communist governments in the Soviet Union and Eastern Europe started to collapse. As Chinese leaders try to extend the lifespan of the regime, they pay particular attention to the three lessons they took from the 1989 crisis: prevent large-scale social unrest, avoid public leadership divisions, and keep the military loyal. As China's leaders make their foreign policy decisions, these domestic imperatives are very much on their minds.

20.2.2. Antiforeign Nationalism

One type of unrest that China's leaders fear most is an opposition movement that fuses together various discontented groups—such as unemployed workers, farmers, and students—under the banner of nationalism. Antiforeign nationalism could provide the glue that unifies what so far has been small-scale and localized protest into a

revolutionary tide that sweeps the CCP out of power. Such nationalist revolutionary movements overthrew the Qing dynasty (1912) and the Republic of China (1949). Any Chinese government that looks weak in the face of foreign pressure could meet a similar fate.

Popular nationalism is intensifying in China. In part this is a natural consequence of the country's rise after more than a century of being weak, internally divided, and internationally marginalized. Antiforeign nationalism also has been constructed by the post-Deng leaders as a source of legitimacy now that almost no one believes in Communism. During the 1990s when Jiang Zemin led the Communist Party, a Patriotic Education Campaign in the schools and media propaganda stimulated a "rediscovery of nationalism" (Zhao 2004, 213), with the focal point being Japan's brutal occupation of China in the 1930s and 1940s. Once the official line became explicitly nationalistic, this made it difficult for anyone with ambitions to join the Party or make a career in a state organization to deviate from it in meetings or public statements.

This stoking of antiforeign nationalism has boxed the CCP into a corner. Having allowed students to demonstrate against the US government—in 1999 after the Chinese embassy bombing in Belgrade, Yugoslavia—and against Japan—in 2005 in protest of Koizumi's visits to the Yasukuni Shrine and efforts to become a permanent member of the United Nations Security Council, and in 2012 against Japan's purchase of several Diaoyu/Senkaku islands—how do leaders manage future protests without risking having the students turn on them? Yet it is this risk of losing control of antiforeign protests that may encourage the Chinese government to tolerate them as a way of gaining "audience cost" leverage over the United States or Japan (Weiss 2013).

Nationalist public opinion has a clear influence on Chinese foreign policy. When the public is paying attention to an issue, it stiffens the government's stance, notably in the case of Japan. However, in recent years other issues have also emerged as nationalist causes. Tibet and Xinjiang had not been particularly salient to the public before the 2008 and 2009 violent demonstrations in those ethnically divided regions. But the photos and videos posted on the Internet of Tibetans and Uyghurs beating Han Chinese sparked a burst of online criticism of the government that drove it to take a more insistent approach to the two issues in diplomatic relations with the United States and Europe.

When mobilized to a high pitch by the media, nationalist public opinion can also make it more difficult for decision-makers to de-escalate during foreign policy crises. So far, after each crisis related to Japan, the government has been able to suppress protests and smooth over relations with Tokyo (Reilly 2012). Over time, however, the repeated highly publicized clashes have turned the Japanese public and many Japanese politicians against China despite the close economic ties between the two countries.

20.2.3. Digital Media

The commercialization of the media and the emergence of the Internet have made nationalist public opinion a major influence in the foreign policy process. Chinese

newspapers, magazines, and web news sites compete for readers by publishing exciting stories about national security threats, just as their counterparts in other countries do. Headlines and photographs of Japanese Aegis cruisers or US-Japanese and US–South Korean joint military exercises sell newspapers. The overheated nationalistic reporting and commentary of the *Global Times*, the commercial newspaper published by the newspaper group of the party’s mouthpiece, *People’s Daily*, has turned it into one of the most widely read and profitable publications in the country.

But it is the Internet that increasingly sets the international news agenda and forces officials to react. As of the end of 2013, the number of netizens had swelled to 618 million, 46 percent of the population. The fastest and most decentralized source of online information is Weibo, the Chinese microblogs, and Weixin, the mobile messaging application.

CCP propaganda officials have conducted a massive effort to maintain control over the content of the commercial media and the Internet (Shirk 2011). They employ ingenious technological methods and human monitors to restrict access to online information they expansively define as subversive. Propaganda departments send out directives to orchestrate content. For example, framing US-Asia policy as “containment” of China is the line in 2012. In contrast, almost all criticism of Taiwan has disappeared from the media as Hu Jintao made it his personal legacy to improve cross-Strait ties. The CCP also uses paid employees and volunteers to post comments that make it appear as if the tide of opinion favors the CCP’s line. Because the hand of the censor is clearly visible on the Internet, when an anti-Japanese or anti-American news story—or a petition—isn’t yanked offline, it sends a signal that officials approve of it.

Market competition and propaganda censorship in combination with one another foster media myths about international and domestic threats; myths that spur the military and the internal security bureaucracies to overreach abroad and at home; myths that adversely distort the thinking of top officials who closely track media and internet commentary as a way to gauge public views.⁹

Still, it is undeniable that despite censorship, the Chinese people today have exponentially more information about events outside the country than in the past. Keeping people ignorant of a speech by a Japanese or US cabinet minister is no longer possible. In the short time before the censors delete a news story, it can be spread widely and spark online outrage, forcing Chinese officials to react. Chinese crisis management often falls into a commitment trap as the propaganda authorities take a tough stand before there has been time for careful deliberation of its consequences.

20.2.4. Foreign Policy Process

China scholars have observed since the 1980s that policymaking in China is a pluralistic and fragmented process with multiple moving parts (Lieberthal and Oksenberg 1988; Lieberthal and Lampton 1992; Shirk 1993). Despite stereotypes about the decisiveness of authoritarian governments, in reality decisions involve a protracted process of

building consensus among bureaucratic organizations that represent functional, sectoral, and regional interests.

The CCP Politburo Standing Committee delegates to government agencies the making of economic policy and routine foreign policy. But as the sovereign national authority, the Standing Committee retains for itself the major foreign policy decisions, especially those related to the United States, Japan, Russia, and the United Nations, and decisions during foreign policy crises. The Standing Committee decides these questions with an eye to domestic politics as well as national interest.

CCP Leading Small Groups—one for foreign affairs and one for Taiwan, consisting of heads of relevant bureaucracies and the PLA—are supposed to handle interagency coordination and consensus building.¹⁰ Chinese academics long urged the creation of a National Security Council to improve crisis management, but the Standing Committee resisted delegating its crisis authority to any other committee (until 2013).

Many Chinese believe that the Chinese policy process, both foreign and domestic policy, became broken during the Hu Jintao era. The foreign policy arena became crowded with different agencies and state corporations promoting their own agendas and diluting the power of MOFA. Private businesses and coastal provinces that may have the strongest interest in peaceful economic interdependence lack a voice in foreign policy-making. The Foreign Affairs Leading Small Group meets only infrequently, if ever.¹¹

During the Hu era, the top foreign policy official, Dai Bingguo (office director of the CCP Foreign Affairs Leading Small Group and state councilor in the government State Council) complained that no one listened to him when he tried to coordinate the “nine dragons” with interests in the South China Sea: the civilian maritime agencies, the state energy corporations, and the PLA Navy (International Crisis Group 2012). One reason is that his Party status was only that of an ordinary Central Committee member. The South China Sea had never been the focus of much public attention; unlike Japan or Taiwan it wasn’t a major concern of nationalists. The impetus for China’s increasingly assertive actions in the region came not from popular nationalism but from the increasing number of parochial bureaucratic interests that now dominate the foreign policy process and use media publicity to popularize their exploits. China’s uncritical stance toward the DPRK’s attacks on the ROK in 2009 is another example of China’s problematic foreign policy process: the International Liaison Department of the CCP Central Committee has captured the DPRK policy portfolio, the PLA protects its traditional ties with the DPRK, and the Foreign Ministry has little say in the matter (International Crisis Group 2011).

Civil-military relations also have been plagued by poor coordination if not outright insubordination. PLA officers make threatening statements toward other countries in the media without being disciplined. When the Defense Ministry spokesman takes a tougher stand than its Foreign Ministry counterpart on an issue such as US-ROK joint exercises, the Foreign Ministry toughens its position rather than the Defense Ministry becoming more diplomatic. The PLA has embarrassed civilian leaders by failing to coordinate on the timing of an antisatellite test (2007) and the test of a new stealth fighter (2010).

The disjointed foreign policy process makes it difficult for China's leaders to steer a steady course. The management of foreign policy has not kept pace with the expansion of China's international footprint, which has brought new bureaucratic players into the foreign policy arena.

In China, bureaucratic interest groups—including those in the military—are stove-piped—separate vertical organizations often reaching down from Beijing to the provinces and cities that do not communicate with one another and operate with little discipline or coordination from above. Each bureaucracy pushes for policies that increase its budgets, staffing, and influence with little regards for Party or national interests. Top leaders in the Standing Committee and Politburo are assigned portfolios representing a particular set of bureaucratic agencies. This portfolio system, which was also used in the Soviet Union under Brezhnev, is designed to keep the leaders from stepping on one another's toes and to preserve a proper balance among the key constituencies in the Party.

These difficulties represent more than simple matters of public administration. They stem from the political challenges of managing oligarchical rule in an authoritarian system. Because the Party leaders are afraid of public leadership splits that could spill out and mobilize public opposition, they prefer to allow independent decision-making by each of the Politburo Standing Committee barons in his—rarely her—own domain instead of deliberating as a group. Formally, the Standing Committee makes decisions by consensus, but according to interviews, most of the time they engage in what Snyder (1991, 17) has described as a process of “coalition logrolling,” reciprocally supporting one another's needs in order to further their self-interest. As a rule, unless it is a crisis, the issue is left to the relevant agency instead of being deliberated collectively. If the group does discuss the issue, only the individual leader responsible for the issue speaks to it, while the others simply nod assent.

Without a strong leader like Deng Xiaoping in charge, no one at the top dares to say no to the powerful bureaucracies that benefit from a tense international environment, such as the military, the internal security police, and the propaganda apparatus—or even the bureaucratic weaklings such as the Fisheries Bureau or the State Oceanic Administration that have expanded their fleets of patrol ships by exploiting popular nationalism and regional tensions. Instead of the checks and balances that should produce a cautious foreign policy, China is trending toward dangerous overreaching as, unimpeded, each bureaucracy pursues its parochial interests.

Although nowadays the CCP general secretaries, who also serve as state presidents, are only first among equals in a collective leadership, they do retain an increment of authority over foreign policy when they choose to use it. President Jiang Zemin made a personal investment in improving relations with the United States. President Hu Jintao protected his initiatives to improve relations with Taiwan from bureaucratic logrolling and the trend toward assertiveness in Chinese outward behavior. President Xi Jinping's early days in office indicate that he intends to rule with a stronger hand and use nationalism to strengthen his individual authority.

Presidents Jiang Zemin and Hu Jintao seemed to recognize the dangers of overreaching that could harm China's national interests by producing a hostile reaction

from the United States and Asian neighbors. On the eve of his January 2011 state visit to the United States, Hu was confronted by just this kind of reaction. Regional countries were rushing toward the American corner, to protect themselves from an increasingly assertive and risk-taking China. Showing an ability to learn from this obvious negative feedback, the Standing Committee issued an essay by Dai Bingguo that sought to reassure overseas audiences that China stood by its commitment to “Stick to the Path of Peaceful Development.”¹² Since then, the CCP leadership appears to have been trying to recalibrate its foreign policy rhetoric to signal more cooperative intent. But China’s foot-dragging on the South China Sea Code of Conduct negotiations—including open efforts to prevent an ASEAN consensus on the code—and its use of maritime law enforcement vessels and threats of war to challenge the Philippines’ and Japan’s control over contested islands, raise doubts about whether the Chinese political system can effectively restrain its behavior in the region.

20.3. DOMESTIC POLITICS AND CHINA’S PEACEFUL RISE

Several key features of the Chinese political system are making it difficult for it to sustain a cautious, reassuring foreign policy toward its neighbors. Most of these features are likely to persist or even worsen over the next decade unless China experiences major changes in political institutions and a new basis for political legitimacy. As a *Caixin* magazine editorial wrote, trade and investment are insufficient for China to build good relations with Asian neighbors; it must also “dispel their doubts and worries” about their political and security concerns by “deepening reforms at home” (Caixin Online 2013).

Insecure leaders: Each generation of leaders has felt more insecure than the last. China’s CCP leaders will continue to place the highest priority on regime survival and worry about large-scale collective action, open divisions in the leadership, or loss of military support that could bring down the regime. The PRC’s current definition of its nonnegotiable “core interests” puts “preserving China’s basic state system” in first place (Dai 2009). National security means regime security. CCP leaders are likely to exaggerate domestic threats to their survival; the internal security and propaganda bureaucracies gain by overestimating the threats.

New leaders such as Xi Jinping in 2013 are particularly motivated to build their authority by taking tough stands on foreign policy issues that have become the focus of intense public interest, for example, the maritime disputes in the East China and South China Seas. Deng Xiaoping initiated a short war against Vietnam in 1979 just as he launched controversial market reforms; some observers speculate that Xi Jinping may be trying the same tactic to strengthen his hand for a new round of reforms. After well-publicized paramilitary and military actions and

authoritative threats, will Xi feel confident enough in his domestic support to make the compromises necessary to defuse maritime crises and restore trust with China's neighbors?

Nationalism and digital media: Nationalist passions show no signs of abating, especially in regard to relations with Japan. Until Chinese officials start relying on sample surveys or elections to obtain more objective information about public opinion on international issues, they will remain susceptible to what they read online. The propaganda bureaucracies are bigger and better funded and coordinated than ever. The explosive growth of commercial media and online sources of information about international affairs makes it impossible to predict when an incident might trigger a massive domestic upheaval despite, or because of, online censorship.¹³ Still, the government retains the ability to encourage or suppress collective action on nationalist issues like Japan: the September 2012 anti-Japanese demonstrations were facilitated from above; yet the government has never permitted a demonstration on Taiwan. Moreover, the exponential speed and reach of social media in China is producing a more pluralistic information environment that could have a restraining effect on Chinese foreign policy. Online criticism of domestic problems is growing and with it a cynical suspicion that the government diverts attention from these by stirring up antiforeign nationalism. Yet precedents from other countries suggest that these skeptical voices are likely to be drowned out by the vast majority of people who respond to antiforeign nationalist messaging from the government.

Foreign policy process: China's leaders have moved to strengthen the decisiveness of the policy process and improve their ability to restrain parochial interests that have hijacked policy. The 2012 decision to reduce the size of the Politburo Standing Committee from nine to seven is aimed at improving the efficiency of decision-making at the top. A smaller, more cohesive collective leadership should reduce bureaucratic logrolling and improve deliberation based on the encompassing national interest. The downgrading of the internal security portfolio from the Standing Committee to the Politburo is consistent with this inference and sends a message that China's leaders believe that this particular bureaucracy had gotten dangerously out of control. Xi Jinping took control over the maritime territorial disputes, and even in the crowded South China Sea the coordination among maritime agencies has improved. China's statements and actions in the Diaoyu/Senkaku dispute appear to be directed from the top (Jakobson 2013). Xi Jinping has created a National Security Council to better coordinate internal security as well as foreign policy and put himself in charge of it. But how closely will Xi Jinping and the other Politburo Standing Committee members pay attention to foreign policy when they are preoccupied by a heavy domestic agenda and anxieties about their own political survival? If they begin openly campaigning for public support, won't antiforeign nationalism be a natural platform, as it has been in other countries undergoing democratization? (Mansfield and Snyder 1995). Asian countries are watching these internal developments closely to see if the Chinese political system evolves in a direction that can undergird its peaceful rise.

NOTES

1. This misperception is called the “fundamental attribution error” (Kahneman and Renshon 2007).
2. This misperception is called the “security dilemma” (Jervis 1978; see also chapter 37 in this volume).
3. *Mulin youhao, wending zhoubian* (friendly neighbors, stable periphery).
4. The SCO joint exercises include traditional military missions, while those with other Asian countries are restricted to nontraditional humanitarian missions.
5. Pew Center for People and the Press (www.pewglobal.org); BBC World Service surveys (www.worldpublicopinion.org/pipa); and US State Department, reported in Kang 2007, 67–70.
6. Pew Center for People and the Press (www.pewglobal.org).
7. Pew Global Attitudes Project: <http://www.pewglobal.org/question-search/?qid=992&cntIDs=@10-@10.50-&stdIDs=> <http://www.pewglobal.org/question-search/?qid=992&cntIDs=@50-&stdIDs=>.
8. Demographic trends that lower the proportion of the working-age population will inevitably lead to lower growth but also will reduce the political threat of unemployment.
9. For explanation of media myths and overexpansion in the cases of Germany and Japan, see Snyder 1991.
10. The Chinese term for “coordination” (*xietiao*) means working out agreement among the conflicting positions of different organizations: see Shirk 1993, 97. On the leading groups, see Miller 2008.
11. According to interviewees, there was one meeting prior to President Hu Jintao’s state visit to the United States in January 2011.
12. Dai 2010: as a sign of its authoritativeness, the essay was published as a State Council white paper in September 2011: http://english.gov.cn/official/2011-09/06/content_1941354.htm.
13. A recent study of Internet censorship during 2011 indicates that the censors focus on collective action threats and criticism of censorship rather than criticism of the government per se: King, Pan, and Roberts (2013).

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CHAPTER 21

INDIA'S FOREIGN AND SECURITY POLICIES

SUMIT GANGULY

THIS chapter will show how structural, domestic, and decision-making factors have all shaped India's foreign and security policies. This scheme overlaps to some degree with Hudson's broader framework of foreign policy analysis, in which she identifies the role and significance of five factors, namely, the individual decision-maker; group decision-making; culture and national identity; domestic politics and opposition; and finally, levels of national attributes and the international system (Hudson 2006). This analysis subsumes some of Hudson's categories and collapses them within three arenas: the first focuses on the global distribution of power; the second deals with the realm of domestic politics and encompasses her concerns about culture, national identity, domestic politics and opposition; and the third discusses the role of the decision-maker and the individual's milieu.

The relative weights that can be assigned to these three factors, however, have varied over time. To that end, this chapter will provide an explicit periodization and discuss the specific roles of these factors on the conduct of the country's policies since independence in 1947. It will argue that an ideational period lasted from 1947 to 1964. This phase drew to a close in the aftermath of the disastrous Sino-Indian border war of 1962 and the death of India's first prime minister, Jawaharlal Nehru. Nehru was acutely cognizant of India's material limitations. He nevertheless wanted India to play a significant role in global affairs. To that end, he attempted to forge an ideational world order, but with limited success. A second phase—which relied on similar rhetoric, but diverged sharply in the realm of action—began in the aftermath of Nehru's demise and lasted until the eve of the third Indo-Pakistani conflict. A third phase began in 1971 and concluded around the termination of the Cold War. This phase saw much continuity with the previous period. However, it was a period of strategic dependence for the country because of its quasi alliance with the Soviet Union. In this context, it may be useful to underscore that the shock of the 1962 war had already undermined India's attempt to maintain its fierce independence in the conduct of foreign affairs. As will be discussed

later in this chapter, fearful of the prospects of renewed intransigence on the part of the People's Republic of China (PRC), India had unsuccessfully sought a nuclear guarantee from the United States, the United Kingdom, and the Soviet Union. At the Cold War's end and the dissolution of the Soviet Union, the country adopted a foreign policy that explicitly recognized the significance of harnessing material power to best meet India's foreign and security policy goals. However, one factor, which had been a leitmotif of India's foreign policy, especially in its early years, the quest for an independent foreign policy, once again asserted itself.¹ This is almost invariably referred to as the quest for "strategic autonomy" (Sirohi 2012).

This chapter will discuss the highlights of each period, analyze the key forces shaping India's current foreign and security policies, and then address some ongoing policy concerns. It will also dwell on how India's greater material resources have affected and are likely to shape the future of the country's foreign and security policies (see also chapter 10). Finally, it should be forthrightly stated that the chapter will not provide a comprehensive survey of India's foreign policy. Instead it will focus, perforce, on India's most salient relationships in Asia and beyond.

21.1. THE POSTINDEPENDENCE SETTING

As is well known, realist scholars have long emphasized the role of structure in limiting and shaping a country's foreign and security policy choices in the global arena (Waltz 1979; see also chapter 2). Interestingly enough, Indian policymakers made a conscious choice not to adhere to such realist expectations and instead sought to pursue a predominantly ideational foreign policy. Such a strategy was possible because of the overweening influence of a single individual, Prime Minister Jawaharlal Nehru. He not only had impeccable nationalist credentials but was also easily the most cosmopolitan member of the Indian nationalist movement (Keenleyside 1980). His interest in international affairs was of long standing and he had written with authority about global issues at length prior to India's independence (Nehru 1940; see also chapter 7). As a consequence, he easily emerged as the principal architect of India's postindependence foreign policy.

Though unfettered in his ability to forge India's foreign and security policies, he was faced with significant material and organizational constraints. He had inherited not only a truncated state, thanks to the partition of the British Indian empire, but also lacked a cadre of individuals trained and interested in matters of foreign affairs. Under these circumstances his ideological vision assumed disproportionate influence. Keenly aware of India's material weaknesses but equally desirous of shaping the postwar global order, he envisioned an ideational foreign policy. Such a policy would seek to hobble the use of force in international affairs, promote the role of multilateral organizations, end racial discrimination, reduce global inequities, and hasten decolonization.² Furthermore, because of his concerns regarding Bonapartism and the

opportunity costs of defense spending, he sought to limit India's military expenditures (Cohen 2001; Kavic 1967). Finally, his fears of external domination, stemming from the long history of British colonial exploitation, led him to enunciate an independent foreign policy for the nascent state, popularly referred to as the doctrine of nonalignment.³ Nehru's commitment to nonalignment and its core principles became the cornerstone of India's foreign and security policies.

However, some of the key premises of nonalignment, especially the commitment to limit the use of force to resolve international disputes, were soon put to the test as India became embroiled over a territorial dispute involving the status of the "princely state" of Jammu and Kashmir.⁴ When confronted in October 1947 with a Pakistan-based and supported tribal invasion of the state, Nehru authorized the airlift of Indian troops to halt their advance, having obtained the imprimatur of the monarch, who had sought Indian assistance to fend off the invaders.⁵ Reflecting his faith in international organizations, Nehru nevertheless referred the issue to the United Nations (UN) for resolution. At the UN, thanks to deft Pakistani diplomacy and blatant British partisanship, the issue became deeply enmeshed in Cold War politics and India's original complaint about Pakistan's support for the invaders was lost.⁶

21.2. SEEKING A GLOBAL ROLE

Despite problems in the region and India's obvious material limitations, Nehru sought a substantial role for India in global affairs. To that end India became a major advocate for the decolonization process and was an early supporter of UN peacekeeping operations.⁷ The issue of decolonization was a significant plank of the Non-Aligned Movement, one that Nehru—along with Sukarno of Indonesia, Gamal Abdel Nasser of Egypt, and Marshall Tito of Yugoslavia—sought to promote. The interest in decolonization stemmed from the country's own historical experience, and was also in keeping with Nehru's ideational worldview. Even India's involvement in early UN peacekeeping operations was related to the decolonization enterprise. To that end, India provided a significant contingent to the UN operations in the former Belgian Congo; it was a member of the International Control Commission (ICC) for Cambodia, Laos, and Vietnam; and it attempted to play a mediatory role in bringing the Korean War to a close.⁸ India was also one of the principal contributors to the United Nations Emergency Force in the Gaza Strip (Rikhye 2002). Finally, owing to Nehru's deep-seated aversion to nuclear weapons, India also sought to place the issue of disarmament on the global agenda. To that end Nehru was instrumental in introducing a resolution with Ireland at the United Nations General Assembly in 1954 calling for a "standstill agreement" on all nuclear tests (Duarte 2009). Obviously, this proposal did not make much headway, but it did ultimately provide the basis for the Partial Test Ban Treaty (PTBT) of 1963.

His ideational worldview, however, led Nehru to underestimate the differences that he confronted with the PRC. Specifically, unlike some of his colleagues, most notably his first

minister of home affairs, Sardar Vallabhai Patel, he did not wholly comprehend the emerging rivalry with the PRC (Garver 2001). Furthermore, in an attempt to limit defense spending he also downplayed the significance of the border claims that the PRC asserted in the mid-1950s. Instead he believed that his diplomatic attempts to conciliate the PRC would succeed. Accordingly, after the PRC's occupation of Tibet in 1950 he avoided any public condemnation of the Chinese occupation and refused to take the matter to the United Nations, despite entreaties from Tibetan exiles (Jain 1981). He did, however, grant refuge to the Dalai Lama when he fled from Tibet in 1959 in the wake of the failed Khampa rebellion.⁹

Despite these conciliatory gestures, his willingness to offer refuge to the Dalai Lama and to permit the Tibetans to set up a government-in-exile caused considerable misgivings in Beijing concerning New Delhi's intentions. Furthermore, differences over poorly demarcated colonial borders came to the fore at around the same time. The subsequent collapse of negotiations over the border dispute in 1960 led India to adopt the so-called forward policy, which involved sending small military contingents into disputed areas to assert India's claims. These units, in the words of a senior retired Indian military officer, had "neither teeth nor tail."¹⁰ Nevertheless, the Chinese deemed them to be provocative and in October 1962 launched a well-orchestrated attack on Indian positions. The ill-equipped and outgunned Indian forces were, for the most part, easily routed, resulting in a near-complete military debacle (Palit 2001). Simply put, it was a flawed strategy of compellence that brought about this disastrous outcome: India had failed to match its resolve with the requisite capabilities (Schelling 1967).

In recent years debate has emerged regarding the balance of responsibilities between civilians and the military in relation to both military readiness and the conduct of the war. Earlier accounts had placed the blame mostly on civilian choices, emphasizing the dominance of civilian authority (Cohen 2001; Hoffman 1990). Some recent accounts, however, contend that the military had greater leeway in making strategic and tactical decisions and therefore bears a substantial share of the blame for the military failure (Raghavan 2009).

21.3. IN THE WAR'S AFTERMATH

The ideational approach that Nehru championed suffered a setback as a consequence of the Sino-Indian border war. Nehru was forced to concede that a gross lack of defense preparedness had brought on the military disaster of 1962. In its wake he authorized the transformation of India's military. To that end, plans were devised to raise ten new mountain divisions equipped for high-altitude warfare, a million-man army, and a forty-five-squadron air force with supersonic aircraft; and modest steps were taken toward naval modernization (Kavic 1967). Despite his continued and professed commitment to nonalignment, Nehru nevertheless actively sought US military and intelligence assistance. The United States did provide limited military support, but stopped short of providing substantial help because of Pakistani objections. However, it did

collaborate with the Indian Air Force as well as intelligence agencies to embark on a substantial program of aerial intelligence gathering (Conboy and Kohli 2003).

Nehru died in 1964. As a consequence of this and the disastrous effects of the Sino-Indian border war, Indian policymakers were forced to reappraise the ideational approach to foreign and security policies. Some within Parliament openly questioned the value of nonalignment. However, Nehru's successor, Prime Minister Lal Bahadur Shastri—an individual of limited stature within the ruling Congress Party—was hardly in a position to spell out an alternative approach to India's foreign and security policies. That said, despite the professed commitment to the principles of nonalignment, there were perceptible shifts in New Delhi's pursuit of foreign and security policy goals. For example, constraints on defense spending that were characteristic of the Nehruvian era fell away (Thomas 1978).

Lacking alternative ideas, India's policymakers nevertheless persisted with Nehruvian goals in various global forums, including global nuclear disarmament. These efforts quickly became tempered and increasingly attuned to the structural realities of power. For example, in discussions on the nonproliferation treaty in Geneva at the Eighteen Nation Disarmament Conference (ENDC), India had sought to link the treaty to plans for the eventual elimination of nuclear weapons. However, as it became increasingly clear that this would not occur and that the treaty would create a two-tier system, India steadfastly refused to accede to it. India's refusal in large part stemmed from its perception of an extant threat from the PRC. Perceptions of this threat dramatically increased in the wake of the first Chinese nuclear test in 1964. Indeed, within a year of this test, Prime Minister Shastri authorized the Subterranean Nuclear Explosions Project (SNEP) (Kapur 1976).

Almost twenty years after the first war over Kashmir, a second ensued in 1965 and ended in a stalemate. The origins of this conflict have been explored elsewhere (Brines 1968). Shortly after the war, Prime Minister Shastri died of a heart attack and Indira Gandhi, Nehru's daughter, succeeded him in office. Even with her assumption of office India could not abandon its earlier ideational commitments even as it recognized the importance of material power. This tension between two competing organizing principles became evident in its quest for a nuclear guarantee from the great powers. On the one hand, India sought extended deterrence from the Soviet Union, the United Kingdom, and the United States. On the other hand, it was unwilling to jettison its nonaligned status (Noorani 1967). Ultimately, India's fears of Chinese nuclear blackmail combined with its failure to obtain a nuclear guarantee from the great powers led it to pursue a nuclear weapons program (Gupta 1966; see also chapter 26).

21.4. A PERIOD OF STRATEGIC DEPENDENCE

The next phase in India's foreign and security policies can be traced to the third Indo-Pakistani conflict in 1971. This event can be considered a turning point because

it showed that India's policymakers had effectively shed their Nehru-era inhibitions regarding the use of force despite their reliance on the rhetoric of an earlier period. When confronted with a regional crisis the new prime minister, Indira Gandhi, displayed no qualms about the use of force to advance what she deemed to be India's vital security interests. She was largely able to act as she deemed appropriate, mainly because there were few routinized bureaucratic procedures in place, few individuals within the Congress Party who were knowledgeable about foreign and strategic affairs, and a small coterie of trusted associates on whom she could rely (Tharoor 1982).

Simultaneously, she forged a new security partnership with the Soviet Union, despite professions of a continuing commitment to nonalignment (Singh 1986). Though clearly beneficial to India, this partnership was not without cost, especially during the East Pakistan crisis. The Soviets did not manage to penetrate India's policymaking apparatus nor fundamentally alter its policy choices.¹¹ Nevertheless, there is little question that the relationship did limit India's policy options, particularly in the wake of the Soviet invasion of Afghanistan (Ghosh and Panda 1983). This period of Indian strategic dependence on the Soviet Union would last until the latter's dissolution in 1990. In the aftermath of the Soviet collapse the principal successor state, Russia, evinced little or no interest in sustaining the relationship that had been developed and nurtured over nearly the past two decades.

Indira Gandhi's turn to the Soviet Union came when India was confronted with two important developments. The first—occurring at a global level, with significant potential repercussions for regional security—was the beginnings of the US-PRC rapprochement following the visit of the US secretary of state Henry Kissinger, in July 1971 to the PRC, using Pakistan as an intermediary. The possible entente in Sino-American relations, with Pakistan playing the role of an intercessor, caused grave concern in New Delhi given its strained ties with both capitals.

These fears were highlighted by the second development, which took place largely at a bilateral level; beginning in December 1970, the East Pakistan crisis placed a massive refugee burden on India in the spring of 1971 following a vicious Pakistani military crackdown on the province's hapless population (Zaheer 1997). After seeking diplomatic solutions to the crisis in East Pakistan, Indian policymakers concluded that it was cheaper to resort to war and dismember Pakistan than absorb the refugees into its already turgid population (Jackson 1975; Sisson and Rose 1991). However, cognizant of the emergent US-PRC-Pakistan nexus, India's policymakers had to ensure that the PRC would be constrained from opening a second front along its Himalayan borders. To hem in the PRC, Indira Gandhi signed a twenty-year treaty of peace, friendship, and cooperation with the Soviet Union in August 1971. For all practical purposes, Article 9 of this treaty amounted to a security guarantee.

With India's northern front secured and the support of a veto-wielding power in the United Nations Security Council (UNSC), Indira Gandhi's government embarked on a strategy that provoked a military attack from Pakistan in early December 1971 (Jacob 1997). Indian forces, which were wholly prepared for war, quickly invaded East Pakistan and brought the conflict to a close within two weeks (Palit 1971; Chopra 1973).

Even US support for Pakistan during this crisis, including sailing a task force into the Bay of Bengal, failed to deter the prime minister from pursuing her stated war aims, which involved military defeat of Pakistan in the east and the creation of a new state (van Hollen 1980).

India's resort to careful, deliberate, politico-military strategy to deal with this crisis showed that it had all but dispensed with the Nehruvian normative reservations about the use of force (Hoffman 1972). Also, the Indo-Soviet treaty effectively ended India's commitment to nonalignment.¹² Though domestic politics clearly played a role, within three years of the Indian victory over Pakistan, India tested its first nuclear device. Indian apologists claimed that the nuclear test was for strictly peaceful purposes (Jaipal 1977). However, one of the principal architects of India's nuclear weapons program later conceded that it was an initial attempt to develop nuclear weapons.¹³

Some residual commitment to the Nehruvian worldview nevertheless continued to animate Indian foreign policy. For example, even though it was contrary to India's material interests, the country became an ardent champion for the call to create a New International Economic Order (NIEO) (Lall 1978). In this endeavor, India played a critical role in the Group of 77, an entity composed of seventy-seven developing countries that had been created in 1964 at the United Nations session that had led to the creation of the United Nations Conference on Trade and Development (UNCTAD).¹⁴ The NIEO was especially damaging to India as India was and remains a desperately energy-short country. In this context it needs to be recalled that one of the key weapons used to demand the creation of the NIEO was the OPEC price hike. India also sought to play the role of the standard bearer of the developing world in other international forums. To that end, in 1972 at the Stockholm Conference on the Human Environment Indira Gandhi chose to highlight the importance of poverty alleviation over emerging environmental concerns (Sethi 2002).

These gestures aside, when faced with emergent security threats and tough choices India's policymakers showed little interest in the idealism that had characterized Nehru's foreign policy. In the wake of the Soviet invasion of Afghanistan in December 1979, Indira Gandhi—who had just returned to office after a brief interregnum—refused to join the global chorus of condemnation. Once again, it was clear that India was balancing against what it deemed to be its most clear-cut threats.¹⁵ With the Soviet invasion of Afghanistan, the Reagan administration had chosen to bolster Pakistan's military capabilities, thereby eroding India's conventional superiority over its long-standing adversary. To help restore its military edge over Pakistan, Indira Gandhi avoided any public criticism of Soviet actions while seeking substantial arms transfers at highly concessional rates (Singh 1984). This need to rely on the Soviet Union as well as India's anodyne position on the invasion and occupation of Afghanistan underscored its strategic dependence on the Soviets and the clear limits of its professed commitment to nonalignment.

In an attempt to reduce India's dependence on the Soviet Union, the United States made some preliminary overtures toward India in the early 1980s. The renewed US-Pakistan military relationship and the memories of American support for Pakistan

during the 1971 crisis remained the principal hurdles in any attempt to ameliorate relations. The Reagan administration, obviously unwilling to dilute its security ties to Pakistan, nevertheless found the means to entice Indian policymakers. To that end officials dangled the possibility of Indian access to US dual-use high-technology items on a selective basis (Ganguly and Scobell 2005). Despite the robust arms transfer relationship with the Soviet Union, there were some highly sophisticated technologies that India could not obtain from its otherwise reliable partner. As a consequence of these overtures and India's willingness to respond, a mild thaw came about in Indo-US relations under Rajiv Gandhi, Mrs. Gandhi's son and successor. Nevertheless, the "shadow of the past" loomed large in Indo-US relations.¹⁶ Furthermore, given the limited scope of Indo-US economic ties, differences about Pakistan and India's continued dependence on the Soviet Union placed clear limits on any possible rapprochement with the United States.

It should be emphasized that India's dependence on the Soviet Union was not limited to the arms transfer relationship. In large part India had come to rely on a tacit Soviet security guarantee against the PRC. Indeed, though it is poorly recognized, India's decision to cross the nuclear Rubicon in 1998 was made because it had realized in the wake of the Soviet collapse that Russia would not uphold prior security commitments toward India. In a speech that President Mikhail Gorbachev had delivered in Vladivostok in July 1986 he made clear that fundamental changes in Soviet foreign policy were under way. Among other matters he had outlined a framework for the improvement of relations with the PRC. The latter issue had caused nervousness in New Delhi. However, those committed to the Indo-Soviet relationship had sought to downplay any possible adverse repercussions for India as a consequence of a possible Sino-Soviet rapprochement (Shanker 1986).

21.5. THE EQUIVALENT OF THE "COLLAPSE OF A SUPERNOVA" AND "ENLIGHTENED SELF-INTEREST"

At the Cold War's end India's economic, foreign, and security policy all saw drastic changes. In the absence of structural shifts in global power as well as the end of the Soviet model of economic development, it is questionable whether dramatic changes in economic or foreign policy would have materialized. When faced with past crises the Indian state had resorted to ameliorative changes, but had not undertaken fundamental shifts in its foreign and economic policies. For example, even in the wake of the 1962 crisis, it had made major changes in its defense policies. However, it had not wholly abandoned its normative worldview in the domain of foreign policy (Bajpai 1998). Also, in the wake of a major fiscal crisis in 1966, India had only undertaken incremental changes (Mukherji 2000). Accordingly, it can be argued that while ideational

changes in the global arena as well as the presence of reform-minded leaders played a vital role in the foundational shifts that occurred, structural factors were of the greatest consequence.¹⁷ A failure to adapt to the drastic changes in the global order would have left India both economically and diplomatically marginalized.

Both the Cold War's end and the Soviet collapse came as a complete surprise to Indian policymakers. In the words of a senior Indian diplomat it was the strategic equivalent of the "collapse of a supernova" as far as India was concerned.¹⁸ Most importantly, it meant that India's implicit security guarantee from the Soviet Union had abruptly ended. Consequently, it would either have to seek a new patron or rely on internal efforts to balance against the threat from the PRC.

Seeking a new security umbrella from the United States was not a viable option because of the persistence of a range of policy differences. Furthermore, many within India's policymaking community were fearful of the emergence of a unipolar global order. Accordingly, a significant policy debate ensued, and those wedded to Nehruvian ideas of world order continued to insist on their relevance (Muni 1991).

However, as the Cold War's end also coincided with an unprecedented financial crisis, India's policymakers, most notably the Prime Minister Narasimha Rao and his then minister of finance, Manmohan Singh, sought to alter dramatically the course of India's foreign as well as economic policies, despite facing a degree of domestic opposition from well-entrenched groups who had long benefited from existing arrangements (Joshi 2003). In the economic arena, the country abandoned its long-held commitment to import-substituting industrialization (ISI); it shed a labyrinthine set of regulations and also opened its markets to a considerable extent to foreign investment. In the realm of foreign policy it slowly began to shed its reflexive hostility toward the United States; it made efforts to reduce tensions with the PRC; and it embarked upon a concerted attempt to engage the economically vibrant states of Southeast Asia. However, relations with Pakistan, India's nettlesome neighbor, showed few signs of improvement. Instead, the outbreak of an indigenous insurgency in the disputed state of Jammu and Kashmir worsened relations, especially as Pakistan sought to exploit extant local grievances.

The failure to improve relations with Pakistan notwithstanding, there is no question that the changes in India's foreign policy orientation proved to be substantial. The country effectively discarded its "bunker mentality" as it sought to play a renewed role in global affairs (Thakur 1992). It also abandoned its willingness to serve as the mouthpiece for the developing world as it sought to address the crying needs of domestic economic development and long-term threats to national security. These sweeping changes notwithstanding, its policymakers nevertheless remained averse to the prospect of a unipolar global order (Mohan 2012). Two factors largely explained India's concerns about a unipolar world. One stemmed from a widespread belief across the political spectrum that a dominant global power would limit India's scope for maneuvering in the international arena. A closely related second factor was rooted in the belief that an overweening power could impose its will on India in a range of global regimes extending from human rights to nuclear nonproliferation. Since India was already at

odds with the United States in both these arenas, the concerns about American global dominance took on added significance.

The drastic changes that came about also encompassed India's security policy. Since the 1974 test, India had maintained a policy of nuclear ambiguity (Basrur 2011). However, with the end of the Soviet nuclear guarantee, multilateral pressures—especially in the wake of the indefinite and unconditional extension of the NPT in 1995, subsequent efforts to realize a Comprehensive Test Ban Treaty (CTBT), and finally a deterioration of the security environment in South Asia—combined to mark a critical change in India's policy.¹⁹ Accordingly, in May 1998 India tested five nuclear weapons. In their wake the country confronted widespread global disapprobation including a raft of new bilateral and multilateral sanctions, but steadfastly refused to terminate the program.²⁰ Even the advent of a markedly different regime in 2004—following the electoral defeat of the right-wing Bharatiya Janata Party-led National Democratic Alliance (NDA)—had no effect on India's nuclear weapons policies. This lack of any meaningful shift in India's nuclear policies, despite a change of regime, showed that, barring the left-wing political parties, a broad consensus existed in the political arena on India's nuclear weapons policy (see chapter 26).

Nor, for that matter, were there any dramatic substantive shifts in the realm of foreign policy under the new United Progressive Alliance (UPA) government led by the Congress Party. The regime's emphasis on "enlightened self-interest" as the lodestar of its foreign policy did not differ much in substance from that which the previous regime had pursued.²¹ In fact, the improvement in Indo-US relations continued apace despite ongoing differences in particular areas, ranging from the pace of India's domestic economic reforms, the question of Iran's clandestine quest for nuclear weapons, the issue of how best to tackle climate change, and the further pursuit of trade liberalization. Both sides, however, seemed to be taking these differences in their stride (Sen 2012).

India's engagement with the states of Southeast Asia, which started in the early 1990s, has also continued to expand. Even though Indian policymakers are loath to admit it publicly, one of the key prongs of India's involvement with this region stems from the increasing assertiveness of the PRC (Joshi 2011). To that end India has stepped up naval cooperation with a number of states in Southeast Asia and also with Japan (Holmes, Winner, and Toshihara 2009). All these developments indicate that India's leadership is acutely cognizant of the importance of material power in global affairs. However, significant elements within the political leadership and its attentive public are seeking to reinforce an earlier principle that had guided India's foreign and security policies, namely, they are keen on ensuring that the country not be perceived as a US ally despite the growing strength of the relationship (Khilnani et al. 2012).

Albeit in a fitful fashion, India is seeking to shore up its role in various cross-regional forums. In 2003 it helped to create a new entity, India, Brazil, and South Africa (IBSA), designed to foster economic cooperation and also promote policy coordination in other multilateral arenas. Though some policy coordination has ensued, this trilateral dialogue has not been wholly able to overcome significant differences in both

capabilities and interests. India, however, has become a more active participant in the Brazil-Russia-India-China–South Africa (BRICS) forum. Nevertheless, it is far from clear whether bilateral differences can be managed effectively in the latter organization. For example, despite rhetorical attempts to bridge differences, the PRC and India remain at odds over a range of bilateral and regional issues.

India also remains fixated on its quest to become a permanent member of the UNSC. Its policymakers increasingly argue that India should be granted this status to reflect the changed structure of the global order in which India has become a significant player on the basis of its economic clout, its military prowess, and its demographic status. Despite some sympathetic nods from the principal Western powers, the country faces formidable obstacles in this quest. One of the principal roadblocks remains the intransigence of the PRC to any expansion of the UNSC that would include India.

21.6. NEW DIRECTIONS OR BACK TO THE FUTURE?

India has traveled a great distance from the Nehru era and has, for all practical purposes dispensed with the ideational commitments of the past. In the aftermath of the Cold War, it made a substantial adjustment to shifts in global power. At a national level, a steady consensus also emerged about the importance of harnessing material power, both economic and military. Indeed, for the most part, the normative inhibitions about the significance and utility of force in international politics have largely been discarded. Finally, an important segment of its policymaking elite also dispensed with much of the ideational baggage of the Nehru years and the ideological posturing of the Indira Gandhi era. Nevertheless, while some residual sentiments of that era continue to influence India's rhetoric, the country's policymakers are increasingly cognizant of the need to bolster its material capabilities to protect its critical national security interests, and eventually help to shape the global order. Indeed, thanks to substantial economic growth in the wake of its fitful embrace of economic liberalization (see chapter 10), a slow but steady rapprochement with the United States after the nuclear tests, and its increasing integration into the global economy, a chorus of assessments has declared that India would emerge as a global power in the twenty-first century (Cohen 2002; Avery 2012).

However, playing a more substantial role in the global order will require India's policymakers to deal with two critical and extant challenges. First, the country will need to fashion a long-term strategy to deal with Pakistan, a state with which it has long been at odds. Though both states have participated in multilateral and bilateral initiatives to reach a rapprochement, the relationship still remains fraught. The central question, the disputed status of the state of Jammu and Kashmir, continues to bedevil their relations. In the absence of a breakthrough on that critical question it is most unlikely

that India will be able to transcend the subcontinent. Indeed, without positive movement in Indo-Pakistani relations, India's interest in seeking markets and obtaining energy resources from the states of Central Asia will be thwarted, owing to Pakistan's key geostrategic location. Furthermore, as the presence of the International Security Assistance Force in Afghanistan diminishes, in the absence of a lessening of tensions in Indo-Pakistani relations, a proxy war may ensue in Afghanistan (Ganguly 2011). Second, India will also need to fashion a coherent policy to deal with the PRC. Apart from the unresolved border dispute, India is increasingly wary of the PRC's growing presence in Bangladesh, Sri Lanka, and Myanmar (the latter somewhat diminished by recent political changes in that country). It also is acutely concerned about the PRC's nuclear weapons capabilities and the People's Liberation Army Navy's growing naval reach into the Indian Ocean. Unless it can find successful means of addressing these emerging challenges, India may find its influence confined to the subcontinent and its vicinity (Rehman 2012).

Apart from these hurdles, most knowledgeable analysts recognize that the country is still beset with a host of burdens that it must shed before it can realize its great power potential. The domestic constraints that India confronts are substantial. An exhaustive survey of these is not feasible in this chapter. However, a number of salient issues can be highlighted. India faces substantial rural and urban poverty; its infrastructure remains highly uneven; it faces a reviving Maoist insurgency in significant parts of the nation; the quality of its institutions and their efficacy are highly uneven; and it faces the specter of fractious coalition regimes for the foreseeable future. None of these limitations are likely to be addressed swiftly. Beset with these domestic hurdles, the country's abilities to project power beyond its immediate shores, to assume new responsibilities in multilateral forums, and to proffer solutions to global challenges may all be hobbled.

NOTES

1. It needs to be clarified that this argument differs from those who contend that the preoccupation with independence has been a constant in India's foreign policy since independence. For an alternative formulation see Narang and Staniland 2012.
2. Much of this vision was spelled out in a convocation speech he delivered at Columbia University (Nehru 1949).
3. On Nehru's concerns about foreign domination see Nehru 1950.
4. The so-called princely states had been nominally independent as long as they recognized the British as the paramount power in South Asia. When independence and partition arrived the British Crown gave them one of two choices: they could join either India or Pakistan on the basis of their demographic composition and geographic location. The option of independence was ruled out. Kashmir posed a unique problem as it shared boundaries with India and Pakistan, and had a Muslim-majority population and a Hindu monarch. On the princely states at the end of empire, see Copland 1997.
5. The accession of Kashmir to India is nevertheless the subject of much contention. For an excellent discussion of the dispute over accession see Ilahi 2003.

6. On the UN's early role in seeking a resolution to this dispute see Korbel 1951; for evidence of British partisanship see Dasgupta 2002.
7. Report of a Study Group established by the Indian Council of World Affairs (1957).
8. On India's role in the Congo crisis see Dayal 1975; on India's participation in the International Control Commission, see Sardesai 1968; and for India's role in the Korean War see Kim 2010.
9. On the origins and suppression of the Khampa rebellion, see Knaus 1999.
10. Personal interview with the author, New Delhi, July 1988.
11. For an argument suggesting that Indian and Soviet interests largely converged, see Horn 1981.
12. For an alternative formulation of this issue, see Rajan 1972.
13. On Raja Ramanna's admission see India's Nuclear Weapons Program 2001.
14. See About the Group of 77 nd.
15. On the subject of balancing against threats, see Walt 1987.
16. This is a conscious inversion of Robert Axelrod's proposition regarding the possibilities of cooperation in an anarchic international environment. I argue that memories of past interactions can profoundly affect the possibilities of cooperation: see Axelrod 1984.
17. On ideational changes and their impact on policymaking, see Blyth 2002.
18. Personal interview with senior Indian diplomat, Washington, DC, July 1992.
19. For a detailed discussion of the forces that led to the Indian nuclear tests, see Ganguly 1999.
20. Much of this can be gleaned from Talbott 2006.
21. Manmohan Singh, as quoted in Ganguly 2010.

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CHAPTER 22

STRONG, PROSPEROUS, OR GREAT?

North Korean Security and Foreign Policy

JOHN DELURY AND CHUNG-IN MOON

22.1. INTRODUCTION

THE Democratic People’s Republic of Korea (DPRK) has long been characterized as an abnormal and hostile “rogue regime” that flouts international norms, turns diplomacy into blackmail, and is, at its core, evil, opaque, and “impossible” (Cha 2012). After all, Pyongyang’s aggressive behavior extends back to the invasion of South Korea in 1950, and leads all the way to shelling a South Korean island and—allegedly—sinking a Republic of Korea (ROK) naval vessel in 2010—punctuated by assassination attempts, hostage taking, terrorist bombings, and nuclear tests. North Korea spends billions of dollars on an “ultramodern” nuclear weapons program, advanced missile development, and a million-person army (Moon and Lee 2009), even as humanitarian agencies report that a large proportion of the country’s 24 million people do not have enough food to eat on an annual basis, and human rights groups claim that as many as 200,000 civilians are being held in political prison camps (Hawk 2012). The government has been accused of “collaborative development” (Joshua Pollack 2011) and exports in ballistic missiles and nuclear know-how with “pariah” regimes such as Myanmar, Libya, Syria, and Iran, as well as illicit trade in illegal drugs and counterfeit currencies (Chestnut 2007). Meanwhile, North Korea’s unique political system and ideology totally confound most Western observers, few of whom visit the country. The DPRK has thus come to be seen as a grotesque abnormality that is impossible to understand and useless to engage—as one former commander of US forces in the ROK summarized: “We all know that North Korea is a belligerent rogue aberration of history, which has repeatedly proven that it cannot be trusted, and with whom good faith negotiations are simply not possible” (Bell 2010). From this view, rather than negotiate, the prudent course of action is simply to wait for history to sweep away this “aberration,” as will inevitably happen, many perennially hope, “when North Korea falls” (Zakaria 2010; Kaplan 2006).

These widely held assumptions regarding North Korea—that it will inevitably collapse; that its workings are unknowable; and that its external behavior defies the logic of international relations—are misplaced and misleading. The “coming collapse of North Korea” has been anticipated since the end of the Cold War (Eberstadt 1990), but neither the death of Kim Il-sung in 1994 nor the death of Kim Jong-il in 2011 triggered the expected implosion on the Korean peninsula. Analysts and policymakers distracting themselves with the question of when the DPRK will cease to exist, and how to plan for that contingency, in the process fail to see and deal with North Korea as it presently exists. Neither is North Korea’s foreign policymaking process unknowable. It is true that data is limited, news reports are unreliable, and visits are restricted. However, with the right analytical framework it is possible to make theoretically sound, empirically grounded observations of North Korea’s foreign policy goals and structures.

Lastly, Pyongyang’s security strategy and foreign policy is not a total anomaly or abnormality. On the contrary, the DPRK, like most states, is at root driven by the pursuit of survival, prosperity, and prestige. Indeed, the “analytical eclecticism” approach, which combines mainstream international relations theories developed by realists, liberals, and constructivists (Suh, Katzenstein, and Carlson 2004), goes a long way to making sense of North Korean security and foreign policy. The DPRK articulates its eclectic foreign policy motivations through its oft-repeated goal of becoming a “strong and prosperous great nation” (*kangsung daeguk*)—a slogan introduced in 1998 and given renewed emphasis during the transition from Kim Jong-il to Kim Jong-un. Translated into the language of international relations theory, North Korea seeks power for its survival, interests for its prosperity, and identity for its prestige. The problem for Pyongyang is how to achieve these three goals simultaneously, and its security and foreign policy dilemmas stem in large measure from the difficulty in sequencing and coordinating progress among them.

This chapter elucidates the determinants, structure, and process of security and foreign policymaking in North Korea. The first section offers a brief prolegomenon on analytical cues for more rigorous study of foreign policymaking in North Korea. The second section maps out the structure, process, and actors involved in foreign policymaking. Section three examines how power, interests, and identity influence North Korea’s foreign policy behavior, focusing on its key bilateral relationships with South Korea, China, and the United States. The concluding section briefly suggests where North Korea’s mixed motives might be leading Pyongyang in the Kim Jong-un era, and what role foreign states might play to encourage more cooperative behavior and peaceful outcomes.

22.2. PROLEGOMENON TO ANALYSIS OF NORTH KOREAN SECURITY AND FOREIGN POLICY

Most analysis of North Korean foreign and security policy builds from distinctly opposed paradigms. The dominant view explains Pyongyang’s behavior as the

manifestation of the perverse whims of its hereditary Communist dictatorship. Under the shadow of the Kim family tyranny, North Korea's foreign policy behavior is driven almost entirely by inertia, lacking the capacity for flexible adaptation to changes in the external environment. Even if it is not about to collapse, the best the DPRK can do is "muddle through" (Lankov 2011; Noland 1997). Because there is no room for learning from trial and error, the North has been locked into maniacal and self-defeating foreign policy since at least the end of the Cold War, yet it cannot change course.

On this view, Kim Il-sung's autarkic economic creed of "self-reliance" (*Juche*), predicated on failed Soviet models of central planning, is still the basis of today's "neosocialist" orthodoxy (Frank 2010). Externally, *Juche* manifests as a kind of "political autism" (Foster-Carter 2004) whereby the DPRK routinely violates treaty obligations, bilateral agreements, and international laws and norms, often in ways that undermine the regime's national self-interests. Pyongyang's difficult international behavior is predetermined by its rigid, totalitarian social order, which inculcates fascistic suspicion of outsiders (Myers 2010), obsession with national defense, and borderline nihilistic commitment to economic self-reliance. Perceived as acting against its own interests, North Korea is characterized as an irrational state, and the Kim regime is either demonized as part of an "Axis of Evil" or infantilized as behaving like a child banging his spoon on the table in order to get his way (Sanger and Gordon 2013).

The alternative school of thought, to which the present authors subscribe, views Pyongyang's policies and strategies as rational and evolving. Indeed, the DPRK would appear to be as rational as any other state according to the definition of political rationality as the maximization of perceived national interests through an objective situational assessment and cost-benefit analysis (Allison and Zelikow 1999). To understand North Korea's rationale, however, requires looking at circumstances from its perspective and taking its stated positions into account (Yong-ho Kim 2011; Cumings 2004; Koh 2004; Samuel Kim 1998). This could be described as an inside-out approach. As Han S. Park put it, "Outside observers, western and non-western, casually characterize North Korea as being irrational, abnormal, and inexplicable, but their analytic premises are usually insensitive to or ignorant about the peculiar conditions under which the system evolved and must operate" (Park 2000–2001, 509; Smith 2000).

Rather than acting in defiance of the logic of international relations, North Korea has generally responded positively to what it perceives as positive reinforcements, and negatively to negative ones (Yoon 2011). The US decision in 1990 to withdraw tactical nuclear weapons from South Korean soil, for example, resulted in North Korea's cooperative behavior, such as signing the historic Basic Agreement with South Korea in early 1992. After signing the 1994 Agreed Framework with the United States, North Korea by and large complied with its terms, as well as the Non-Proliferation Treaty (NPT), until conflict with the Bush administration triggered a second nuclear crisis in 2002 (Chinoy 2008; Carlin and Lewis 2008; Harrison 2005; Sigal 1999; see also Yuan's chapter in this volume).

Kim Jong-il was often maligned as a kind of mad dictator determined to keep his country isolated from the world. But Kim demonstrated foreign policy pragmatism and rationality, most publicly over a series of historic summits with Jiang Zemin,

Kim Dae-jung, Vladimir Putin, and Madeleine Albright in 2000 that significantly repaired relations with key powers. In 2002, Kim even met with Japanese prime minister Junichiro Koizumi, acknowledging the abduction of Japanese citizens and showing North Korea's willingness to normalize relations with its historical nemesis (Funabashi 2007).

Undeniably, North Korea's foreign policy has oscillated between confrontational and accommodating behavior based on its calculations of its short- and long-term interests. But so have the self-proclaimed "rational" actors—such as the United States and Republic of Korea—in crafting their own policies toward the DPRK (Oberdorfer 2001).

Acknowledging the DPRK as a rational actor is, analytically speaking, the essential first step, because it forces analysts to wrestle with the complexity of North Korean politics in their rapidly changing internal and external environment, and to look into Pyongyang's thought processes, policy motivations, and behavioral traits on its terms, not those of the international community. An inside-out analysis shifts the framework from the realm of moral judgment (North Korea is evil) and metaphysical speculation (North Korea will collapse), back to the hard ground of empirical observation (what does Pyongyang say and do?) and epistemological vigilance (how do we know what we know about the DPRK?). And by subjecting North Korean foreign policy behavior to the scrutiny of standard analysis, rather than judging it to be *sui generis*, the three standard variables used by international relations theorists—power, interests, and identity—turn out to work well as major determinants of Pyongyang's foreign policy-making. The dilemma for DPRK security and foreign policy then turns out to be how to simultaneously maintain power for survival, pursue interests through cooperation, and assert identity based on esteem for the Supreme Leader, without allowing these goals to contradict or undermine one another.

22.3. FOREIGN POLICYMAKING: ACTORS, STRUCTURE, AND PROCESS

Before proceeding to an in-depth examination of how North Korea's pursuit of strength, prosperity, and greatness play out in practice, it is important to map out the institutional matrix and key actors, policy formulation and implementation processes, and power dynamics in DPRK foreign policymaking. Although monolithic on the surface, the internal structure of DPRK security decision-making is as complex and variegated as any other Asian state, and its foreign policy decisions can only be properly understood with reference to the structure and process that generates them.

As figure 22.1 illustrates, the head of the National Defense Commission (NDC), who is constitutionally the supreme leader of the country, is in charge of overall policies including foreign and national security policy. The dozen-man NDC can be thought

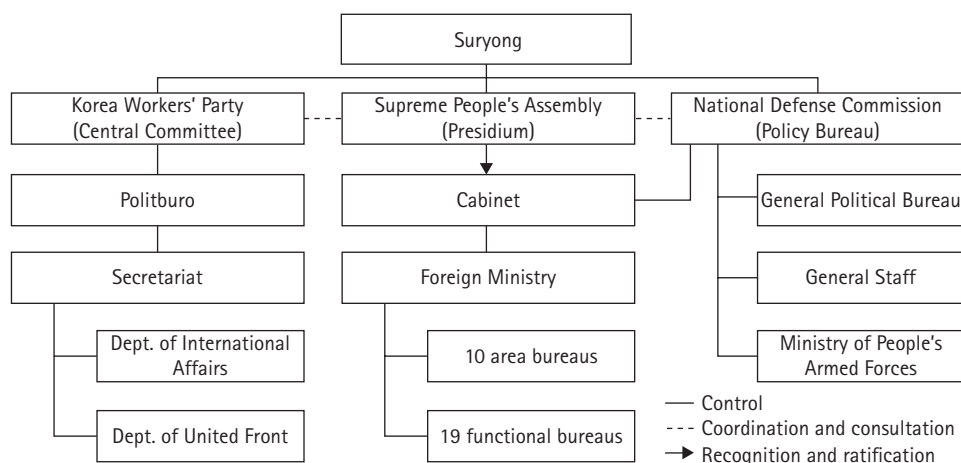


FIGURE 22.1 Foreign and National Security Policymaking.

Suryong is KWP first secretary, NDC first chairman, and Korean People’s Army (KPA) supreme commander.

Sources: Compiled from DPRK Social Constitution (amended on April 9, 2009); Research Institute of Korean Unification, *Outline of North Korea 2009*; ROK Ministry of Unification, *Who’s Who of North Korean Organizations* (2012); *National Defense Whitepaper* (2010) [all in Korean].

of as a kind of National Security Council that, under Kim Jong-il, was elevated to the highest organ not only of the military, but also of the state. When tensions heighten in the context of a deteriorating external security environment, the NDC supersedes bureaucratic boundaries and takes full command over the Party, state, and army. The NDC not only guides defense policies, but also holds the ultimate power to ratify or nullify foreign treaties, and to declare a state of national emergency and war mobilization—as spelled out in the 2009 revisions to the DPRK Constitution. Given that Kim Jong-un, like his father before him, is the head of both the Party and the NDC, it may well be said that the Supreme Leader (*Suryong*) is the ultimate decision-maker.

Working parallel to the NDC, the Political Bureau (Politburo) of the Central Committee of the Korea Workers’ Party (KWP) determines principles and overall guidelines for foreign policy. Based on Politburo directives, the KWP’s secretariat formulates concrete policies, with the Department of International Affairs handling Party-related foreign relations, and the Department of United Front dealing with inter-Korean relations. In theory, policies formulated by the Party secretariat have to be finally approved by the Supreme People’s Assembly, but its function is by and large a rubber stamp.

Although the Cabinet’s Ministry of Foreign Affairs (MOFA) is formally in charge of foreign relations and diplomatic affairs, MOFA’s role mostly comes into play at the level of policy implementation. MOFA is not even involved in inter-Korean relations, which are managed solely by the Party’s United Front Department. Similarly, the Party’s International Affairs Department holds the upper hand in relations with China by dealing directly with the Chinese Communist Party through party-to-party channels.

There is, however, one important exception, which is that MOFA plays a larger role in relations with the United States. Foreign Ministry officials in the Department of American Affairs, Six-Party Talks delegations, and the UN Permanent Mission in New York are, after all, virtually the only North Koreans with opportunities for regular direct contact with Americans. However, as pointed out later, even in the DPRK-US bilateral context the Cabinet does not have the final say in policy decisions.

During the Kim Il-sung and Kim Jong-il eras, decision-making power was heavily concentrated in the hands of the Supreme Leader. They were not only experienced and confident in foreign affairs, but also had firmly consolidated domestic power. Like every other domain, foreign policy and security affairs were subject to what is called “monolithic guidance of the Supreme Leader,” explained as “the mandate of entire party, entire country, and entire military to act in accordance with command and instructions of *Suryong*” (Kim and Han 1985, 75). Supreme Leadership was ensured through the unique institutional arrangement that placed Kim as head of the party (KWP general secretary), state (President Kim Il-sung and NDC chairman Kim Jong-il), and army (KPA supreme commander). Thus, no individual or institution was in a position to challenge their authority, and foreign and security policy could by and large be managed from the top down.

Kim Jong-un’s succession as Supreme Leader has added a new twist to the *Suryong* system. From an institutional point of view, Kim Jong-un is no different from his father and grandfather, in the sense that he holds the top position in the Party (KWP first secretary), state (NDC first chairman), and military (KPA supreme commander). Nevertheless, he is young and inexperienced, without the benefit of time to cultivate his own network of power and influence. In this early stage of his leadership, members of his inner circle are likely to be managing day-to-day foreign and security policy decisions.

A Party-centered collective leadership, with Kim Jong-un at the forefront, appears to be the emerging mode of governance in the DPRK. Shifts in relative influence between Party, state, military, and ruling family suggest that bureaucratic politics and consensus building is at work behind the monolithic facade of the *Suryong* system. Despite efforts at cross-appointments at the top, the DPRK suffers from a high degree of compartmentalization between Party, Cabinet, and military agencies. In the case of the three most important bilateral relationships, the United Front Department leads inter-Korean relations, the International Affairs Department guides China relations, and the Foreign Ministry plays a key role in US relations. Horizontal coordinating mechanisms are lacking, which can result in rigid and fragmented policy outcomes, especially when the National Defense Commission suddenly intervenes.

One example occurred right at the outset of the Kim Jong-un era, when the Foreign Ministry and US Department of State negotiated the so-called Leap Day Deal, so named because announced on February 29, 2012, agreeing to cease all nuclear activities—including long-range ballistic missile testing—and resume International Atomic Energy Agency (IAEA) inspections. Soon after the agreement, a vice foreign minister

traveled to New York for a track 2 forum, where he repeatedly assured US participants that the new leadership would honor the agreement and was eager for a better relationship with the United States. But during his visit to New York, Pyongyang announced its decision to launch a satellite rocket in April, which the US side viewed as an “abrogation” of the Leap Day Deal. The MOFA delegation was apparently not aware of the decision in advance, and abruptly had to change their travel schedule. The Foreign Ministry had evidently lost out to more hard-line views on the National Defense Commission.

This kind of fragmentation also surfaces between the NDC and the Party’s United Front Department. When inter-Korean relations were stabilized in the early 2000s, United Front officials managed relations with South Korea, including the Mount Kumgang tourist zone and Kaesong Industrial Complex. But as inter-Korean relations worsened from 2008, the NDC sidelined the United Front, and a new Policy Bureau of the NDC took over operational decisions regarding the flagship inter-Korean cooperation projects. The NDC Policy Bureau placed restrictions on passage across the Demilitarized Zone (DMZ), banned tourism to Kaesong city, and suspended the railway linkage between Kaesong and Munsan in South Korea. The general in charge of the NDC Policy Bureau even inspected the Kaesong Complex, an unusual change in protocol that sent a clear message as to who was in charge.

Strong evidence of the increasing pluralization of North Korean foreign policy decision-making came out of Patrick McEachern’s content analysis of DPRK state media from the late Kim Jong-il period (McEachern 2010). McEachern traced significant policy differences between the Cabinet, Party, and military, whose large bureaucracies advanced consistent institutional preferences based on their capacity to produce detailed knowledge. Policy innovation was starting to come from below. Kim and his inner circle still made the final decisions, but based on policy papers and options presented by the three institutions.

Dynamic interaction between the *Suryong*, core elite, and agencies of the Party, state, and military shapes the overall nature of security decisions in North Korea. In the guise of a monolithic hereditary dictatorship, North Korean foreign policy is made up of a complex mix of actors pursuing the mixed goals of strength, prosperity, and greatness.

22.4. CASES STUDIES IN DETERRENCE, COOPERATION, AND DIGNITY

Based on the preceding sketch of key actors and dynamics in North Korean foreign policymaking, we can now examine how they make decisions in accordance with the overarching goals of security, interests, and dignity, in ways that conform to the “analytical eclecticism” model of state behavior.

22.4.1. National Security, the US Threat, and Nuclear Deterrence

At its core, the DPRK follows the standard operating procedures of realism (Waltz 1999; Kegley 1995), and this orientation is clearest when considering the role that the United States plays in North Korean foreign policy pronouncements. Threats from the United States are Pyongyang's constant clear and present danger. Almost every military move by the United States is understood as an offensive tactic designed to strangle and destroy the North. Not surprisingly, the earliest origins of Kim Il-sung's aspiration for North Korea to become a nuclear power date to a period in the late 1950s and early 1960s when the United States was bolstering its nuclear attack capabilities in South Korea (Jonathan Pollack 2011, 46–47). The sense of hostility and threat has never dissipated. Although the DPRK-US relationship improved considerably by the end of the Clinton administration, George W. Bush's hostility, in the context of the invasion of Iraq, restored North Korea's threat perception of the United States. Pyongyang framed its conditional withdrawal from the NPT in terms of this basic security threat: "Since the advent of the Bush administration, the United States has branded us as an 'axis of evil' and declared the adoption of a national policy that denies our system. It also openly proclaimed a nuclear war against us by designating our country as a target for pre-emptive nuclear attack" (KCNA, January 10, 2003). Even the American decision to reduce its troop presence in South Korea in 2004 was perceived as preparation for a preemptive attack on the North, by removing potential collateral damage from the peninsula (Radio Pyongyang, May 12, 2004).

DPRK-US relations achieved modest progress through the Six-Party Talks during Bush's second term, but the relaxation of tensions evaporated during the first term of the Obama administration. President Obama was stung by North Korea's rocket and nuclear tests in his first year in office, and hardened by the North's hostilities with South Korea in 2010. Meanwhile, Pyongyang saw the Obama administration from early on as unwilling to invest political capital in serious improvement of relations, and then, increasingly a captive of Seoul's hard-line policy. Washington's role in the overthrow of Mu'ammer Gaddafi in 2011 rekindled Pyongyang's perception of the US threat—particularly given that US negotiators in the Six-Party Talks had explicitly urged Pyongyang to follow the "Libya model" as proof they could give up nuclear deterrence without jeopardizing national security. "The present Libyan crisis teaches the international community a serious lesson," the Foreign Ministry explained. "It was fully exposed before the world that 'Libya's nuclear dismantlement' much touted by the US in the past turned out to be a mode of aggression whereby the latter coaxed the former with such sweet words as 'guarantee of security' and 'improvement of relations' to disarm itself and then swallowed it up by force" (KCNA, March 22, 2011).

Ensuring state sovereignty and regime survival in the face of the US threat has remained the top priority of North Korea's foreign policy. Pyongyang does not trust international law or international organizations to restrain the United States, especially

since the Bush administration introduced the doctrine of preemptive war. In order to survive, the North has preoccupied itself with securing credible deterrence capability, both conventional and nuclear. After Kim Jong-il succeeded his father, this ardent defensive posture became known as “military-first politics” (*songun chongchi*), which was officially enshrined as a cardinal principle of the country in the 2009 revision to the DPRK Constitution. Military-first ideology is inseparable from the threat posed by the US “hostile policy.” As explained in the 2004 New Year’s Joint Editorial—the definitive annual policy statement released by North Korean state media—“American policy is based on the ‘logic of force,’ and the only way to cope with the United States is to counter with force. Otherwise, neither our right to self-determination nor world peace can be secured” (*Nodong Sinmun*, January 1, 2004). Hans Morgenthau could not have put it plainer.

But “military first” is not simply a small country’s form of self-help in the face of hostility from the world’s only superpower. North Korea has gone even further by placing the ideology of military first at the heart of its politics. The military in the North is mandated with protecting the Kim regime, the Party-led state, and the sacred soil of the nation itself. North Korean leadership justifies the primacy of the military in the following manner: “We are building socialism under constant military threats of imperialist encirclement. Under the circumstance, neither the people nor the socialist state and party can exist without a strong military” (Kim 2000, 52–53). Facing acute military threats from the United States and its ally South Korea, the KPA has been elevated as the backbone and guardian of North Korean politics and society.

In line with this, North Korea has faithfully employed the logic of deterrence. In order to cope with conventional threats from the combined US-ROK forces, the North has deployed a large number of long-range artillery pieces along the DMZ that can strike back at US troops and the Seoul metropolitan area. And Pyongyang repeatedly justifies its possession of nuclear weapons in standard terms of deterrence, as the Foreign Ministry explained bluntly in 2005, at the peak of the second nuclear stand-off with the United States: “South Korea is under the American nuclear umbrella. Our possession of nuclear weapons serves as the basic deterrent force to prevent a war and to ensure peace and stability on the Korean peninsula” (KCNA March 31, 2005).

Like any rational realist state, the DPRK does not rely exclusively on the self-help of “military first” to defend itself. The North Korean leadership is well aware that bilateral alliances are also essential to survival. After all, during the Cold War, Pyongyang skillfully managed the perils of balancing ties to Beijing and Moscow in the aftermath of the Sino–Soviet split. When Russia broke off ties under Boris Yeltsin and Beijing betrayed Pyongyang by normalizing relations with Seoul in 1992, North Korea sought diplomatic normalization with Japan and the United States. In the wake of the second nuclear crisis of 2002, North Korea again demonstrated a realist belief in the permanence of interests, not of friends. Facing unilateral pressure from the United States, Pyongyang revived close ties with China and Russia, while at the same time pursuing inter-Korean cooperation and coordination (*minjok kongjo*) as part of a classic strategy to drive a wedge between Seoul and Washington, openly proclaiming in 2004, “The

configuration of confrontation on the Korean peninsula at the present moment is that between the Korean nation of the North and the South on the one hand and the United States on the other” (*Nodong Sinmun*, January 1, 2004). When, in 2008, South Korea reversed a decade-long policy of inter-Korean engagement and reconciliation (Moon 2012), and as the Obama administration followed suit by stepping up sanctions in the name of strategic patience, Pyongyang sought even closer diplomatic and economic ties to its old stalwart neighbors, China and Russia (Carlin and Lewis 2010).¹

In sum, national security and regime survival, under threats from the world’s only superpower, form the cornerstone of North Korean foreign relations. National mobilization through “military-first politics,” maintenance of massive conventional forces, investment in asymmetrical and nuclear deterrence, and external management through balancing and wedge-driving, form the realist foundation of North Korea’s foreign policy behavior. Ironically, as David Kang observed, it is arguably the adherence of North Korea, along with South Korea and the United States, to the realist model of deterrence that has sustained the state of relative peace on the Korean peninsula since the Korean War ended in stalemate in 1953 (Kang 2003).

22.4.2. National Interests, the China Boom, and International Cooperation

For the most part, North Korea acts like a defensive realist, deterring threats to survival in its approach to security and foreign policy. And yet, there are also examples of Pyongyang trying to promote its national interests through international cooperation.

North Korea grudgingly joined the United Nations in 1991, but has since become an active participant in its activities, and hosts UN agencies in Pyongyang. Since the founding in 1993 of the Council for Security Cooperation in the Asia Pacific (CSCAP) as well as the University of California’s Northeast Asia Cooperation Dialogue (NEACD), North Korea has participated actively in their track 2 channels for discussion of regional security issues. After the first Korean summit in 2000, North Korea became more active in making diplomatic overtures, both globally—normalizing relations with numerous European countries for example—and in Asia. The North decided to join the ASEAN Regional Forum (ARF) in 2000 as a way of enhancing its visibility in Asian regional security, as well as advancing bilateral ties with ASEAN countries. For its part, the ASEAN secretariat actively sought North Korea to join the ARF so that it could play a facilitating role in the resolution of Korean peninsula affairs. Indeed, ARF provided the North with a good opportunity to conduct bilateral talks with other countries, especially direct contacts with the United States and South Korea, in periods when the Six-Party Talks were stalled (see also the chapter by Ba).

North Korea’s nuclear program is often cited as the ultimate example of the regime’s uncooperative, duplicitous, and destabilizing nature—for example, in walking away from the NPT in 2003, testing nuclear devices in 2006, 2009, and 2013, and revealing a uranium enrichment program in 2010. But a full account of the historical record

paints a more complex picture in which the DPRK demonstrates a capacity to cooperate even on the most sensitive area of its national security. Pyongyang has always maintained that it will abide by the NPT and safeguards requirements, so long as its right to a peaceful nuclear energy program is guaranteed. Indeed, based on the 1994 Agreed Framework, Pyongyang cooperated with the multinational Korea Energy Development Organization (KEDO) to build light-water reactors in the northeast part of the country, as IAEA monitors supervised the rollback of its nuclear program (Kartman, Carlin, and Wit 2012). After the Agreed Framework was scrapped, North Korea participated in numerous rounds of Six-Party Talks from 2003 to 2008, despite its conviction that only bilateral negotiations with the United States could resolve the nuclear issue. On the basis of the painstakingly negotiated September 19, 2005, joint statement and February 13, 2007, agreement, Pyongyang shut down and sealed its plutonium facilities in Yongbyon, accepted IAEA inspections, and began disablement.

Whenever its cooperative behavior was not rewarded, North Korea deviated from international cooperation. For example, when the United States nullified the Geneva Agreed Framework by suspending the supply of heavy oil in 2002, the North withdrew from the NPT, because, as Pyongyang had made clear, its compliance with NPT was contingent upon the implementation of the Agreed Framework. Subsequently, when the Six-Party Talks stalled over the US Treasury Department's imposition of financial sanctions on North Korean funds in Macao's Banco Delta Asia, the North test-launched ballistic missiles and undertook a nuclear test. This is not to deny the DPRK's tendency to use brinksmanship, but rather to point out that such intransigence usually occurs when the road to cooperation is blocked.

In addition to these examples of attempted security cooperation, North Korea shows willingness to cooperate on economic matters at the international, regional, and bilateral levels, in pursuit of the state's avowed goal of "prosperity." This is difficult, since a thick net of sanctions, many dating back to the Korean War, severely constricts North Korea's external economic relations, and Pyongyang is itself conflicted regarding economic reintegration. The most illustrative example of unrealized potential for international economic cooperation has to do with international financial institutions. The World Bank, International Monetary Fund, and Asian Development Bank have shown some preliminary interest in working with the DPRK to deal with its structural financial problems, including massive unpaid sovereign debts that date back to the 1970s (Armstrong 2009). But opposition from Washington and Tokyo inhibits these institutions from taking a proactive approach. Meanwhile, Pyongyang is ambivalent about the data transparency requirements and structural reforms that integration would demand (Babson 2006). No progress has been made—still, the seed of cooperation is there.

North Korea has had better success in developing cooperative economic relations with its neighbors at a bilateral level. Hampered by chronic shortages of food and fuel, the leadership in Pyongyang recognizes the need for trade and investment to leverage its mineral resources, light industrial production capacity, and viability as a Northeast Asian trading and shipping hub. *Juche* ideology notwithstanding, Pyongyang has proved willing to open up to economic opportunities when they arise.

The most striking examples of economic cooperation came in the context of inter-Korean rapprochement between 1999 and 2007, when Pyongyang opened up the Mount Kumgang tourist zone and Kaesong Industrial Complex, located near the DMZ, to South Korean firms for commercial projects over strong opposition from the KPA. Kim Jong-il had to persuade the military to make concessions for the sake of economic benefits (Lim 2008, 370).² Inter-Korean trade soared during the decade when Seoul pursued the so-called Sunshine Policy of engagement with the North, increasing from \$308 million in 1997 to \$1.79 billion in 2007 (ROK Ministry of Unification 2013).

With the inauguration of a hard-line South Korean president in 2008, the ambitious inter-Korean plans to expand Kaesong significantly and open new joint economic zones at ports on both coasts were shelved. In the summer of 2008, Mount Kumgang closed down after the two governments failed to resolve their dispute over the tragic shooting of a South Korean tourist who strayed into an off-limits area. Inter-Korean economic activity leveled off, and Seoul and Pyongyang essentially ceased talking to one another.

Kim Jong-il did not miss a beat, shifting the focus of economic assistance and cooperation to China's bordering provinces and to Beijing. By 2011, Sino-North Korean trade soared to over \$5.5 billion, joint special economic zones along the China border were being revitalized, and Chinese investment in North Korean mining, transportation, and infrastructure was surging. From 2004 to 2011, 205 of the 351 foreign firms investing in North Korea were Chinese (OSC 2012). In the years before his death, Kim Jong-il was traveling twice annually to China, stressing opportunities for economic cooperation. By the start of the Kim Jong-un era in 2012, China had emerged as North Korea's number one economic partner.

Together, China and South Korea account for over three-quarters of North Korea's foreign trade and investment (see also chapter by Pekkanen and Tsai). Japan used to be a significant economic partner in the 1990s, before relations broke down over the abduction issue, and normalization of relations would potentially be accompanied by a significant economic package. Russia could also become a bigger player in the North Korean economy, having forgiven billions of dollars in bad debt from the Soviet era, purchased a fifty-year lease on North Korea's ice-free port at Rason, and proposed building a pipeline through the DPRK to gain access to South Korea's huge oil and gas market. North Korea also maintains economic relations with friendly countries in Southeast Asia, such as Indonesia, Singapore, Thailand, and Myanmar, although the scale of trade and investment remains small. Perhaps the most successful, and significant, foreign joint venture in North Korea has been the Egyptian firm Orascom's \$400 million telecom deal in 2008, which by 2014 had resulted in over two million North Koreans becoming their country's first cell phones users.

All of the DPRK's trading partners and foreign investors understand the reality that economic cooperation remains fundamentally delimited by security considerations. If Pyongyang feels a political or security threat, it is likely to pull the plug on economic cooperation. Beijing knows this, and thus has tried as much as possible to detach economic cooperation from the security agenda. By contrast, the conservative

South Korean administration that took office in 2008 made its top security priority—denuclearization—into a *precondition* for expanded economic cooperation with the North. The result was that North Korea's economic ties shifted to Chinese interests, and Pyongyang pressed forward with its nuclear program regardless.

There is room for interest-based cooperation in North Korean foreign policy, particularly in the area of economic development, but it is a very gradual process, and will not work when economic interests are used as a lever to push Pyongyang toward short-term security outcomes. The DPRK's goal is strength and prosperity, but if forced to choose, survival comes first. Economic development cannot come at the expense of national and regime security.

22.4.3. National Identity, the Other Korea, and Dignity of the *Suryong*

On top of the desire to be “strong and prosperous,” North Korea also wants to be considered a “great nation.” In other words, prestige matters deeply to Pyongyang. And one of North Korea's peculiarities among Asian nation-states is the degree to which its identity and esteem relate to the dignity of its Supreme Leader. At times, the DPRK will sacrifice potential economic gains and even security interests if the Supreme Leader's honor is at stake. Any blasphemy against him is tantamount to disrespect against the being of the nation and the people as a whole. This derives from the unique identity formation of North Korean history.

During the Kim Il-sung era, the two defining characteristics of North Korean national identity were “self-reliance” (*Juche*) ideology and something called the “monolithic guidance system” (*yuiljido ch'eje*). As historians have documented, “self-reliance” and “monolithic guidance” were products of Korean Communists' guerrilla struggle against Japanese colonial domination, South Korean-allied forces during the Korean War, and postwar American imperialism (Armstrong 2003; Lee 1995; Wada 1993). Keeping up the “guerrilla” (*yugyokdae*) spirit is the core of North Korea's national security culture, and translates into a confrontational and uncompromising element in its foreign policy behavior even today (Katzenstein 1999).

North Korea's fiercely independent streak in foreign relations is channeled into highly disciplined loyalty at home through the monolithic guidance of the Supreme Leader. In North Korea, the political community is imagined as an organic body, whose brain is the *Suryong*. The Korea Workers' Party and the DPRK state are, metaphysically speaking, nothing but an institutional manifestation of the *Suryong*. While the army is the defender of the leader, the people are his children, and the *Suryong* is equated with the wise father and loving mother. As Bruce Cumings has pointed out, the DPRK's “corporatist” political culture has deep historical roots in Korea's centuries of orthodox Confucianism (Cumings 1983), and the familistic model of Supreme Leader is, ironically, reminiscent of imperial Japanese ideology of the 1930s.

The North Korean system is structured around beliefs that appear to most outsiders like a political personality cult, presenting the Kims as omnipotent, omniscient, omnipresent, and eternal. This unique political culture of an “enduring charismatic politics” (Kwon and Chung 2012, 3) plays an important role in shaping its foreign security policy. The *Suryong* is the brain of the revolution, the king on the chessboard, and protecting him is the top priority of national interests and the ultimate mandate of foreign policy and national security.

A perverse effect of North Korean identity formation is its self-perception as being the center of the universe. Few Asian states could imagine releasing the statement, “The army and people of the DPRK are fully ready to mercilessly strike the bulwark of US imperialist aggressors. . . . There can be no Earth without Korea. The army and people of the DPRK will destroy the Earth if the enemies dare make a nuclear strike at it” (*Nodong Simmun*, December 22, 2002). Although mitigated by the immediate context of responding to then US defense secretary Donald Rumsfeld’s remark that “America is able to wage a multiple-front conflict, including battles with Iraq and North Korea” (WND 2002), the statement nonetheless underscores the essence of North Korean centrism in its cognitive map. Reinforcing this solipsism is North Korea’s inability to escape from the siege mentality engendered by the Korean War, when American planes dropped so many bombs—635,000 tons’ worth—that they ran out of targets (Cumings 2010, 149–61). The North Korean leadership, and perhaps much of the populace, has long believed that the United States has every intention to isolate, contain, and one day, if possible, destroy their country, constantly reinforcing a sense of existential dread that in turn perpetuates a profound self-centeredness.

In addition to the existential threat posed by the United States, an equally profound source of North Korea’s perpetual identity crisis is the existence of another Korean state to the south—a richer, stronger, and larger one (see also the chapter by Snyder and Easley). Since national division in 1945 and the establishment of two separate governments in 1948, Seoul and Pyongyang have engaged in protracted regime contestation, constantly vying for sole legitimacy and regime superiority. Up until the early 1970s, North Korea outperformed South Korea not only in economic size, industrialization, and military capability, but also in the diplomatic contest for international recognition. After the Cold War, however, the contours of inter-Korean rivalry completely changed. While North Korea became one of the world’s most isolated countries, with its economy stagnant and people starving, South Korea emerged as one of the most successful economies and dynamic states in the world. The more inferior the North has become in its rivalry with the South, the more hysterical it has become during periods of inter-Korean tensions.

In the shadow of the other Korea’s successful growth and globalization, the DPRK has become extremely sensitive in defending its identity, esteem, and prestige. North Korea reacts with fury to any disrespect toward its sovereign status and Supreme Leader coming from the South, even when anger is detrimental to its interests. In October 2008, South Korea’s defense minister announced preparation of Concept Plan 5029 to deal with a North Korean “contingency”—a euphemism for collapse—and President Lee Myung-bak made remarks on the desirability of Korean unification under the terms of liberal democracy, implying so-called unification by absorption of the North. The response was furious: “We

will show zero-tolerance to those who insult our esteem and self-determination and will resolutely take all the necessary measures” (*Nodong Sinmun*, October 25, 2008). The DPRK subsequently refused Seoul’s offer of 50,000 metric tons of food aid, restricted passage across the DMZ including tourist visits to Kaesong, disconnected the inter-Korean military hotline, and declared an “all-out confrontation with the South” including a “nullification of all existing agreements” pending resolution of the conflict. This drawn-out confrontation was triggered by an insult to North Korea’s esteem.

Not surprisingly, the death of Kim Jong-il and succession of a new *Suryong* again provoked this volatile element in North Korea’s identity complex vis-à-vis the South. After the announcement of Chairman Kim’s death on December 17, 2011, South Korea’s president held an emergency meeting in the situation room of the Blue House and put the ROK military on alert. Seoul refused to send a funeral delegation or message of condolence to Pyongyang. The National Defense Commission released a statement of profound disappointment in the government in Seoul, which “committed an unacceptable grave crime by heightening tension over the Korean peninsula during the days of mourning in North Korea” (*Nodong Sinmun*, December 31, 2011). Observers noted the echoes of Kim Il-sung’s death in 1994, when then ROK president Kim Young-sam flatly rejected the proposal to send a condolence party to Pyongyang, calling Kim Il-sung “a war criminal who is responsible for the outbreak of the Korean War,” despite the two leaders having been in advanced stages of planning just before Kim’s death for what would have been the first inter-Korean summit. North Korea was outraged by the South Korean leader’s statement and severed all ties with Seoul, despite the possibility that it would otherwise have received food aid. Only after Kim Dae-jung replaced Kim Young-sam as South Korean president in 1998 did the North reopen channels with the ROK.

The above discussion reveals that North Korea’s security and foreign policy is the product of a dynamic interplay of power, interests, and identity. Power is essential for assuring national security and regime survival in an anarchical world; interests open up windows for cooperation in the pursuit of prosperity; and identity matters because of the DPRK’s unusual source of self-esteem and hypersensitivity to gaining the esteem of others. The hierarchy of these goals can vary over time, and there are shifting priorities among ruling elites. But generally North Korea has not hesitated to sacrifice diplomatic relations and economic interests for the sake of survival and security, yet at times seems ready to risk even elements of security when the “honor” of the nation, apotheosized in the Supreme Leader, is in jeopardy. Thus, it is important to adopt an eclectic approach by mixing power, interests, and identity-related variables in order to account for North Korea’s foreign policy behavior.

22.5. CONCLUSION

North Korean security and foreign policy remains one of the most poorly understood aspects of international relations in Asia, but the reason is as much due to flaws in the

analytical frameworks, assumptions, and methodologies that analysts adopt as it is owing to the inherent difficulties in obtaining information from or about the DPRK. The problem, in other words, is not that North Korea is an invisible target, but that analysts tend to view it with blinders on. Scholars have been writing for many years about the severe inadequacies that plague North Korean studies in general (Kang 1995). B. C. Koh decried North Korean studies' lack of reliable data, well-trained specialists, methodological rigor, theoretical and comparative analysis, and political and ideological detachment (Koh 1998). Recent state-of-the-field essays by David Kang and Charles Armstrong suggest that, despite some groundbreaking work, many of those problems persist (Armstrong 2011; Kang 2011).

Misunderstanding North Korea and what we might call its "security complex" often translates into failed policies *toward* the DPRK. Misguided policies, in turn, can have adverse effects on Pyongyang's course of action. For, despite the bellicose and stubborn rhetoric of "self-reliance," North Korea is, in the end, a highly reactive small state caught in a neighborhood of superpowers, rising powers, and middle powers. Pyongyang's behavior depends to a great degree on how outside actors, especially the United States and South Korea, treat it.

This is particularly true as Kim Jong-un consolidates his legitimacy and sets the strategic compass for his rule. If Washington and Seoul recognize Kim Jong-un as a legitimate head of state, and create an external milieu that can reduce North Korea's concerns over national and regime security, the new leader is likely to show cooperative behavior toward South Korea, the region, and the international community. Kim's top priority since becoming Supreme Leader has been economic revitalization that can ease the predicament of ordinary North Korean citizens, and ensure, as he put it in his first public address as leader on April 15, 2012, they "never have to tighten their belts again" (Choe 2012). Real reform and opening of the North Korean economy is much more likely in the context of improvements in political relations with the United States—and ROK—as was the case with Deng Xiaoping's reform in 1978 and Vietnam's Doi Moi reforms in 1985. Like China and Vietnam, North Korea is most likely to take the path to opening and reform when external security concerns are diminished, if not resolved.

In spite of many practical difficulties of conducting business in the DPRK, and regardless of short-term vicissitudes in nuclear negotiations, China has basically wanted to maintain economic engagement. If South Korea, Japan, and the United States ease their sanctions regime against the North and seek meaningful economic cooperation, inter-Korean relations might turn back in the direction of reconciliation, and progress on denuclearization is more likely to be sustained. For just as successful economic reform will require—and help to perpetuate—less hostile foreign relations, so full denuclearization is likely to occur only after North Korea has started down the path of growth and prosperity.

Affirming the DPRK's identity by recognizing the new leadership, and providing security assurance so that Pyongyang worries less about survival, can open up greater space for cooperation that increases the prosperity of average North Koreans

and encourages progress toward peace and denuclearization of the Korean peninsula. Conversely, failure to recognize and reassure the DPRK is likely not only to heighten military tension on the Korean peninsula, but also to pose significant threats to the region and the world through the risks of North Korea's unmonitored and unchecked nuclear weapons and ballistic missile programs.

NOTES

1. As a senior North Korean diplomat remarked to one of the authors in 2010, "What is 'strategic patience'? What is the US waiting for? We know: they are waiting for us to collapse."
2. Lim Dong-won, a key architect of the Sunshine Policy during the Kim Dae-jung government, later told one of the authors that Kim Jong-il overcame opposition from the military about exposing a sensitive naval submarine base at Jangjon port near Mount Kumgang by showing his generals high-resolution, commercial satellite photos of the base that South Korea's Hyundai-Asan company submitted to him, undercutting the military's argument for the need to maintain secrecy.

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CHAPTER 23

SOUTH KOREA'S FOREIGN RELATIONS AND SECURITY POLICIES

SCOTT A. SNYDER AND LEIF-ERIC EASLEY

23.1. INTRODUCTION

Six decades after a destructive civil war and international conflict that divided the Korean peninsula and decimated the country, the Republic of Korea (ROK), or South Korea, is now the world's fifteenth largest economy. It is a preeminent trading state with over a trillion dollars of combined imports and exports per year (see also chapter 14), and a vibrant democracy and civil society. South Korean businesses and pop culture have achieved global reach. The country remains a strong military ally of the United States in the middle of a region with a possibly nuclear-armed North Korea and potentially destabilizing China-Japan rivalry.

South Korea's remarkable economic modernization and democratic development over the past half-century have had major effects on the scope, capacity, and strategies available to it in its conduct of international relations. South Korea's democratic transition and economic development have expanded the number and types of stakeholders in policymaking. As a result, the formation and implementation of South Korea's foreign policy is no longer the sole prerogative of the Blue House—executive office and official residence of the South Korean president—and defense and foreign ministry elites, as was the case in South Korea's authoritarian days. In today's South Korea, foreign policy elites must take into account the voices of a broader range of bureaucratic actors, private-sector interests, nongovernmental activists, and public opinion as they develop and apply foreign policy strategies.

This transformation in policymaking has been accompanied by diversification of South Korean perspectives on international politics. Whereas realist theoretical considerations once dominated the way South Korean policymakers viewed political dynamics, liberalism and constructivism now also shape strategic thinking. Moreover, a political divide has deepened between South Korean conservatives, who tend to focus

on relative power balance at the global, regional, and peninsular levels, and South Korean progressives, who promote economic interdependence, institution building, and identity formation as means for overcoming conflict and promoting security cooperation. As a result, domestic power transitions in South Korea between conservative and progressive administrations have led to major shifts in the strategic rationale underlying foreign policy, despite enduring structural and geographic constraints faced by South Korea as a smaller country surrounded by major powers.

This chapter reviews the evolution of South Korea's security policy, its key actors and processes, and a range of international relations theories that scholars apply to explain South Korea's foreign affairs. Relevant analytical frameworks include those focused on military capabilities and distributions of power, institutions and economic interdependence, and identities and ideologies—all frameworks that are discussed in detail in Part II of this volume. We argue that while South Korean foreign policy has expanded from a focus on the Korean peninsula and its immediate neighbors to an impressive portfolio of international engagement, and while competing theories help to structure the debate over policy options, contending perspectives nonetheless prescribe a relatively limited range of options rather than stark choices among radically alternative paths. We demonstrate this by considering arguments from realist, liberal, and constructivist theories applied to Korea, and by examining how international and—in particular—domestic levels of analysis offer traction for understanding Seoul's evolving security policies. South Korean politics exhibit important trends in democratic institution building, domestic, regional and bureaucratic competition, and historical reconciliation. Major questions for the future include how Seoul will address widening economic inequality while allocating adequate resources for South Korea's rising international profile and preparing for the gamut of contingencies—from conflict to peaceful reunification—with North Korea. The chapter concludes with analytically informed projections of South Korea's changing role in regional security and global governance.

23.2. SOUTH KOREA'S EVOLVING SECURITY POLICY

The influence and range of instruments available in implementing South Korea's foreign policy have steadily expanded in tandem with the country's growing economic capabilities. South Korea's successful export-led industrialization and democratic transition enabled the spread of high-quality South Korean consumer products and cultural offerings around the world, making South Korea a potential development model that other countries might seek to emulate. More importantly for foreign policy and strategy, South Korea's economic power has enabled it to broaden its diplomatic focus. From the 1950s through the 1980s, this focus was predominantly on alliance

relations with the United States and competition with North Korea for greater international recognition and legitimacy. By the 1990s, South Korea was progressing toward an advanced economy with a dramatic expansion in trade (see chapters 10 and 11). With normalized relations with China and Russia, and North Korea's economic decline, South Korea's security environment and policy considerations changed. Seoul's strengthened position allowed it to diversify its foreign policy aims while improving relations with the four major regional powers: China, Japan, Russia, and the United States. Finally, in the past decade, South Korea has strengthened its relations with the rest of the world, deepened its engagement in international institutions, and broadened its contributions to global stability.

Following the Korean War, South Korea faced a disadvantageous economic and security position versus North Korea and depended on the United States for both development and security assistance. As a result, the foreign policy priority throughout the 1970s remained maintenance of a strong alliance with the United States, even as Park Chung-hee embarked on an export-led development strategy that relied heavily on exports to the US market (Heo and Roehrig 2010). The level of South Korean security dependency on the United States can be illustrated briefly in three cases. First, the United States strongly encouraged Park Chung-hee to normalize relations with Japan, but his decision to do so in 1965 was accompanied by widespread South Korean public protests. Second, Park's decision to send South Korean forces to Vietnam, where South Korea had no direct security interest, was motivated primarily by fears of US abandonment. Third, Park's pursuit of a nuclear weapons capability in the 1970s was motivated by his anxieties about the reliability of the United States, but more importantly, the US ability to quash those efforts was directly related to South Korea's need to maintain the alliance.

South Korea's successful economic development, democratization, and the end of the Cold War widened the aperture for its foreign policy, enabling diplomatic normalization in the early 1990s with the Soviet Union—subsequently Russia—and with China. At the same time, South Korea's economic development had outstripped that of North Korea, and the collapse of the Soviet Union plunged North Korea into economic decline. In addition, the peaceful reunification of Germany emboldened South Koreans to consider prospects for Korean unification by studying the "German model" and others (Wolf 1998). This was not purely an academic endeavor, as policymakers started to give greater attention to framing South Korea's foreign policy not only in the context of peninsular security but also in the context of regional stability. South Korea increasingly reached out to multilateral institutions, including forums organized by the Association of Southeast Asia Nations (ASEAN; see chapter 34) even as North Korea remained the central question in its foreign policy (Lim 2009).

Conservative presidents Roh Tae-woo (1988–93) and Kim Young-sam (1993–98) sought to use new diplomatic relationships with China and Russia as levers to pressure North Korea; however, later progressive presidents Kim Dae-jung (1998–2003) and Roh Moo-hyun (2003–8) framed their respective foreign policies in regional terms, promoting schemes designed to enhance cooperation among major powers with the

Korean peninsula as the hub and catalyst for transit, energy security, and other functional areas (Levin and Han 2002). These strategies involved cooperation with North Korean authorities and sought to integrate North Korea economically into Northeast Asia. They also signaled South Korea's lessening dependency on the alliance with the United States, which hitherto had been the main strategic consideration in South Korean foreign policy. The US-ROK alliance would remain important, but would not preclude South Korea from developing a diversified portfolio of economic and political interests and relationships (Snyder 2012b).

Under conservative president Lee Myung-bak (2008–13), South Korean foreign policy underwent further diversification and development under the rubric of the catchphrase "Global Korea." Such diplomacy in many ways followed the expansion of Korean economic interests in new parts of Asia and beyond, from natural gas exploration in Uzbekistan to nuclear reactor construction in the United Arab Emirates (Spechler and Spechler 2010; Park and Chevalier 2010). Lee's foreign policy sought to raise South Korea's international profile by hosting global gatherings such as the G20 and Nuclear Security Summit, and by touting South Korea's role as a "middle power" (Frank, Köllner, and Pares 2012). While North Korean provocations have reminded South Koreans that peninsular stability is critical to prosperity, Lee pursued an internationalized response to these provocations that illustrated the evolution of South Korean foreign policy from being consumed by security on the peninsula to linking peninsular security to global stability. Likewise, South Korea's nascent contributions to international security have corresponded with a shift in definitions of national interests to include an emphasis on global concerns, reflecting both South Korea's economic success and its dependency on international trade.

23.3. ACTORS AND PROCESSES IN SOUTH KOREAN FOREIGN POLICYMAKING

Under South Korea's authoritarian governments, the Blue House played a dominant role in setting South Korean foreign policy priorities, with the president personally directing the course of policy and the Ministry of Foreign Affairs serving as the primary instrument of implementation. South Korea's authoritarian governments also made use of intelligence services in the conduct of diplomacy as part of an active international competition for legitimacy with North Korea. South Korea's competition with North Korea motivated the establishment of relations with many developing countries in the 1970s and provided the rationale for much of South Korean foreign policy implementation during the 1980s.

As South Korea's export-led industrialization strategy created and sustained a private sector, the economic component of South Korea's international relations expanded in turn, enabling business interests to grow steadily and diversify South

Korea's diplomatic relationships. South Korea's interest in building trade ties provided the primary basis for strengthening relations with countries in Southeast Asia and eventually with mainland China (Steinberg 2010). This enabled private-sector representatives to be deployed abroad, supported by the public-sector trade representation that was the leading element of South Korea's diplomatic presence in these countries. In this way, South Korean economic and diplomatic efforts took on a symbiotic relationship overseas. South Korea's entry into the construction market in the Middle East and deepening economic relations with other parts of the developing world provided a basis for building new relationships between governments. This dynamic was particularly important in South Korea's modernization story; the country's economic success became a magnet for opening diplomatic relations with Eastern European and socialist bloc countries in conjunction with South Korea's hosting of the 1988 Seoul Olympics.

South Korea's democratization coincided with the end of the Cold War and provided opportunities for further expansion of domestic stakeholder influence on South Korea's foreign policy (Moon 2013). While the executive branch in South Korea coalesced around a strong president, National Assembly influences on the conduct of foreign policy have steadily grown through the power of legislative committees to review cabinet appointments; call for testimony from South Korean cabinet officials and question them on specific foreign policy choices; as well as ratify trade agreements and overseas troop deployments assigned to international peacekeeping or conflict stabilization missions. On issues such as the Korea-US Free Trade Agreement (KORUS FTA) and other trade liberalizing pacts, ratification became an issue of ideological debate and was accompanied by strong protests from aggrieved interest groups such as farmers worried that liberalization would negatively affect their economic livelihoods. Thus, differences between the ruling and opposition parties in the National Assembly occasionally have resulted in slowing or even preventing legislative approval on sensitive foreign policy issues.

In addition to stronger legislative influences on South Korea's foreign policy, there is at least one case in which the judicial branch of government has directly influenced South Korea's foreign policy. In 2011, the Constitutional Court decided that the South Korean government must actively pursue redress for South Korean "comfort women," who were forced into sexual servitude during the Japanese colonial period. This ruling motivated Lee Myung-Bak to engage in discussion on these issues in December 2011 with Japanese prime minister Yoshihiko Noda. The South Korean court's judgment illustrates that the policy gap between South Korea and Japan involves not only deeply held emotional and political issues, but also differences in legal interpretation between the highest state authorities on both sides.

South Korean democratization has also opened new channels for public opinion to influence the conduct of foreign policy. South Korea is well known for mass public demonstrations, public rallies, and candlelight vigils (Moon 2013). These demonstrations were once largely the product of student activism and labor protests, but are now

facilitated by social media, smartphones, and nongovernmental civic groups that look to mobilize alternative preferences and policies. South Korean citizen activism is often issue-based, with new civic associations routinely being formed within the nongovernmental sector to mobilize around specific issues. Foreign policy concerns that have drawn large public demonstrations have included the death of two schoolgirls killed by American military vehicles in 2002; South Korean deployment of peacekeeping forces to Iraq; opposition to the establishment of a South Korean naval base on Jeju Island; and various historical and territorial issues including Dokdo/Takeshima, Japanese history textbooks, and Chinese repatriation of North Korean refugees. These demonstrations have sometimes targeted incumbent South Korean administrations and have influenced foreign policy on issues where South Korean public views are deeply and emotionally held.

The increasingly complex process of South Korean policymaking is exemplified by South Korea's policy formulation toward North Korea, which requires domestic and international coordination (see also chapter 22). The challenge of interagency cooperation within the South Korean government is complicated by the different interests at stake, not only those of the Ministry of Foreign Affairs and Trade and Ministry of Defense, but also the involvement of the Ministry of Unification and the need for leadership from the Blue House. Moreover, North Korea is defined in the South Korean constitution as a domestic issue, but it has major ramifications for South Korea's foreign policy, both in the conduct of diplomacy and in defense of the Korean peninsula. South Korea's policy toward North Korea thus requires extensive coordination not only among domestic institutions but with foreign governments as well. For instance, in the Six-Party Talks, the Ministry of Foreign Affairs and Trade took the lead in negotiations, but coordinated closely with other South Korean ministries, as well as its counterpart departments in the United States and Japan. However, in talks with North Korea regarding confrontations near the Northern Limit Line, the Ministry of National Defense took the leading role in close consultation with US Forces Korea and the US Department of Defense.

In addition, South Korea's involvement in global financial issues and forums such as the G20 requires cooperation among Korean diplomats and financial officials, necessitating direction from the Blue House staff regarding the management of foreign policy issues that require the efforts of multiple agencies. Successive South Korean governments have experimented with a variety of coordination structures designed to promote unified policy approaches within the South Korean government, including a National Security Council format that has included representation from the ministers of defense, unification, and foreign affairs, coordinated by the Blue House national security staff. One method that the ROK government has tended to favor is the establishment of short-term committees to conduct specific tasks, such as the Blue House-directed inter-agency preparation committee for the hosting of the G20 in Seoul in 2010, which included officials seconded from various agencies but working together as part of a temporary steering committee structure.

23.4. INTERNATIONAL RELATIONS THEORIES AND THE STUDY OF KOREA

Studies of South Korean foreign policy and its development have made extensive use of a variety of international relations (IR) theories. These approaches largely fall within one of the following paradigms: realist theories focused on material power, liberal theories focused on institutions and interdependence, and constructivist theories concerned with identity and ideology. Theoretical work on South Korea's international relations can also be distinguished by which level of analysis scholars employ to answer a particular research question, whether regarding policy toward North Korea, deepening relations with China, or maintaining the security alliance with the United States.

23.4.1. Power-Based Approaches

Realist approaches often offer the "first cut" at explaining South Korea's foreign relations and security policies (Choi and Moon 2010). Since the Korean War, analysts on and beyond the peninsula have tracked the material power balance between North and South Korea. These measures include not only population, GDP, and defense spending, but also the counting of tanks, planes, ships, and artillery. Alliance relations and commitments are also central to how states balance threats and pursue security (Cha 2000; and see Cha in this volume, chapter 38). Hence, much research is devoted to the strength of the US-ROK alliance and coordination with Japan on the one hand, and of China's material support of North Korea on the other. Less attention is paid to Russia's ambiguous position as a former supporter of the North, a potential partner for the South, and as a foil in North Korean domestic politics (Lankov 2013).

Power-based theories offer traction for understanding North Korea's pursuit of nuclear weapons and missile delivery systems, as well as asymmetric capabilities. The logic is that Pyongyang perceives its alliance support to have declined after the Cold War's end and observes that it has fallen behind in conventional capabilities, while South Korea's far more successful economy and technology sector have fueled South Korean military modernization. North Korea thus pursues nuclear weapons as a grand equalizer, but such efforts are seen as threatening by neighbors, explaining South Korea's pursuit of more capable, longer range missiles and Japan's deployment of missile defenses. They can also explain why South Korea has opted to forgo developing an indigenous nuclear weapons capability. Currently, South Korea's defense posture is reinforced by US extended deterrence, including the latter's strategic arsenal. The US extended deterrence commitment relieves South Korea from facing the financial burdens of developing such weapons, which would also come at a cost to South Korea's economic development and its status in the international community. However, as North Korea continues to develop its own nuclear weapons capabilities, there is an

increasingly active debate in South Korea over whether to acquire indigenous nuclear capabilities or continue to rely on US extended deterrence pledges to match North Korea's capabilities (Kim et al. 2013; see also chapter 26).

Focusing on national interests such as protection of sovereignty, realist approaches are used to explain tensions over territorial control, maritime navigation, exclusive economic zones (EEZ), and naval rivalry in East Asia. However, the policy process surrounding these issues has important domestic political drivers. For example, the distribution of material capabilities alone seems unable to account for when and why the South Korean naval vessel *Cheonan* was sunk in March 2010, or why North Korea bombarded Yeonpyeong Island in November 2010 (Beck 2011). Seoul's strengthening of defense capabilities, military doctrine, and alliance cooperation may be predicted by realist theory, but its pursuit of UN resolutions, military restraint, and willingness to reengage Pyongyang involve complicated politics shaped by the intersection of domestic considerations with the international environment. Thus, power balance and alliance-focused explanations, while often providing a "first cut," appear insufficient for explaining South Korea's security environment and foreign policies, necessitating an examination of other variables and approaches (Kang 2009).

23.4.2. Institutional Integration and Economic Interdependence

Despite North Korea's headline-grabbing provocations, the most important trend for South Korea's foreign policy is arguably its burgeoning economic and trade relations with other neighboring countries. In particular, South Korea's trade with China has grown to a level greater than South Korea's trade with its two previous top trading partners—the United States and Japan—combined. This trend has spurred debate in Seoul about how best to calibrate foreign policy, given potential tensions between South Korea's main trading partner, China, and its main security partner, the United States (Snyder 2009). Thus far, fears that economic dependence on China will be a source of Chinese political leverage to pressure South Korea on specific political issues have not materialized. This relates to the South Korean perception that it can hedge against economic overreliance on China by diversifying its export markets and promoting trade with other countries. Meanwhile, the US-ROK alliance remains the paramount institution for South Korean security, not only because of shared interests and a historical basis for cooperation, but also because regional security institutions in Asia remain relatively underdeveloped (see chapter 34).

Different forums for regional integration do exist, however. Both ASEAN-related meetings—including the East Asian Summit—and ROK-China-Japan trilateral cooperation—for which a secretariat opened in 2011 in Seoul—are receiving attention from South Korean policymakers. South Korea has also welcomed and promoted the adoption of financial liquidity arrangements with both China and Japan through its support of ASEAN+3 multilateral financial cooperation including via the Chiang Mai Initiative

(Grimes 2011). While regional forums address myriad functional issues, trade promotion tops the agenda (see chapter 14), as manifested in South Korea's successfully concluded bilateral free trade agreements (FTAs), ongoing negotiations with APEC, and interest in the Trans-Pacific Partnership (TPP).

Meanwhile, developing economic ties and common institutions with North Korea have long been complicated by Pyongyang's military provocations and breaking of contractual commitments. Inter-Korean economic projects at the Kaesong Industrial Complex and the Mount Kumgang tourist area have faced significant difficulties, while both the South Korean government and NGOs struggle even to build the contacts necessary in North Korea to reliably deliver food and medical assistance (Haggard and Noland 2009). The once-vaunted Six-Party Talks on denuclearization have fallen into a longer historical pattern of dealing with North Korea: cycles, in which isolation, provocation, engagement, negotiation, and partial agreement are followed by isolation and provocation, thus beginning a new cycle (Oberdorfer 1997; Funabashi 2007; Cha 2012).

In addition to increasing regional integration, and the lack of integration on the Korean peninsula, scholars and policymakers alike have great interest in how governments respond differently to financial crises (Park, Pempel, and Xiao 2012). Whereas South Korea was preoccupied with domestic reforms and assistance from the IMF after the 1997–98 Asian financial crisis, Seoul's response to the 2008–9 global financial crisis involved increasing international engagement. While the late 1990s case involved what was perceived as an embarrassing loss of sovereignty through the imposition of IMF-led structural reforms in return for financial assistance, in the 2000s, the South Korean government successfully employed expanded currency swap arrangements with the United States and its neighbors, and actively advocated antiprotectionist measures in line with South Korea's heavy trade dependence. The ROK hosted the G20 Summit in 2010, the High-Level Forum on Aid Effectiveness in 2011, and the Nuclear Security Summit in 2012, expanding institutional participation and leadership at the intersection of economics and security. A major future research agenda for scholars is investigating whether economic interdependence and institutional integration in Asia will pave the way to collective security, as it did in Europe (Frank and Swenson-Wright 2012).

23.4.3. Shared Identity and Conflicting Ideologies

Another approach for studying South Korean foreign policy and regional integration focuses on trends in identity and ideology. Despite regional integration efforts by ASEAN, a pan-Asian identity or "East Asian Community" remains elusive. And yet South Korea's successful development story has enabled the *Hallyu* "Korean Wave" of pop culture, from hit dramas to "Gangnam Style"—the most popular online video of all time—to succeed in making South Korean identity more attractive abroad. The popularity of Korean cultural products has raised expectations among South Korean policymakers and the Korean public about Seoul's ability to leverage soft power for

international influence. However, some scholars doubt South Korea's ability to sustain a foreign policy that moves beyond economic self-interest to the provision of international public goods (Kalinowski and Cho 2012).

South Korea has undergone an impressive democratic transition, involving not only institution building but also the productive channeling of ideological conflict (Hahm 2008). Political views diverge not only on how to view North Korean human rights violations and deal with the Kim regime's self-reliance and military-first ideologies, but also over how to consolidate democracy and address economic inequality in South Korea, producing a series of identity-related debates often referred to as the "South-South divide." Debates over national identity—in the halls of power and throughout different forms of media—affect not only Seoul's policies toward North Korea, but also the way South Koreans see their nation's relations with the United States and its more general role in the world (Shin 2010).

23.4.4. Prospects for Cooperation and Conflict

Applications of IR theory to South Korea's foreign relations offer different outlooks on the prospects for cooperation and conflict in East Asia. Realist analyses tend to see regional tensions as falling short of outright military conflict. While North Korea may engage in further asymmetric attacks and its nuclear and missile programs may drive further arms acquisitions in the region, full-scale recommencement of the Korean War appears to be unlikely due to factors of deterrence. Likewise, maritime and territorial disputes—including Dokdo/Takeshima controlled by South Korea but claimed by Japan—may activate balance-of-power concerns in Seoul, but the likelihood of two US allies escalating hostilities over such geographically small territory is low, even in realist analyses. While power-based approaches broadly project the maintenance of deterrence on and around the Korean peninsula, they also stress the dangers of the security dilemma and how power dynamics—including North Korea's nuclear programs—will continue to inhibit security cooperation (Pollack 2011).

Liberal analyses of South Korea's foreign relations are more optimistic. While the Six-Party Talks and Trilateral Cooperation Secretariat are stalled and underdeveloped respectively, US alliances remain stabilizing institutions in Northeast Asia. Meanwhile, liberal analysts point to increasing economic interdependence in the region as bringing South Korean, Chinese, and Japanese interests further into alignment (Calder and Ye 2010). For many scholars that focus on the international level of analysis, the outlook is optimistic about further functional cooperation. From a domestic level of analysis, business interests are expected to pressure national leaders to avoid international rows and rivalries and instead pursue further free trade agreements and rules-based interaction.

Constructivist analyses are notably mixed in their views on the future of relations on the peninsula. Those that focus on South Korea's ethnic and historical ties with people in North Korea see a basis for peaceful unification. Similarly, those that focus on

“Asian values” and shared norms predict a peaceful and productive Asian regionalism facilitating a greater role for Asia in the world (Mahbubani 2009). However, analyses that observe a divergence between North and South Korean identity predict continued division with periodic conflict for purposes of in-group ideological legitimization. Furthermore, research on historical antagonisms among elites and especially public opinion emphasize that the ground remains shaky for building meaningful regional cooperation (Rozman 2012).

23.4.5. Different Levels of Analysis

Applications of all three theoretical approaches occur mainly on the international level of analysis, considering South Korea’s power dynamics, institutional and economic links, and ideological similarities and differences with its regional neighbors. In practice, South Korean policymakers have primarily emphasized realist analytical theories, although the use of liberal and constructivist frameworks has increased as South Korea’s trade dependency has grown and as it has developed robust global economic and diplomatic networks.

The individual level of analysis is primarily applied for understanding questions of leadership transition, such as “How do Lee Myung-bak’s views on North Korea differ from those of Roh Moo-hyun?” or “how will the daughter of Park Chung-hee—South Korean president Park Geun-hye—interact with the grandson of Kim Il-sung—North Korean leader Kim Jong-un?” Research at the individual level of analysis highlights the influence and motivated biases of particular actors and is useful in helping to explain particular events. For example, explanations for why North Korea shelled Yeonpyeong Island in 2010 tend to emphasize the new leader Kim Jong-un’s need to consolidate power. Despite fluctuations in policy implementation influenced by personality, bureaucratic politics, and ideological orientation, however, South Korean choices remain constrained as a result of the country’s size relative to its larger neighbors and its need for major power cooperation in order to achieve core national security objectives.

23.5. CONCLUSION: FURTHER RESEARCH ON SOUTH KOREA AND INTERNATIONAL ORDER

Within the limits imposed by its geostrategic environment, South Korea has tried to use its growing capabilities and international standing to navigate and influence its environment to its own advantage. South Korea’s rising power provides the country with options that it previously did not have when it was primarily an object of and battleground for competition among major powers. The concept of South Korea as a

“middle power” provides a potentially attractive pathway for enhancing the country’s international reach and expanding its strategic options so as to overcome geographic and geopolitical constraints. A middle-power approach for South Korea relies on the existing international order, seeks to promote multilateral cooperation, and uses convening and connecting mechanisms to earn recognition and standing in the international community (Easley 2012). The objective of such an approach is to promote regional and international cooperation and to mitigate strategic rivalries that have proven costly in Korea’s historical experience.

The greater the cooperative space among major powers such as the United States and China, the less likely that South Korea will be required to make a strategic choice between its closest economic partner and its long-standing security ally. Generally speaking, South Korea’s emergence as a middle power is also congruent with US interests, and the US-ROK alliance since South Korea’s own development has benefited directly from a rules-based international order shaped to a substantial degree by US values. But it is possible to imagine that South Korea’s middle-power interests might raise tensions with the United States on specific issues such as whether South Korea’s nuclear industry should be granted the right to close the nuclear fuel cycle through acquisition of enrichment and reprocessing capabilities.

South Korea has clear interests in actively contributing to a liberal, rules-based international order. The country has benefited tremendously from economic liberalization and has built its economic strength as one of the world’s top ten exporting countries. South Korea’s modernization experience is one that many developing countries seek to emulate, enabling Seoul to share its own economic and political development experiences with others. The 2010 South Korean Defense White Paper identifies contributions to international stability as a strategic priority alongside the defense of South Korea and Korean reunification. South Korea has also emerged as a growing contributor of resources to security and international development. The ROK has set in place a legal framework and built up capacity to make ongoing contributions to international peacekeeping operations. It has taken an active role in the Proliferation Security Initiative (PSI) since joining in 2009, and hosted the 2012 Nuclear Security Summit. South Korea has pledged to double its national budget for international development assistance between 2010 and 2015, and actively promoted concepts for development effectiveness at the 2011 Busan meeting of the OECD Development Assistance Committee. All of these activities and experiences provide Seoul with new tools and relationships that can be used to expand South Korea’s strategic room for maneuver within its immediate neighborhood (Snyder 2012a).

Energy security and stability of maritime transit have been identified as issues of potential conflict among great powers, but South Korea’s energy security strategies have evolved with its profile as a leading exporter in ways that emphasize potential for cooperation rather than competition (see chapter 28). South Korean energy security policy since the 1990s has sought to rely on networks and connections as a way to build wealth and overcome security dilemmas. This trend has developed clearly in three distinct areas. First, South Korea’s own development of its civilian nuclear sector initially

derived from the country's energy and security vulnerabilities in the 1970s, but the sector developed in such a way that the provision of a South Korean-model nuclear reactor became the basis for a nonproliferation deal with North Korea in the mid-1990s. By the 2000s, South Korea sought to export nuclear plants to third countries to enhance security of energy supply. Second, the South Korean debate over how to deal with North Korea since the year 2000 has consistently explored energy security solutions that might also ease political tensions in inter-Korean relations. This is demonstrated by consistent support on both sides of South Korea's progressive-conservative political divide for a trans-Siberian oil or gas pipeline from Russia through North Korea to the South. Third, South Korea's international leadership since 2008 on green growth issues advocates the application of new technologies to mitigate carbon emissions, and to use such functional challenges as a vehicle for promoting international cooperation.

Despite the fact that South Korea's modernization and democratization have transformed the country's international standing and material capabilities, South Korea's geographic size and location—that of a small state located at the intersection of interests among major powers—remain unchanged. This means that despite its rising power, South Korea's ability to shape its own environment is constrained by the preferences of stronger neighbors. Regardless of competing IR rationales for pursuing various foreign policy strategies, South Korea's foreign policy options remain limited by its geostrategic environment. As a result, IR debates about South Korean foreign policy options turn out to be more about rationales for pursuing a relatively narrow range of options rather than debates about radically alternative paths. In practice, South Korean policymakers favoring a realist approach have to consider cooperation with potential adversaries as well as allies, while policymakers favoring liberal and constructivist approaches must devote attention to strategies for preserving national power and protecting national sovereignty.

Another factor that constrains South Korea's strategic options in regional relations and confounds many IR theoretical approaches is the inability of the region to move past, or escape from, the burden of unresolved issues surrounding history and territory. The historical and psychological legacy of twentieth-century Japanese imperialism has not healed despite over a half-century of stability and economic development resulting in the most rapid and sustained rates of economic growth in the world. Domestic politics and rising nationalisms in China, South Korea, and Japan (see chapters 19 and 20) serve to reignite emotional approaches to historical and territorial issues, leaving less space for rational analysis or strictly interest-based implementation of foreign policies. Domestic manipulation of identity politics in each country exposes identity gaps that inhibit enhanced cooperation, even at a cost to each state's material interests (Rozman 2012).

The stalemate on the Korean peninsula further constrains Seoul's foreign policy options, particularly as South Korea tries to find the right balance and level of attention to give to inter-Korean relations versus the wide range of foreign policy interests South Korea has developed further abroad. The ultimate resolution of inter-Korean tensions will raise a plethora of functional issues to be practically addressed on the peninsula,

from public health and welfare to legal protections and transitional justice (Cha and Kang 2011). That process is a potential game-changer for Korea's foreign policy orientation, relations with its neighbors, and regional stability, as well as the amount of attention and intellectual and material resources Korea will be able to provide to the international community versus the peninsula itself. On balance, South Korea has become a producer of international security resources in recent years after having been a consumer of such resources for decades, but a final resolution of the inter-Korean standoff has the potential to reverse that trend if dealing with social-economic inequalities at home crowds out international priorities.

In sum, the scope of South Korea's foreign policy has moved from a focus on the peninsula, security issues, and the US-ROK alliance to an approach that is multi-faceted and has peninsular, regional, and international dimensions. The broadening scope and pluralization of South Korean foreign policy interests has been enabled by South Korea's modernization and democratization, but the country cannot completely escape long-standing constraints imposed by geography and geopolitics. Nonetheless, South Korea now has the political will and capacity to influence both its geopolitical future and its neighbors' choices. Whether or not these new capacities will be sufficient to meet the continuing challenges from North Korea and the complex regional environment in Northeast Asia remains the outstanding question, not only for the citizens of South Korea, but for the growing number of international observers who recognize the country's importance.

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CHAPTER 24

SOUTHEAST ASIA'S EVOLVING SECURITY RELATIONS AND STRATEGIES

EVELYN GOH

As a collection of small and medium-sized states that gained independence in a relatively peripheral part of the world after the Second World War, Southeast Asia suffers the twin postcolonial curse of weak and divided societies and gross power asymmetries, creating both internal and external strategic insecurities. In examining the foreign security relations and policies of Southeast Asian states, this chapter is divided into four sections, beginning with brief surveys of regional security focuses during the Cold War, and the key strategic challenges posed by the end of the global superpower conflict. In analyzing Southeast Asian responses to these challenges, the third section shows that, over the past quarter-century, the focus of Southeast Asian foreign security priorities has shifted from ensuring regime security and coping with intramural conflicts associated with postcolonial state formation, toward managing the multiple uncertainties wrought by wider structural transitions in the region and the world. This has entailed innovation in terms of renovating and expanding security concepts to include notions of cooperative and “nontraditional” security respectively, as well as in developing pragmatically novel strategies vis-à-vis great powers—developments in which Southeast Asia has led the international relations field both in theory and in practice. In substance, the international relations of Southeast Asia over this period are characterized by a remarkable degree of cumulative experience in interstate and intersector cooperation, including the creation of multiple regional security institutions with increasingly ambitious remits, and growing attempts at regional management of interstate conflicts. This chapter argues that the imperative for most Southeast Asian states—acting out, and out of, their collective ASEAN identity and role—has changed from insulating the subregion from the security dynamics of the wider East Asian context, to integrating and ensuring its relevance and place within a wider Asia-Pacific security complex that is in rapid

transition. In effect, this has led, as one would expect, to bouts of infighting among ten states that have varying strategic interests. More importantly, Southeast Asian security strategies may be neither sustainable in their judicious aims of enmeshing the great powers nor adequate in their ambitious goal of brokering a stable new East Asian order. The final section concludes with recommendations for areas of further research necessary to a more complete understanding of Southeast Asian insecurity and foreign security policies.

24.1. SOUTHEAST ASIAN SECURITY DURING THE COLD WAR

As in other decolonizing world regions, the ideological and often violent independence struggles in Southeast Asia were messily intertwined with the global Cold War. But this region contains stark extremes of how peripheral states were affected by and responded to these structural conditions. On the one hand, Southeast Asia is home to the bloodiest hot war of the Cold War. That ideological conflict and civil war made potent partners was epitomized in the Vietnam War and the Indochinese conflict more generally. These wars were exacerbated and prolonged by the close links between the ethnic Chinese diaspora and mainland China, American support of authoritarian regimes, the direct intervention of these external powers, and their exploitation by civil war factions. On the other hand, Southeast Asia also spawned the leading example of postcolonial states choosing to manage complex domestic and regional transitions by flocking together rather than falling apart. In 1967, the Association of Southeast Asian Nations (ASEAN) was created by Indonesia, Malaysia, Singapore, the Philippines, and Thailand to overcome the low-grade war among the first three states that resulted from territorial and political disputes after the creation of the Malaysian Federation. In the subsequent decade, ASEAN played an important role in non-Communist Southeast Asia's management of the uncertainties of the US defeat and Vietnam's unification under a Communist northern government, and Vietnam's invasion of Cambodia.

Considerable literature exists on the Indochinese wars, and on the foreign relations and security policies of individual Southeast Asian states, but the international relations literature devoted to Southeast Asia during this earlier period is relatively small, and focused on the interactions between domestic, regional, and global security imperatives, and explaining non-Communist Southeast Asia's choice of an institutionally light but politically ambitious regime as their mode of managing these security challenges. Because ASEAN lent an easy collective frame to the subregion, the Communist states were overlooked to an extent, limiting a number of these studies to only half of Southeast Asia. The literature is split between realist and constructivist accounts—liberal or institutionalist theories being of limited relevance due to the

paucity of economic interdependence, formalized institutional structures and practices, and liberal ideologies during this period in ASEAN's history (see Simon 1995; Peou 2002).

The constructivist accounts tend to focus tightly upon ASEAN and the collective and discursive material therein, while realist accounts pay wider attention to national security motivations and interactions within non-Communist Southeast Asia. This renders the realist accounts more conflict- and power-prone. The foundational work on international relations and security in Southeast Asia was laid by Michael Leifer, who worked from a classical realist tradition influenced by the intuitive acknowledgment of the social dimensions of international order associated with the English School (see Liow and Emmers 2006; see also chapter by Buzan in this volume). For Leifer (1973, 1989), the formation of ASEAN was the institutional manifestation of reconciliation between Indonesia and Malaysia, but it was also motivated by strong power-political concerns. For instance, ASEAN's foundational emphasis on regional autonomy and the region being free of external influence reflected Indonesia's insistence on its status as first among equals and thus the *de facto* manager of regional affairs. Subsequent ASEAN norms such as the relatively banal Zone of Peace, Freedom and Neutrality (ZOPFAN), established in 1971, served further to entrench Indonesian preferences over that of Malaysia, which had wanted neutrality to be guaranteed formally by external powers. Further, the 1976 Treaty of Amity and Cooperation (TAC) spelled out norms of regional interaction that rang hollow when ASEAN could not respond meaningfully to aggression on its doorstep or the invasion of Cambodia by Vietnam in 1978.¹ Emmers (2003) reinforces the realist account by his emphasis on how ASEAN's diplomatic strategies were dependent upon crucial power-constraining behavior, either in the form of self-restraint by Indonesia at the formation of ASEAN, or by China being willing to contain Vietnam militarily while ASEAN led the diplomatic campaign to overturn its invasion of Cambodia.

Constructivist accounts do not necessarily dispute realist ones, but rather highlight and place more weight upon the community-building, identity-creating aspects of the ASEAN enterprise. These accounts comprise a belief in deeper social and identity change, most marked in Acharya's (2001) acceptance of the critical importance of ASEAN norms in forging a "nascent security community" in Southeast Asia. He emphasizes, for instance, ASEAN's international diplomatic campaign against Vietnam post-1979 based on the power of these norms. The processes of social change are most comprehensively analyzed in Ba's (2009) study of how ASEAN, driven by the contradictory drive to seek security through regional unity in spite of internal and intra-regional divisions, has had repeatedly to renegotiate consensus bargains or compromises about its identity and interests. She places more emphasis, for example, on the process of negotiation that created the consensus on ZOPFAN and the subsequent constraining effects of this consensus, rather than on the fact that Indonesia ultimately prevailed over Malaysian preferences.

24.2. STRATEGIC CHALLENGES AT THE END OF THE COLD WAR

Strategic shifts over the past quarter-century forced a significant expansion of the scope and domain of Southeast Asian foreign security relations and policies. Since the 1990s, investigations of the subregion's international relations have become more meaningful because of the integration of Indochina and Myanmar into ASEAN, but also more ambiguous with the attempted export of the "ASEAN Way" to the broader East Asia. The winding down of the Cold War posed three key strategic challenges for Southeast Asian states.

First, the withdrawal of Soviet support for Vietnam forced the latter to end its occupation of Cambodia. The end of the Indochina conflict not only allowed Cambodia to embark on the fraught path to nation-rebuilding, but more generally freed the Communist Southeast Asian states to step onto the regional stage as they sought rapprochement with—and support for reconstruction from—their neighbors. The ASEAN states broadly set out to rehabilitate the Communist countries through accession into the developmental state model and into regionalism. As ASEAN expanded in the 1990s,² the challenge was how to integrate the three Indochinese countries, along with Myanmar and its controversial junta regime, into the regional community without jeopardizing ASEAN's consensus bargain and strategic relevance.

Second, the Soviet withdrawal from Southeast Asia and the triumph of China-ASEAN joint pressure in resolving the Indochina conflicts lent weight to China's strategic role in the region. A decade into Deng Xiaoping's reforms, in the late 1980s regional focus had already turned to the brisk rates of growth in China's economy. However, the settlement of the Indochina conflict also removed the *de facto* alignment between China and ASEAN, fueling old suspicions about China's ideological and material influence in mainland Southeast Asia. The imperative of finding new ways to manage a rising China, to harness its economic benefits while constraining the downsides of its growing power, would become more acute over time.

Third, as the Soviet Union imploded and the global Cold War ended, the *raison d'être* for US forward deployment in Southeast Asia appeared to evaporate completely. This was brought home sharply when Manila, after decades of supporting the anachronistic US presence in spite of ASEAN's rhetoric about regional autonomy, ejected US forces from air and naval bases in the Philippines in 1991. Rather than fueling a wider ASEAN drive toward substantive security autonomy, however, this brought to a head deep-seated worries about a potential US withdrawal from Southeast Asia and the resulting unstable power vacuum. Essentially, many ASEAN states—particularly Singapore, Indonesia, and Malaysia—evinced a belief in the ability of the United States to provide hegemonic stability in the region, strengthened by their caution in regard to China's growing power and influence. Thus, Southeast Asia's chief strategic imperative

in the decade following the Cold War's end was to keep the United States involved in regional security while resisting its potential neoimperialist tendencies. This translated into an urgent search for new ways of justifying its continued role, and renewed ascription to US global strategic priorities.

24.3. SOUTHEAST ASIAN RESPONSES

Southeast Asian responses to the three major challenges at the end of the Cold War took the form of intramural strengthening and external management of great powers. At both these levels, Southeast Asian states demonstrated greater strategic thinking and activism than is usually attributed to small states in international relations; they exhibited significant conceptual innovation and pragmatic adaptation, and carved a central role for ASEAN in the changing East Asian order more broadly. In interpreting and explaining these trends, the literature on post-Cold War Southeast Asian foreign and security policies correspondingly developed a strong institutionalist turn. Furthermore, key studies have contributed to wider IR theory development by deepening constructivist analysis of social and normative processes within ASEAN-led regional institutions, and by introducing innovative conceptual models that transcend the stark neorealist versus neoliberal divide. Yet these achievements have been accompanied by contradictions and limitations that increasingly point to serious inadequacies in Southeast Asian regional security strategies.

24.3.1. Institutions

The political and economic landscape of Southeast Asia over the past quarter-century has been dominated by cooperative endeavors and the proliferation of multilateral institutions (see also Ba in this volume). ASEAN became central in managing both intra-Southeast Asian transitions and external relations with great powers. Within the subregion, the founding ASEAN belief in achieving regional security through regional resilience—understood as forging regional unity to forestall external intervention and ensure autonomy—was expanded to realize Southeast Asian integration. Given the shaky domestic political transitions (including the consolidation of a military junta in Burma in 1990 and a coup in Cambodia in 1997); deep intraregional antagonisms (particularly in Vietnam's relations with Cambodia and China); and worries about China's growing political influence in mainland Southeast Asia, the non-Communist states hoped to close ranks with their neighbors and to offer the latter an alternative path to security based on collective resilience (Ba 2009, 105).

However, while a pan-Southeast Asian ASEAN might have been thought likely to bring collective leverage, preempt Chinese hegemony and boost the region's international influence, expansion also posed challenges to the ASEAN norms of

noninterference in domestic affairs, as well as the nonuse of force and autonomy. This was seen in the controversies over the proposals by Thailand and Malaysia for more intrusive “constructive engagement” and “flexible engagement” in relation to the domestic upheavals in Burma and Cambodia, and in response to exacerbated tensions over “Asian values” in ASEAN’s relations with the West (Acharya 2001).

Southeast Asia’s institutional expansion also involved a wider regionalization of the ASEAN Way through the construction of Asian-Pacific and East Asian multilateral institutions modeled on the Association’s diplomatic style, with TAC as the defining norm and ASEAN in the “driver’s seat.” The pathbreaking ASEAN Regional Forum (ARF) was established in 1994 as the first Asia-Pacific multilateral institution with a security remit encompassing all the major powers with a stake in the region’s security.³ ASEAN played a critical role in shaping this security forum so that it would be acceptable to its own members and, more importantly, to the three regional great powers, the United States, China, and Japan.⁴ The Association managed to capture the new security institution-building process because of its preexisting structures for multilateral dialog: in the early 1990s, multiple proposals for new regional security arrangements to supplement the core San Francisco system of US alliances ended up being channeled through ASEAN’s annual Post-Ministerial Conferences, which already engaged some of the regional great powers as dialog partners or observers. Here, the network of Southeast Asian think tanks associated with ASEAN led in adapting the concept of “cooperative security”—derived from the European OSCE model of bringing old adversaries together to cooperate on shared security concerns through dialogue and confidence-building—for the Asia-Pacific (Dewitt 1994; Acharya 2004).

The establishment of the ARF represented the triumph of ASEAN-style institutionalism in East Asia. But this was neither a simple case of scaling-up an existing institution, nor of extrapolating ASEAN norms. Ba’s (2009) account is especially useful in highlighting the radical departures ASEAN had to make from its original, hard-won norms against intraregional military or security consultations and against extraregional multilateral security relations, both regarded as violating the principles of noninterference and regional autonomy. ASEAN gave up these objections, but in return insisted on maintaining leadership and using its own political priorities and diplomatic process to shape the nature of the ARF. Thus ARF members endorsed ASEAN’s TAC as a “code of conduct.” Cooperative security in the ARF context also emphasized inclusivity and informality, which implied equality and prevented agenda-hogging by the Western states; a loose dialogue format and nonintrusive voluntary-compliance processes, which assuaged Asian concerns about potentially legalistic negotiations over sensitive issues such as arms control and internal affairs such as human rights, democratization, and territorial claims; and complementarity with existing US alliances (Almonte 1997–98). Further, the innovation of being led by small states that had a “counter-realpolitik” agenda (Johnston 2003, 123) would preclude domination by any one great power. Of particular note here is the way in which Southeast Asian concerns about nontraditional trans-boundary and nonmilitary security issues—including infectious diseases, piracy, trafficking, money laundering, and terrorism—have come

to form the core of regional security cooperation in the ARF and other ASEAN institutions (Acharya and Goh 2007; Caballero-Anthony, Emmers, and Acharya 2006). This widening of the concept of security provides for less strategically demanding cooperation through functional collaboration, but excludes the military alliances and grand strategic consultations and coordination traditionally associated with great powers.

ASEAN's ability to bring together all the relevant great powers in the ARF was no mean feat considering the initial opposition or reservations in Washington, Beijing, and Tokyo concerning an inclusive regional security dialogue. During this transition to a post-Cold War world order, the Southeast Asian states also helped to establish an extensive definition of the Asia-Pacific region by attaching South Asia—via India and Pakistan—to this framework and by recognizing Russia's membership. The importance of such an inclusive forum was twofold: first, it helped to legitimize the security interests and role of each of these great powers in East Asia; and second, it also institutionalized the small states' and middle powers' claims to a legitimate voice and political relevance in the management of regional security affairs. That ASEAN went on to develop further its bilateral ASEAN+ dialogs with each great power, and then to create additional ASEAN-centered regional institutions—the ASEAN+3,⁵ the East Asia Summit,⁶ and the ASEAN Defense Ministers Meeting+⁷—testifies to what Eaton and Stubbs (2006) called its “competence power,” its ability cohesively and normatively to shape and frame regional perceptions and approaches to security cooperation in ways beneficial to itself. This is manifested in the logistics, functions, and norms of the resulting institutions, which meet in Southeast Asia in conjunction with ASEAN's own summit, have their agendas set by the ASEAN chair, and—in the case of the EAS—have their criteria of membership determined by accession to TAC, formal recognition as an ASEAN dialogue partner, and unanimous acceptance by ASEAN. This driver's seat grants ASEAN structural power because these large regional institutions are difficult to “reprogram”: subsequent regionalist developments must adapt to, or be grafted onto, these ASEAN-led institutions already entrenched at the heart of the strategic landscape (Emmerson 2010).

Whether these regional institutions have indeed moved toward a regional security community, or are merely talk shops playing into the hands of great power interests, is subject to acrimonious debate reflecting differing theoretical positions. Judging the transformative potential of these institutions is difficult for a number of reasons: many of the key “hard” cases of regional security conflicts are not dealt with through these institutions; member states do not treat these institutions as channels of first resort in preventing or resolving conflicts, but instead rely on bilateral and other avenues; and claims of socialization are difficult to test given questions of who is socializing whom (Acharya and Goh 2007; Ba 2006). Attempts to prove or disprove liberal institutional and constructivist theories continue, therefore, to encounter active criticism from realists unconvinced by process for process's sake (e.g., Jones and Smith 2007). Moreover, as the next section suggests, these cooperative security institutions should not be analyzed in isolation, but in relation to the more realist-oriented security strategies that regional states obviously pursue at the same time.

24.3.2. Innovation

The foregoing section highlighted how the central institutional path to order for Southeast Asia developed on the back of adaptation and innovation in security concepts. Early debates about the ARF already ventured beyond simplistic applications of IR theories—particularly the dichotomy of realist balancing versus liberal institutionalism. For instance, in responding to Leifer's (1996) assertion that a stable balance of power was a prerequisite for successful regional security institutions, Khong (1997, 296) countered that these institutions could critically help in “defusing the conflictual by-products of power balancing practices” at a juncture where regional states were still trying to forge a stable balance of power. Indeed, scholarly analysis and policy practice of Southeast Asian foreign and security policies since have been characterized by disregard for the rigid categorizations of—especially mainstream US—IR theory. Within key IR debates, these innovations are best captured in studies of Southeast Asia's management of the great powers to achieve regional stability, which has revolved around the question of whether Southeast Asian states are balancing against or accommodating—even bandwagoning with—China (e.g., Roy 2005; Acharya 1999).

Southeast Asian regional security strategies within the wider Asia-Pacific are characterized by antihegemony. Arising from the small state's desire to maximize the limited autonomy that it might expect in the international system, this is an extension of ASEAN's principle of preventing intramural hegemony (Ciorciari 2010). These states hardheadedly acknowledge that they cannot avoid the ambit of major powers, but they resist falling into the exclusive sphere of influence of any one great power. This translates into a strong inclination for strategic diversification of dependence—especially in economic and political terms—on the United States, Japan, China, and increasingly, India. But there exists a spectrum of strategic positions, particularly vis-à-vis the relative roles of the United States and China. At one end are the Philippines and Singapore, which engage with China, but place greater faith in their strategic ties with the United States. Indonesia and Malaysia, however, steer a middle course because of geographical distance from China, and domestic political constraints on pursuing closer overt strategic ties with the United States. At the other end are the continental Southeast Asian countries whose security strategies are most constrained by China for historical, geographical, and ideological reasons (see Goh 2005a; Ross 2006). Yet the reformist Myanmar military regime's decision in 2012 to accelerate reforms and seek normal relations with key states beyond Asia suggests that even the most intransigent of this last group seeks diversification for reasons of national security.

In dealing with China, most analysts of Southeast Asia concur that the region has adopted a twin hedging strategy of deep engagement accompanied by soft or indirect balancing against potential Chinese aggression or disruption of the status quo. Balancing includes national military acquisitions and modernization, but also involves attempts to keep the United States involved in the region as a counterweight to Chinese power (Khong 2004). Hedging refers to taking action to ensure against undesirable outcomes, usually by betting on multiple alternative positions. It allows Southeast

Asian states to cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another (Manning and Przystup 1999; Goh 2005b). Indeed, such strategies of limited alignment—or limited exposure—are common to most developing states anxious to sidestep costly and risky alternatives like balancing, bandwagoning, or neutrality (Ciorciari 2010). It is more accurate, however, to read Southeast Asian great power policies as hedging against three undesirable outcomes: Chinese domination or hegemony; American withdrawal from the region; and an unstable regional order. Engagement and balancing are intimately intertwined elements, not just alternative or complementary tools, of this sophisticated multiple hedging strategy.

Underlying Southeast Asia's approach to China is deep engagement on the political and economic fronts, with ASEAN taking the lead in inviting China to become a "consultative partner" in 1991, developing dialogue on political, scientific, technological, economic, and nontraditional security issues, and enmeshing Beijing in regional institutions. The expectation is that sustained interaction will persuade Chinese leaders of the utility of abiding by international rules and norms, so as to reintegrate China peacefully into the regional and international order as a responsible great power.⁸ ASEAN states were key proponents of the position that there remained time to socialize China as it rose, and that engagement was preferable to the alternative of self-fulfilling prophecies if China were treated as an enemy. Motivated by geography—Southeast Asian states would always have to live in the shadow of China—but also by the region's strategic history and cultural memory of the stable Sino-centric regional hierarchy prior to Western imperialism, these arguments militate against strategies that overtly seek to contain China (Kang 2003).

In the 1990s, as Beijing sought to rehabilitate its international reputation after the Tiananmen killings, the ARF especially became a premier demonstration precinct for China to showcase its new sociability and to reassure its neighbors regarding its benign intentions and commitment to a "peaceful rise" (Foot 1998; Johnston 2008; Zheng 2005). Beijing complied with the ARF norm of issuing defense white papers, hosted ARF meetings, and used the ARF to introduce its "new security concept" stressing peaceful coexistence and cooperative security. Along with its initiative for a China-ASEAN free trade area, and participation in multilateral negotiations with ASEAN leading to the 2002 Declaration of Conduct regarding the South China Sea territorial disputes, these all suggested that China was choosing to become socially and morally bound to peaceful modes of interaction (Goh 2007; Shambaugh 2004–5).

Southeast Asian engagement of China is distinctive for the way in which it is embedded within the "omni-enmeshment" of multiple great powers with a stake in East Asian security (Goh 2007–8). As observed above, ASEAN's enmeshment efforts are aimed not only at China, but also at the United States, Japan, India, and Russia. This makes their aim of great power socialization at once exceedingly ambitious, but also intertwined with balance of power logic and politics. Southeast Asia's omni-enmeshment of great powers within overlapping regional institutions is a key factor in its balancing strategies, not an alternative to them. By enfolding China into

a web of multilateral cooperation frameworks that also involve other major powers, Southeast Asian states ensure mutual compliance by these great powers' greater ability to monitor and deter each other. At the same time, great powers can use these institutions as political arenas for containing, constraining, diluting, or blocking each other's power.⁹ For instance, China's preference for ASEAN+3 versus Japan's promotion of the EAS is often seen as a prime example of balance of power by other means. Furthermore, in spite of the relatively lower value and profile of their economic and security involvement in Southeast and East Asia, India's and Russia's inclusion in the ARF and EAS helps to dilute Chinese influence within these institutions.¹⁰ More constructively, omni-enmeshment also helps to channel great power competition in normative ways within the constraints of institutions. For example, over the last two decades, Beijing's willingness to stake a large part of its regional legitimacy as a great power on its relationship with Southeast Asia has increased the pressure on Washington to pay more attention to legitimizing its perceived central role in regional security. Thus, the Obama administration was persuaded to sign up to ASEAN's TAC in 2010, for instance, in order to be included in the EAS alongside China, Japan, and India.

Yet Southeast Asian enmeshment and constraint of China hinges upon continued US security dominance in the Asia-Pacific, since this is believed to be the most critical element in persuading Beijing that any aggressive action would be too costly and unlikely to succeed. As the Cold War was winding down, in spite of being relatively peripheral "spokes" in the San Francisco system of US alliances in the Asia-Pacific, Southeast Asian states were front runners in facilitating a continued US forward presence and deterrence in the region. In place of the permanent bases in the Philippines, other countries, especially Singapore, provided facilities for maintenance, repair, and the relocation of supporting infrastructure for the Seventh Fleet (see chapter by Cha in this volume). By 1992, worsening US-Japan trade conflicts, Japan's constitutional revision to allow the overseas deployment of peacekeepers, and the passage of a law in China making extensive claims to the South China Sea all prompted additional access agreements, as well as every ASEAN leader's public support for the United States to maintain its security role in the region.¹¹

Indeed, during this period, ASEAN's choice of a wide Asia-Pacific membership for the ARF—rather than a membership more geographically limited to East Asia—centered on the need to "keep the United States in." Faced with the acute uncertainty of continued US security commitments, ASEAN states' reaction was to reinforce their security binding of the United States using a wide variety of means, including multilateral institutions. This desire to hedge against strategic uncertainty by extending and bolstering one great power's overwhelming military preponderance required justification, and the ARF crucially helped to lend legitimacy to ASEAN's desire for the United States' preponderant role in regional security. As the Singapore prime minister stated: through the ARF, ASEAN had "changed the political context of US engagement" because these countries had "exercised their sovereign prerogative to invite the US to join them in discussing the affairs of Southeast Asia." As a result, "no one can

argue that the US presence in Southeast Asia is illegitimate or an intrusion into the region” (Goh 2001).

George W. Bush’s “Global War On Terror” (GWOT) in the wake of the terrorist attacks in the United States in September 2001 provided Southeast Asia with opportunities to prove their strategic relevance and entrench security ties with the United States. ASEAN adopted various declarations, enhanced regional cooperation in intelligence-sharing and coordinating antiterrorism laws, and established a regional antiterrorism training center with US funding. The ARF adopted an agenda for implementing UN antiterrorist measures, including measures to block terrorist financing. US alliances with the Philippines and Thailand were revitalized as both were designated “major non-NATO ally” status. In the Philippines, where the decision to terminate the military bases agreement with the United States had been deeply regretted after tensions with China flared in 1995 over territorial disputes in the South China Sea, American combat forces were deployed to support Filipino troops in fighting against Abu Sayyaf insurgents in Mindanao, and a Joint Defense Agreement now gives the United States a long-term advisory role in the modernization of the Philippines Armed Forces. After the 2002 terrorist bombing in Bali established Southeast Asia as the “second front” in the GWOT, Indonesia assumed new importance as the largest Muslim nation in the region, and Washington restored in 2005 military-to-military relations, which had been suspended since 1991 (Foot 2004). In the same year, Washington signed with Singapore a new Strategic Framework Agreement, which expanded bilateral cooperation in counterterrorism, counter-proliferation of weapons of mass destruction, joint military exercises and training, policy dialogues, and defense technology. The security agreements with Singapore and the Philippines especially have outlasted the peak of the GWOT, providing the bases for littoral combat ships and increased equipment transfer under the Obama administration’s military refocus on Asia from 2011.

Southeast Asian strategic policy toward the United States may be summed up as the facilitation of continued US military dominance in the Asia-Pacific. In this regard, the “*balance of power*” rhetoric is misleading, because Southeast Asian security policies seek to sustain US preponderance, not to facilitate an even distribution of power in the region. I have argued that these policies also point to a more pervasive goal than just countervailing growing Chinese power, since Southeast Asian states are attempting to integrate China into the regional order while simultaneously seeking to ensure that this order remains US-led. At critical junctures, other key East Asian states—particularly Japan but also South Korea—have consistently opted to support the continuation of the preponderant US military presence. For its part, China has criticized and tried to resist US strategic relationships and agenda in the region, including US military ties with Southeast Asia, but has not yet directly opposed or tried to supplant US leadership (Goh 2013). This reading suggests in turn an alternative conception of East Asia moving toward a multilayered hierarchical order topped by the United States as global superpower but with China as the leading regional great power and other regional powers falling in ranks below them (Goh 2008; Clark 2011, ch. 9). In other words, many

regional states go beyond the demands of diversifying dependencies in supporting US preponderance or even hegemony. Indeed, the key to understanding contemporary Southeast Asian regional security policies may lie in answering the fundamental question of why so much of the subregion is pro-United States in spite of its clearly mixed record of managing but also inciting and exacerbating conflicts and instability in East Asia. (e.g., Acharya and Tan 2006). Some obvious realist/liberal/constructivist answers can be conjured, but most convincing is Hamilton-Hart's (2012) argument that US support has served the interests of ruling regimes well, especially those of the "old ASEAN" states, and that epistemic communities defined by state-sanctioned historical narratives and groupthink within the professional policy elites in these countries have subsequently helped to perpetuate the pro-US bias.

24.3.3. Inadequacies

Southeast Asian responses to post-Cold War security challenges have been adaptive and innovative, and have often been portrayed as more collective and coherent than might reasonably be expected of this diverse group of states. Yet there are limitations to the ASEAN practice of intramural resilience, and contradictions in the subregion's strategy of managing great powers that expose significant inadequacies in Southeast Asia's ambitions to shape and drive the developing regional security architecture.

In spite of the Southeast Asian enthusiasm for expanding the scope of security cooperation into nontraditional issues, important security issues at the subnational and transregional levels remain outside the regional conceptual and policy frameworks, which focus overwhelmingly on threats to the state identified on the basis of securitization decisions made by state actors. The myriad communal conflicts, secessionist movements, and other manifestations of weak or failing state policies and structures tend to be addressed on the foreign security policy agenda only if they can be linked to nonstate terrorism, piracy, or some other agreed "non-traditional" security issue. Threats to the security of individuals or communities posed by state-perpetrated or sanctioned political violence also tend to be "black-boxed" in continuation of the ASEAN association of regional resilience with noninterference, in spite of their impact upon national and regional stability. These issues have been most prominent in Indonesia's transition to democracy (e.g., Columbijn and Lindblad 2002; Sidel 2005), but Myanmar's political liberalization in 2012 was also immediately destabilized by the eruption of sectarian violence between Muslims and Buddhists in the northwest region bordering Bangladesh.

At the subregional level, Southeast Asian states have not been able to overcome disagreement, conflict, and disunity over key security issues and policies. Recognizing that its driver role in regional security depends upon its internal coherence, over the last decade ASEAN has sought to regenerate intramural unity by renegotiating a new basis for collective identity. Begun in 2003, the process of building an ASEAN Community with economic, security and sociocultural pillars encapsulates this rethinking

(Severino 2006). However, the ASEAN Charter, agreed in 2007 as the Association's first legal framework, reflects the prevailing tensions between member states that want to develop more liberal norms of democratization, human rights, and the rule of law on the one hand, and others that prevailed in the defense of ASEAN's traditional privileging of sovereignty and noninterference (Nesadurai 2009).

Continual disagreements also persist concerning the relative salience of intramural versus extraregional matters. While there is agreement that ASEAN can no longer afford simply to concentrate on the Southeast Asian region, but must attend more broadly to East Asian and Asia-Pacific security issues, the unfinished task of internal consolidation will act as an important constraint on ASEAN's ability to drive the remaking of East Asian order by mediating between the great powers. This is clear from the way in which Southeast Asian inclinations about just how and how much the region should lean toward the United States and China respectively are scattered across the spectrum of hedging positions. For instance, in creating the EAS, some ASEAN members, such as Malaysia—along with China—wished to limit membership strictly to East Asian states, while Japan, Singapore, and Indonesia eventually prevailed in their insistence on including India, Australia, and New Zealand. Centered on the inclusion of the United States, this disagreement over inclusive or exclusive regionalism flagged how China's growing influence in Southeast Asia has exacerbated traditional divides. Moreover, since 2009, China's increasingly assertive stance in its maritime claims, including in the South China Sea, plus the Obama administration's "pivot" to Asia, have added pressure on these fault lines. In 2012, even as the Philippines' leadership took the opportunity to rattle its saber by hailing US alliance support and gearing up its antagonistic rhetoric in regard to its disputed claims against China in the South China Sea, ASEAN failed to agree on a joint statement during its summit because Cambodia as chair was reluctant to put pressure on China regarding its conduct in the South China Sea. Indonesian leaders stepped in to warn Manila against jeopardizing the subregion's hedging strategy and to cobble together a post hoc ASEAN statement. These developments took place in the context of key maritime states—Singapore, Malaysia, Indonesia, and Vietnam—steadily raising military spending and arms acquisitions over the last decade, fueling speculation about a nascent arms race in the region in reaction to China's growing assertiveness (Bitzinger 2010; *Economist* 2012). As one reviewer observed, this leaves an "uncomfortably wide" disjuncture between the relatively cozy institutionalist accounts of Southeast Asian security and studies of the defense policies of ASEAN members (Hamilton-Hart 2009, 60).

In the wider Asia-Pacific and East Asian context, there is a parallel widening gulf between institutionalist claims for ASEAN's role in creating a new regional security architecture (see Taylor and Tow 2010), and the evidence of clear limits in Southeast Asian abilities to broker the great power bargain that must underpin a wider regional order. The optimistic view is that ASEAN has helped to create overlapping institutions, which help to mute the security dilemma by offering great powers multiple opportunities to cooperate with different groups of states without generating zero-sum games (Cha 2011). But the more profound task of creating regional order requires great power

relations to be regulated in terms of institutionalized mutual understandings about constraints, rules of conduct, and conflict management. The Southeast Asian claim to mediating great power peace centers on the determination not to take sides among the great powers, but rather to facilitate their dialogue. In spite of constructivist arguments that this would in time shift state interests and create mutual identification, the ASEAN-centered channels do not yet appear to have helped substantively in negotiating mutual constraints and a *modus vivendi* among the great powers.

The ASEAN style of multilateral institutionalism brought the United States, China, and other major powers to the table because they were reassured that membership in the ARF would be a relatively nondemanding, low-cost, and low-stakes undertaking (Goh 2004). In spite of their rhetorical ascriptions to TAC, the informal character of the ARF assured the United States and China especially that they would not have to be bound by formal agreements; consensual decision-making procedures meant that they could prevent discussion or action on issues against their interest; and the lack of any enforcement mechanism essentially left them with a free hand to pursue unilateral policies when necessary. For instance, Beijing has not felt itself constrained by ARF norms in maritime confrontations with the Philippines, Vietnam, and the United States in the South China Sea; and neither China nor the United States adhered to the noncoercive spirit of TAC during the 1996 Taiwan Strait crisis.

Moreover, ASEAN has provided the great powers with a minimalist normative position from which to resist the more difficult processes of negotiating key strategic norms. Notably, while the ASEAN Way was critical in socializing China, it has also institutionalized the means by which China can stall and forestall the development of other norms that would entail more sustained restraint, transparency, and scrutiny. China has lent its considerable weight to the more conservative Southeast Asian states' wariness about the introduction of potentially intrusive norms, and has successfully hampered progress toward preventive diplomacy and conflict resolution in the ARF, against the efforts of the United States, Australia, and Canada. Beijing also further entrenched ASEAN's nonintervention principle by ruling out any discussion within these institutions of Taiwan and what it regarded as domestic Chinese security affairs, such as Tibet and Xinjiang. China has also exploited ASEAN's conflict avoidance norm to resist addressing the South China Sea dispute within these multilateral institutions. ASEAN's style generated the nonbinding 2002 Declaration of Conduct, which was loose enough to allow China to continue to pursue bilateral actions such as the controversial joint exploration agreement with the Philippines in 2004, and over the next decade to oppose ASEAN's attempts to negotiate multilaterally on the Code of Conduct.

At the same time, ASEAN's model of "comfortable" regionalism allows the great powers to treat regional institutions as instruments of so-called "soft" balancing, more than as sites for institutionalizing regional rules of the game that would contribute to a sustainable *modus vivendi* among the great powers. This could channel great power balancing behavior into a stagnant pool of nonmilitary, but still deeply political and ultimately nonproductive, blocking maneuvers. Witness, for instance, the coexistence

of the EAS alongside the ARF: two regional groupings with overlapping mandates for cooperation in finance, energy, education, disease, and natural disaster management. Paradoxically, such institutional malaise may be related to ASEAN's imperative of maintaining its relevance in the rapidly changing Asia-Pacific strategic landscape. The fear of being sidelined in regional affairs on the basis of capacity suggests that ASEAN states would logically prefer the perpetuation of some distance among the great powers, to the extent that they would find it difficult to conduct independent dialogue or create a concert to the exclusion of smaller states and entities. As such, ASEAN's role is limited in—and limiting of—the great power bargain that must underpin the negotiation of the new regional order. This is a task that the regional great powers must themselves undertake. In particular, the Association possesses very limited ability to transform the nature of the vital triangular relationship among the United States, China, and Japan, which has been subject to an intensifying security dilemma in the post-Cold War period due to changes in relative power distribution and, more importantly, due to the dissolution of the *de facto* strategic bargains that had kept US-China and China-Japan rivalries in check during the Cold War (see Goh 2011).

24.4. CONCLUSION

Central to Southeast Asia's hard-won collective security ideology are the twin principles of resilience and antihegemony. In terms of the region's international relations, these translate into managing diversity and divergence by cleaving to a political agreement to put aside conflicts while seeking common interests, to avoid interference in domestic affairs, and to diversify external dependencies while negotiating consensual boundaries for the forms of external alignments. This endless pursuit of unity in diversity produces contradictory dynamics because the drive to flock together is political and ideological and often precedes concrete coincidence of interests, but assumes that these will follow. Therefore, while ASEAN endeavors generate the most ambitious of institutionalist and constructivist aspirations for restraining and transforming states, at the same time they create minimalist normative bargains that remain vulnerable to the worst constraints of power politics, internal and external. What this amounts to is a promising research field still rich with avenues of future enquiry, as pressures build for further political reform and transformation within Southeast Asia, and as the wider regional order is renegotiated to accommodate China's rise and US hierarchical power.

Three areas provide particular promise for future research that might help to breach existing gaps and to develop the field conceptually and empirically. First is the need to address the partial nature of the existing literature by reaching beyond the state-centric focus, as is the intended focus in Part V of this volume. International relations scholars could undertake research that would specify nationally and comparatively across the subregion other pressing security issues at the subnational and transboundary levels, as well as state-sanctioned political violence, which are specifically excluded from the

regional agenda. The aim would be to examine interrelations between the causes, management, and nature of these threats and subregional security concepts and practice, in order to achieve a more coherent picture of Southeast Asian security.

Second, the persistent challenge of managing intramural diversity and conflicts within ASEAN merits more empirical attention and theoretical development. Power politics undoubtedly provide the vital broad-brush strokes for explaining many Southeast Asian security policies, but much of the finer-grained analysis needs to be drawn from approaches that incorporate social and normative elements. As discussed here, various scholars have begun this work, but there remains significant room for developing the connections between regime security and regional security, fleshing out the impacts of variations in political ideology, and drawing on different stages of socialization and dynamics of learning. There is also potential for comparative work involving other postcolonial fragmented regions coping with the legacies of and the transitions after the Cold War.

Finally, Southeast Asia's foreign and security policies are now inextricably entwined with the evolution of the wider regional order in East Asia and the Asia-Pacific. The end of the Cold War exposed the inadequacies of ASEAN's attempt to construct an anarchical Southeast Asian society based on reciprocal sovereign equality and autonomy, while relegating hierarchical relations such as alliances and security guarantees to the realm of the extraregional and the ad hoc. Building upon the foundations of recent works, future research would want to explore the processes implicated in overcoming the artificial separation between Southeast and Northeast Asia, and in revealing the crucial roles played by external powers in wielding the sticks that underpin ASEAN's softly-softly approach to major regional conflicts. A significant part of the story still waiting to be told revolves around how to manage the contradictions within Southeast Asian strategy toward the great powers. In particular, the implicit reliance on US preponderance as the security guarantor for East Asia, and the resulting prolongation of the regional fragmentation that this has long encouraged, mitigates against the crucial great power rapprochement and stable cooperation vital to creating the new regional order. Whatever one's assessment of Southeast Asia's record of driving regional security, its central role in shaping the regionalization of East Asia after the Cold War is undeniable, and this collection of disparate states still retains the potential to forestall or facilitate wider regional transformation.

NOTES

1. TAC norms include mutual sovereignty, territorial integrity, non-interference in domestic affairs, the peaceful settlement of disputes and the renunciation of the use of force—unexceptional principles drawn from the UN Charter.
2. Vietnam joined ASEAN in 1995, Laos and Myanmar in 1997, and Cambodia in 1999.
3. The ARF currently has 27 members, including the United States, China, Russia, Japan, India, Pakistan, the EU, as well as the two Koreas.

4. Russia, Japan, Australia, and Canada all floated proposals which differed in terms of membership, institutional process, and scope—see Goh (2013), Ch. 3 and Ba in this volume.
5. Created in 1997, the most established East Asian economic cooperation institution, which has spawned a number of free trade agreements and, more significantly, regional financial cooperation mechanisms such as the Chiang Mai Initiative regional currency swap facilities.
6. An annual meeting of the ASEAN+3 plus India, Australia, and New Zealand begun in 2005, and expanded to include the United States and Russia in 2011, which also addresses political and security issues, but in smaller groupings than the ARF.
7. The ADMM was inaugurated in 2006 and expanded in 2010 to include all EAS members (ADMM+). From 2011 the ADMM+8 included the United States and Russia.
8. That is, socialization is the aim and end-point, with engagement as the starting process: see Johnston and Ross (1999).
9. See Hughes (2009) for discussion of Japanese attempts to contain Chinese power using regional institutions, and Goh (2007/8) on the accompanying Southeast Asian discourse on developing a regional balance of influence, rather than power.
10. For instance, in 2010 India accounted for 2.7 percent or just over \$55 billion worth of ASEAN's total trade—a similar figure for those of Australia and Hong Kong—compared to China's 11.3 percent (\$232 billion) as ASEAN's top external trading partner, Japan's 10.1 percent, and the United States' 9.1 percent. Russia does not rank among ASEAN's top ten trading partners (ASEAN Secretariat 2012). See also Dent's chapter in this volume.
11. Every Southeast Asian state—with the exception of Myanmar, Laos and Cambodia—has established military-to-military relations of some description with the United States today.

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CHAPTER 25

A SYNTHETIC APPROACH TO FOREIGN SECURITY RELATIONS AND POLICIES IN CENTRAL ASIA

SALLY N. CUMMINGS

TWENTY years after the collapse of Communism, the term “Central Asia” continues to refer to the five “stans,” and this chapter adopts this geographical definition (Cummings 2012). The collapse of Communism in 1991 transformed the formerly five Soviet republics into independent sovereign entities. The development of independent foreign security policies was central to the affirmation of this sovereignty. This presented no small challenge. As the former preserve of Moscow, foreign policymaking would constitute an entirely new sphere of public policy for these five states, demanding the urgent training of elites, assimilation of new knowledge, a broad statement of intentions, and an institutionalization of these processes. These actors operated in a new environment of Westphalian sovereignty with a zeitgeist of liberalism and capitalism in a globalized and decentralized setting.

Central Asia’s vast oil and gas resources and its strategic location meant that very soon the region’s foreign policies became associated with great power competition, or as Marlène Laruelle and Sébastien Peyrouse (2011, 2) put it, “the media theme of the ‘new Great Game.’” Deriving its reference point from the competition between the Russian and British empires in the late nineteenth century, the New Great Game model of actors in Central Asia is an actor-centered agency-driven model that accentuates the importance of great powers in the foreign and economic security policies of these states. Central Asia’s relevance to broader Asian security has often been coined in these terms of great power competition.

This analysis, however, starts from Alexander Cooley’s (2012) important revisions to this top-down, internationally driven narrative (see also Cooley in this volume). These qualifications argue that (a) the strategic goals of great powers in Central Asia have often differed, permitting these great powers to coexist in the region; (b) interaction among these great powers is not always zero-sum but can be of four kinds: cooperation

(they work together), enablement (they facilitate each other's involvement), emulation (they copy each other), and refraction (they adapt their policies as a result of their great power behavior); and, (c) Central Asian states are not pawns but actors who operate strategically and according to local rules. Central Asian elites devise and seek to fulfill their own agendas.

Broadly, this chapter adopts the synthetic framework approach proposed by Walter Carlsnaes (2008). The advantage of a synthetic approach is that it does not a priori favor actors over structure but reviews simultaneously the actors, norms, and structures that have affected processes and policies of foreign policymaking. It also acknowledges the difficulties of differentiating between actors and structures since each affects the other. In Carlsnaes's scheme, here simplified, intentions refer to policies, causality to the actors who were involved, and structures to the deeper context in which those actors were enabled. Policies themselves then work to alter the environment in which further intentions are enacted: as Carlsnaes puts it: "structural factors—domestic and international, social, cultural, economic, or material" affect the cognitive and then the intentional "as a consequence of being perceived, reacted to, and taken into account by actors" (2008, 98).

To illustrate this domestic-international nexus, the chapter is divided into five sections. I briefly outline the contents of each of the five foreign policies. I then analyze the main domestic sources and mechanisms of foreign policymaking and output before proceeding to look at regional actors, structures and norms. I assess the degree of regional security institutionalization that has taken place. Fourth, I look at how external actors have shaped the environment in which these states operate and how Central Asian players have initiated and responded to various bilateral relationships. Finally, I assess the peculiarities of the Central Asian security environment, while bearing in mind that we have barely seen through two decades of independent rule.

25.1. KEY FOREIGN OBJECTIVES AND POLICIES OF THE CENTRAL ASIAN STATES

The five Central Asian states began with similar foreign security policy objectives. The overarching aim was to initiate policies that would strengthen their newly secured sovereignty by cementing their international recognition and now independent borders. The second was to secure new partners and markets to increase their countries' economic strength and reduce dependency on Russia. Finally, they sought to develop policies that would deal with their growing number of transboundary threats.

Despite these commonalities, the foreign policy concepts, mechanisms, and partnerships forged to meet these objectives have differed quite markedly from state to state. While Kazakhstan sought maximum engagement with outside partners, Turkmenistan sought isolation. While the Uzbek national narrative emphasized an anti-Soviet rhetoric to bolster a foreign policy that looked away from Russia, the Kyrgyz

republican elite's overall positive evaluation of the past supported its closer relations with Russia.

These Central Asian foreign policy dispositions give a sense of where the leaders of these states see themselves today and want to be tomorrow. The loose intentions of these newly independent Central Asian leaders have been developed in an environment where the leaderships are forced to negotiate and deal with new external actors and security institutions. As is elaborated later, the key external actors have been Russia and China with lesser roles played by the United States, EU, Turkey and India, roughly in that descending order. The key regional institutions are the Shanghai Cooperation Organization (SCO), the Collective Security Treaty Organization (CSTO), and the Eurasian Economic Community (EurAsEC).

Turkmenistan's first president, Saparmurat Niyazov, sought for his country isolation from outside influences. He decreed in March 1995 a country status of "permanent neutrality" (also called positive neutrality), formally recognized by the United Nations in December that year. Explains Sebastien Peyrouse (2012, 195): "Permanent neutrality permitted the country to avoid the international tensions surrounding Iran and Afghanistan, as well as to refuse participation in post-Soviet institutions." But autarky and "inglorious isolationism" resulted (Cummings and Ochs 2001). After Niyazov died in 2006, his successor, Gurbanguly Berdimukhammedov, has shown greater engagement with the outside world while preserving permanent neutrality. Luca Anceschi (2010, 153) underscores how the "alternation of proactive/reactive, engaging/disengaging foreign policies" of post-Soviet Turkmenistan "came to play a crucial role in the domestic mechanisms devised by the regimes to consolidate and preserve their internal political stability."

While Turkmenistan has no declared enemies or allies, Nursultan Nazarbaev's Kazakhstan has chosen to portray itself as friendly to all. This openness is embodied in its foreign policy of "multivectorism" (Hanks 2009; Cummings 2003). Kazakh foreign policy has pursued multiple goals and directions: denuclearization; the pursuit of new oil and gas export routes that bypass Russia; and the nurturing of its position as Central Asian regional hegemon. Twenty years on, many of these objectives appear to have been achieved, including the country's OSCE chairmanship in 2010. However, one of the country's staunchest critics of multivectorism, Murat Laumulin (2004, 2006b), argues that multivectorism has not led Kazakhstan anywhere useful and may cripple, in particular, the country's need to develop priorities. Unofficially, furthermore, individuals comment that in practice Kazakhstan foreign policy has favored Russia.

By contrast, Karimov's Uzbekistan has sought to distance itself from Russia. Uzbek foreign policy, most have argued, has been driven by its wish for self-described "autonomy." According to Neil Melvin, "the central factor driving the external relations of Uzbekistan was the imperative of promoting economic development" (Melvin 2000, 114). With over 28 million people, Uzbekistan remains Central Asia's demographic frontrunner and was the region's unspoken leader in the Soviet period. Recall that its post-independent competitor for regional leadership, Kazakhstan, was until the post-Soviet period considered by Moscow as separate from Central Asia. Annette Bohr (1998b, 68) explains that "while aware that a good relationship with Russia is crucial for

stability, Uzbekistan's leadership is conscious of the dangers that deeper integration poses to its freedom of action."

In stark contrast to Uzbekistan, Kyrgyzstan's Askar Akaev "from the very beginning stressed the centrality of relations with Russia which stem from the historical ties of the two people and the fact that Moscow remains the republic's chief economic partner" (Anderson 1999, 100). Similar to Kazakhstan, Kyrgyzstan has sought multivectorism which, as Eugene Huskey (2008, 10) writes presciently, resulted in "a tortured and often contradictory foreign policy that found its formal expression in 1998 in 'The Diplomacy of the Silk Road,' Akaev's ambiguous and optimistic metaphor for a foreign policy that sought to please all sides." Despite a considerable worsening of relations with Russia in the last years of Akaev's successor, Kurmanbek Bakiev, the Kyrgyz Republic thereafter returned to Russia for primary economic and security agreements.

While Tajikistani foreign policy under Imomali Rahmonov was also Russo-centric, its policies toward Russia became ambivalent: "Previous ties with Russia were kept, but a new 'balancing' foreign policy in relations to Russia was in the making" (Jonson 2006, 4). Like the Kyrgyz Republic, Tajikistani elites have depended on external funds from international financial organizations and aid providers. Both Tajikistan and Kyrgyzstan, partly to reinforce this international finance, strengthened their security engagement with foreign powers by hosting military facilities—the Manas Transit Centre (to become the US personnel staging location for Afghanistan), a Russia-CSTO base at nearby Kant, and, in Tajikistan, military facilities for Russia, France, and India. Thus, "both the Kyrgyz and Tajik governments have commodified their very territory to extract economic and political benefits" (Cooley 2012, 11).

25.2. THE DOMESTIC IN THE INTERNATIONAL

Five main domestic factors have influenced the development of Central Asian foreign policies: newly secured sovereignty; the challenges of quadruple transition; differing resource bases (with rentier or semirentier possibilities); institutional design; and the practice of authoritarianism and neopatrimonialism.

25.2.1. Newly Secured Sovereignty

Foreign policies became quickly a way of cementing newly secured sovereignty. For example, Kazakhstan was one of four nuclear legatees (alongside Russia, Belarus, and Ukraine) and the leadership's decision to denounce nuclear weapons was received favorably by the international community and a generous financial payment supporting denuclearization. Moreover, since Russia became the Soviet Union's official nuclear

successor it had special rights of access and control to all post-Soviet nuclear weapons, automatically compromising Kazakhstan's independent status. Uzbekistan's and Turkmenistan's more anti-Russian stances were precisely about, again, anchoring their sovereignty in a post-Soviet world.

25.2.2. Quadruple Transition

In their move from Soviet Communism, all five leaderships have embarked on a path of tumultuous domestic transformation. This has entailed a quadruple transition from Communism, demanding changes in the way that political institutions are organized, the economy is run, international relations are conducted, and new national identities are defined.

Initially, three of the five chose to liberalize: the Kazakhs their economy, the Kyrgyz and Tajiks simultaneously their polities. Tajikistan's foreign policy was soon overshadowed by its descent into civil war (1992–97). Russia's intervention in this crisis (partly through the ex-Soviet, already stationed 201st Motorized Rifle Division) and alongside the UN were important in shaping Tajikistan's postwar security environment. Kazakhstan's economic liberalization program was predicated on its enormous wealth and its attractive foreign investment legal environment that by 1998 had made Kazakhstan the lead post-Soviet successor state in terms of per capita FDI. The ruling elite within this capital internationalization managed to keep most economic and political power in its hands accompanied by some stronger state-building initiatives, thus enabling it to maintain a fair degree of autonomy in the conduct of foreign relations. In stark contrast, Kyrgyzstan's internationalization had nurtured the development of oppositional elites, and the simultaneity of political and economic reform overwhelmed a state devoid of either judicial strength or institutional coherence. Disillusionment with Western reform coincided with intensified US security involvement in the region, largely in response to the terror attacks of 9/11. While 9/11 undoubtedly altered US involvement, it did not ultimately lead to a fundamental change in the priorities set by Central Asian elites. SCO cooperation on terrorism, for example, had begun three months prior to 9/11.

Underlying these three processes is the development of a political vessel to express new national identities. While “nationalising by stealth” (Bohr 1998a), all have wished to define their sense of nationhood. Thus, in part, the multiethnicity of Kazakhstan is seen in Eurasianism, Uzbeks glory in anti-Soviet (read anti-Russian) rhetoric, and Turkmen nationhood is emboldened by isolationism. The national and foreign are mutually constitutive.

25.2.3. Resource Base (with Rentier or Semirentier Possibilities)

Turkmenistan's oil and gas partly allowed it to isolate itself from major agreements and regional institutional entanglements even if political isolation has carried the

flip side of discouraging foreign investment. Uzbekistan's gas and cotton reserves also gave it some maneuverability on the foreign policy stage. Kazakhstan's huge oil and gas resources, coexisting with a landlocked position and former dependency on only Russian oil refineries, meant that its primary foreign economic aim became "multiple pipelines equals multiple happiness" (see also Jain in this volume). One major economic achievement in this regard was the decision by the China National Petroleum Corporation to build Kazakhstan's first east-west pipeline. Foreign income earned from oil and gas has paid off oppositional elites in the hydrocarbon-rich states, although the jury is out on the extent of this rentierism (Jones Luong and Weinthal 2010). By contrast, Kyrgyzstan and Tajikistan, devoid of such exportable commodities (with the exception of gold and aluminum respectively), became semirentier states reliant on drugs and trafficking money (Ostrowski 2011). Kyrgyzstan's embracing of Western liberal reform also became a means of its attracting international aid.

25.2.4. Institutional Design

As in democratic states, foreign policy remains largely the preserve of governments and elites, and few channels exist for populist and oppositional elites to channel their views on foreign policy priorities. In the relatively more open states of Kazakhstan, Kyrgyzstan, and Tajikistan, some lobbying of ruling elites on foreign policy issues has occurred (e.g., in Kazakhstan on local rules for oil and gas domestic companies and in all three on territorial agreements with China), but this has been the exception. At various points of these twenty years in the Kyrgyz Republic and to a lesser degree Tajikistan, bureaucratic politics seems to have dominated foreign policymaking with a competition for interest among members of the presidential administration, presidential think tanks and committees, and the Ministry of Foreign Affairs and Ministry of Internal Security. In the other three states, foreign policy decision-making, while also involving these institutions, has almost always been concentrated in the office of the presidency. The degree to which this presidential decision-making feeds off committees, expert input, and institutes has varied, however.

While highly personalized, foreign policymaking is sufficiently spread among a coterie of elites; it seems not to crumble when a regime is transferred. The successors of Berdymukhammedov and Bakiev have illustrated this. Niyazov exerted an inordinate impact on the foreign policy of the Turkmen state, and Berdymukhammedov has been slow to complete this thaw. Peyrouse (2012, 109) writes how "Berdymukhammedov enjoyed the essential support of the state security services and the circle of the president's close advisors, known as the 'men of December 21' (the date Niyazov died and choice of successor)" and, similar to Bakiev, seems to include more family members in the decision-making process.

25.2.5. The Practice of Authoritarianism and Neopatrimonial Politics

Despite presidential monopolization of the process, authoritarianism is hard work. Its maintenance requires constant feeding of governing and nongoverning elites, and foreign policy has proven one such useful source of constant renewal. Foreign partnerships can serve to cement authoritarianism and celebrate existing leadership. As shown below, the club of autocrats, as the SCO is sometimes derogatively referred to, legitimated authoritarian choices. The desire to circumvent authoritarianism and embrace early liberalization in the 1990s often ended up producing the exact opposite outcomes (see Jones Luong and Weinthal [1999] on aid program outcomes or Heathershaw [2009] on postconflict peace-building in Tajikistan).

In Central Asia the practice of authoritarianism feeds off neopatrimonialism, “informal power networks mobilised to capture the state and its resources in the interest of the members and leaders of these networks” (Ilkhamov 2007, 70). Neopatrimonial politics affects foreign policies, and foreign activity in turn is exploited by particular groups for their own ends (Cooley 2012). Findings for Central Asia show that “the key actors in patrimonial authoritarian regimes (presidents and informal vested interests) are the primary factors in opposing or undermining economic regionalism.” Simultaneously, however, Central Asia suggests that “security-oriented regionalism, while also challenging, is generally less threatening to patrimonial systems” (Collins 2009, 277).

The external security environment reinforces these five domestic imperatives. On the one hand, these five variables both respond to and arise from the nontraditional security threats of terrorism, drugs trafficking, environmental damage, and what leaders have labeled Islamic extremism. They faced these threats with very little training in running their own armies (Marat 2010). Central Asian leaders have sought new regional memberships and partners to bolster their ability to combat these insecurities. In line with Carlsnaes (2002, 255), however, the five are not viewed as causal variables “in the sense commonly understood within analytical philosophy of action” but instead as variables that are “*cognitively mediated* by the actors in question.” They “provide the constraining conditions under which contingent actors . . . necessarily have to operate.”

25.3. REGIONAL AND MULTILATERAL MECHANISMS

Whereas there has been regional collaboration exclusive to the Central Asian states, the more high-profile organizations are those that also include states from outside Central Asia. The three most high-profile regional organizations have been the Shanghai

Cooperation Organization (SCO), the Collective Security Treaty Organization (CSTO), and the Customs Union (CU) under the Eurasian Economic Community (EurAsEC) framework.¹ We begin, however, with intra–Central Asian cooperation.

25.3.1. Intra-Central Asian Cooperation

One effective area of security cooperation limited to the Central Asian states themselves has been in the nuclear domain. Signed in 2006 by the heads of states of all five Central Asian states, the Central Asian Nuclear Weapon Free Zone (CANWFZ) became “the first denuclearized zone in the northern hemisphere, bordering the atomic powers of Russia and China as well as Iran” (Laruelle and Peyrouse 2012, 8). It entered into force in 2009. All signatories have committed to not producing, acquiring, testing, stocking, or possessing nuclear arms (see also chapter by Yuan). The swift agreement came at little political cost to any party and gained each international approval.

Gregory Gleason (2001, 1093) argues that “only greater cooperation will solve Central Asia’s emerging regional problems,” but outside the nuclear field intra–Central Asian cooperation “remains a chimera” (Bohr 2004, 502). The first Central Asia-specific organization was created in 1994, the Central Asian Economic Cooperation (CAEC) organization, which in 2002 was transformed into the Central Asian Cooperation Organization (CACO) to create a common economic space and coordinate foreign policy, especially toward Afghanistan. In 2005, CACO merged into EurAsEC (see below), and Nazarbaev’s 2007 proposal for a new CA Union was flatly rejected by Turkmenistan and Uzbekistan. Only the inclusion of external actors has encouraged these states to cooperate. The inclusion of outside actors reduces the sense of intra–Central Asian competition and compensates for the growing differences between Central Asian economies, politics, and cultures.

25.3.2. South and West Asia: CBM, SAARC, ACD, and ECO

Central Asia has few institutional links with South, West, or Southeast Asia, but this is not for lack of trying by Kazakhstan. President Nazarbaev was the initiator of the conference on Interaction and Confidence-Building Measures in Asia (CICA), proposed during the Forty-Seventh Session of the UN General Assembly in 1992, to create a body similar to the OSCE for the Asian continent. It is, however, dwarfed by the CSTO and the SCO (below). Nazarbaev was also the initiator of the Turkic Council in 2006 (the other members being Azerbaijan, Turkey, and Kyrgyzstan). With the exception of Turkmenistan, which has associate status, all Central Asian states at the time of writing are members of the Asia Cooperation Dialogue (ACD). Afghanistan acceded in 2012.

While in 2006 the US State Department decided to place Central Asia into its South Asian division, no country in Central Asia belongs to the South Asian Association for

Regional Cooperation (SAARC), Afghanistan joining in 2005. Gulshan Sachdeva sees in the US State Department's 2006 regrouping "an attempt to shift the Central Asian region away from the Chinese and Russian orbit and bring them closer to South Asian countries," although this depends on whether "Afghanistan stabilizes and Pakistan provides direct access of Central Asian goods to India and vice versa" (Sachdeva 2006, 27).

All five Central Asian republics became members of the Economic Cooperation Organization (ECO). Created by Iran, Pakistan, and Turkey in 1985 to promote economic, technological, and cultural cooperation between member states, the five republics (plus Azerbaijan and Armenia) joined ECO after gaining independence. But intra-ECO trade has not increased significantly. Richard Pomfret (1999, 43) adds that "the natural regional specialization, reinforced by Central Asia's participation in the ultra-specialized Soviet economic system, means that the economies of the region are similar rather than complementary," concluding that "even if the physical infrastructure were improved substantially and all the political obstacles disappeared, intra-ECO trade would remain of secondary importance to trade with more distant partners." Edmund Herzig (2004, 513) concludes that the ECO's "concrete achievements are considerably less impressive than its declaratory record."

25.3.3. EurAsEC and CU

Central Asian political leaders seem more comfortable in a Eurasian rather than strictly Asian world. Ever the balancer, Nazarbaev has sought also to promote a Eurasian idea. The idea of Eurasianism propagated by Nazarbaev differs from the Russian geopolitical version, but ultimately it was to be trumped by Russia's own political initiatives. Most significantly the idea is embodied in the formation in 2000 of the Eurasian Economic Community (EurAsEC), modeled on the EU and founded by Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. For Laumulin (2006a, 12), Russia saw in EurAsEC "an attempt to find an answer to Chinese economic expansion in the region." Its focus is economic rather than security and its key objectives included the establishment of a free trade regime and the creation of a unified tariff system. Begun between Russia, Belarus and Kazakhstan in July 2010, the Customs Union (CU) demanded of these three members the adoption of unified rules and procedures regulating mutual trade and has established a single customs tariff (SCT) and unified customs area. A second phase began in 2012 with the creation of the Common Economic Space (CES) and from July 2012. "For the first time in post-Soviet history, an integration project is endowed with a supranational executive body, the Eurasian Economic Commission" (Laruelle and Peyrouse 2012, 13).

The EurAsEC has posed important challenges for the foreign policies of the Central Asian states. For example, the Kyrgyz republic's tariff regime with the WTO presents a barrier to membership of the EurAsEC. In reverse, Kazakhstan's bid for WTO membership has stalled in good part because of its adherence to the CU tariff regime. Moreover, all partners face the insurmountable hurdle of Russia's insistence on voting

rights commensurate to population. This gives Russia an inbuilt structural advantage in any EurAsEC negotiations.

25.3.4. CIS and CSTO

The Commonwealth of Independent States (CIS) was created by the Minsk Agreement (December 8, 1991) and that of Alma-Ata (December 21, 1991), and aimed to maintain economic and security integration between the majority of the former Soviet republics. Turkmenistan is the exception among CA states in having only observer status. But “the CIS operates on the basis of consensus and the lowest common denominator, which greatly limit its effectiveness” (Laruelle and Peyrouse 2012, 24). It has in many ways been eclipsed by its subgroup, the Collective Security Treaty Organization (CSTO), which involves Russia, Belarus, Kazakhstan, Armenia, Tajikistan, Kyrgyzstan, and Uzbekistan (the latter suspending its membership in 2012). The CSTO models itself partly on NATO with its express aim to guarantee the collective security and territorial integrity of its member states, provide military aid in the case of aggression toward one of its members, and fight against terrorism, the proliferation of weapons of mass destruction (reinforced by the nuclear free zone), and cross-border criminality. The CSTO does conduct joint military exercises. In 2009, within the CSTO framework, the 20,000-strong Collective Rapid Deployment Force (CRDF) for Central Asia, made up of Kazakh, Kyrgyz, Russian, and Tajik units, constituted “the only collective armed forces capable of intervening in real time in the region” (Laruelle and Peyrouse 2012, 10).

The CSTO is the only organization to offer such a collective security clause to Central Asian states. During the June 2010 clashes in southern Kyrgyzstan that left hundreds dead and injured and thousands displaced, the interim president, Roza Otunbayeva, made a specific request to Russia to intervene militarily. The CSTO justified its non-intervention as a domestic affair caused by internal instability rather than external aggression. The crisis sparked debates about an expansion in the mandate of the CSTO and in 2012 the charter was revised to enable interference in cases where domestic instability threatened broader regional security.

25.3.5. Shanghai Cooperation Organization (SCO)

The most intriguing regional organization to have emerged in Central Asia over the past twenty years is the Shanghai Cooperation Organization (SCO) formed in 2001 (see also chapter by Ba). Begun in 1996 as the Shanghai Five (Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and China), it busied itself with settling border disputes. When its status changed to an organization in 2001, Uzbekistan joined. The SCO granted observer status to Mongolia in 2004; to Iran, India, and Pakistan in 2005; and to Afghanistan in 2012. Belarus, Sri Lanka, and Turkey are classified as Dialogue Partners. It has two

permanent bodies—the secretariat, based in Beijing, and the Regional Anti-Terrorism Structure (RATS), based in Tashkent. It has a modest budget (US\$4 million) and secretariat staff (thirty) (Ahrens and Hoen 2013). (Cooley 2012, 75) writes that “it is one of China’s most ambitious contributions to global governance, embodying a ‘new international relations’ that rejects U.S. unilateralism and, according to its official mission statement, promotes cooperation based on principles of sovereign non-interference and cultural diversity.”

Its charter sets out its mandate as fighting the transnational “three evils”—terrorism, extremism, and separatism. Unlike NATO’s Partnership for Peace (see below), or the CSTO’s CRDF, the organization does not practice cooperative military exercises. Alyson Bailes (2007, 17), however, cautions that “‘the triple agenda’ has too often acted as a cover for suppression of what Europeans would see as legitimate oppositional groups and the cutting off of trans-regional ties between them.”

The organization is intriguing because it (a) (along with the Shanghai Five) was “the first multi-lateral security organization[] largely initiated and promoted by China” (Chung (2006, 5); (b) is composed of authoritarian states that might be expected to shun cooperation in favor of sovereignty preservation; and (c) is expanding its adherents (albeit so far to observer and dialogue status only). These trends are despite both its unproven record of combating the “three evils” and its tight budget and modest personnel. The Chinese Foreign Ministry explains cooperation as enabled by the “Shanghai spirit,” which, it writes, “gradually took shape, a spirit characterized by mutual trust, mutual benefit, equality, cooperation, respect for diversified civilizations and common development” (Ministry of Foreign Affairs of the People’s Republic of China 2004). Thomas Ambrosio (2008, 1338) equates this spirit with the promotion of authoritarianism, adopting “a relativist notion which bases human rights on ‘historical traditions’ and ‘national features,’ while at the same time defending the ‘sovereign equality’ of states to determine the content and application of rights.”

How best, then, to categorize the SCO? Some have called it unique in its noninstitutionalization, refusal to be intrastate, and specific targeting of substate actors. Bailes (2007) likens the organization to the OSCE, and Stephen Aris (2009a) to ASEAN, which has, he writes, similar underlying principles (consensus, flexibility, informality, and sovereignty-enhancing cooperation) and focus (regime security, economic development, and stability over democracy). Others argue that the outfit is little more than a bluff “disguising a Chinese geopolitical campaign” (Tolipov 2009, 71). Laumulin (2006a, 18) argues that “Kazakhstan is not reaping any real benefit from its membership in the SCO, for the organization has practically no bearing on Kazakhstan’s bilateral relations with either Russia or China.” Roy Allison (2004, 478) further argues that “the SCO is seen as an attempt by Moscow and Beijing to try to instrumentalize the SCO as a regional balancing structure against Washington.” While for Laumulin (2006a, 18) the SCO “remains mostly abstract and provides no real guarantees,” Aris (2009b, 457) dubs it “the primary security organization in Central Asia,” one that is “best characterized as a regional organization concerned with non-traditional security and not as a hostile new ‘Warsaw Pact’ as suggested by some.”

These divergent assessments stem partly from the seeming inability to agree on what precisely the SCO has achieved. While Aris (473) states that RATS “has been able to achieve some tangible results in the creation of a regional approach to security” leading to “a marked decrease in the perceived threat of major terrorist bombings or attacks in the SCO space in the same time since the RATS began its work,” Allison (2004, 479) observes that “the capacity of the centre is limited by the unwillingness of the SCO states to exchange hard intelligence material.” Cooley (2012, 80) cautions against attributing to the SCO the progress claimed so far: “The SCO has certainly facilitated multilateral summits and bilateral talks on issues of border security, but it is not the cause of such cooperation. Initial talks and agreements between Kyrgyzstan and China predate the SCO as well as its predecessor, the Shanghai Five.”

The attacks on 9/11 brought about a series of questions and challenges to the SCO, not least the US presence in the region and the growing relationship between Russia and the United States (Zhao 2006). During its first five years, the SCO also had to deal with responses to the Tulip Revolution and Andijan in 2005, and again to a second presidential ouster in the Kyrgyz Republic in April 2010, followed by the Osh crisis of June 2010. The SCO did not intervene in any of these events, citing all as domestic affairs requiring domestic solutions.

The regional organizations underline the difficulties of separating agent and structure. Institutions provide the frameworks in which Central Asian foreign policy-makers formulate their policies, but institutions themselves aim to serve as collective agents. They also provide political-institutional settings in which practices and a discursive framework operates. These actors are not separate and distinct.

25.4. BILATERAL ACTORS AND APPROACHES

While multilateralism is pursued, “local leaders have given priority in their security and defence policies to building bridges bilaterally with strong states: Russia, the United States, Turkey and China” (Allison 2004, 482). As indicated, Central Asia’s distinctiveness partly derives from how two of its regional powers, Russia and China, also function as great powers. Russia’s “involuntary” (Jonson 1998) withdrawal from the region in the 1990s freed a geopolitical space. The other major power active in the region has been the United States, with the EU displaying a middling interest. The brief appearance of Iran and Turkey is first reviewed, and at the section’s close India’s role as the other emerging power in the region is also assessed.

25.4.1. Turkey and Iran

Turkey and Iran were initially viewed by some onlookers as likely beneficiaries of the region’s newfound independence because of their countries’ cultural and religious

proximities to Central Asia. Neither the religious factor in Iran nor the secular, Turkic-based alternative of Turkey proved sufficiently attractive for either of these states to gain a strong foothold, however. Turkey was the first state to recognize, in January 1992, the independence of the five republics. Peyrouse (2012, 204), drawing on Freij (1996), comments that “Tehran has not tried to play the card of religious one-upmanship in Central Asia as it has done in Lebanon, Syria, and Palestine, nor has it sought to mobilize the small minority of Shiites in the region.” Linguistic and cultural proximity did not translate into close relations, because as with Iran, economic incentives were lacking and in the case of Turkey, economic weaknesses of its own. Neither a sense of pan-Turkic nor Islamic belonging were sufficiently strong indigenous norms, beliefs, and identities.

25.4.2. NATO and EU

The EU since the Soviet collapse has provided technical and financial support to a number of projects in Central Asia, but only in 2007 did it develop a “Strategy for a New Partnership with Central Asia.” In this it makes provision for a doubling of its aid to Central Asia over the period 2007–13 around three main objectives: stability and security; the fight against poverty; and regional cooperation between the states of Central Asia themselves and with the EU in the domains of energy, transport, higher education, and the environment.

Two years after the five Central Asian states joined NATO’s Council of North Atlantic Cooperation, the Council created in 1994 a specific program—the Partnership for Peace (PfP)—to encourage dialogue between NATO and former Soviet republics. Kyrgyzstan and Turkmenistan have been members since the beginning, Kazakhstan and Uzbekistan since 1995, and Tajikistan since 2002. Kazakhstan alone has strengthened its partnership by developing a peacekeeping force, the Kazbat battalion that sent a brigade to Iraq (2003–8) under the UN mandate.

25.4.3. The United States

With the exception of the PFP program, itself limited and involving not just the United States, the United States became a player in Central Asia’s security game only after 9/11. Until then, the United States had concentrated its activities in Central Asia on democratization and human rights, particularly through the funding of electoral reform programs, political parties, and nongovernmental organizations, including human rights organizations (Cooley 2012, 49). Shortly after 9/11, however, the United States established military bases and closed security cooperation deals with all of the Central Asian states: Central Asia had become of security interest to the United States not because of Central Asia itself but because of its strategic usefulness in the war effort in neighboring Afghanistan and later the Middle East.

The US military was granted use of the old Soviet air base near the southern towns of Karshi and Khanabad, just ninety miles from the Afghan border, known as Karshi-Khanabad, or K2 for short. America was also given permission to transit Uzbek airspace, allowed some access to some auxiliary airfields, and successfully concluded transit and refueling arrangements with Turkmenistan, Kazakhstan, and Tajikistan (Cooley 2012). But K2 constraints pushed the United States to look for alternative staging grounds, which were found in Kyrgyzstan at the civilian airport of Manas, in a deal signed in December 2001. However, in June 2013 the Kyrgyz parliament voted to end the lease in July 2014.

From the outset viewed as incompatible by some observers (Jones Luong and Weinthal 2002), security imperatives soon contradicted the earlier democratization and human rights agendas of the United States. By the summer of 2005, the onset of the color revolutions, the collapse of the Akaev regime in Kyrgyzstan, and events in Andijan had escalated regional fears that the US democratization agenda threatened regime stability. It had become increasingly challenging to square the security-democratization circle.

25.4.4. Russia

While Russia publicly endorsed the policy of Central Asian states' granting military access rights to the United States for operations in Afghanistan, "the Kremlin privately wanted to mediate U.S.-Central Asian cooperation in the hope of gaining concessions on issues such as its war in Chechnya and U.S. plans for National Missile Defence" (Cooley 2012, 31). This endorsement came not long after Vladimir Putin's attempted launch back into Central Asia. Despite a Caspian strategy and bilateral negotiations with each of the Central Asian states, Russian foreign policies have been incoherent, often reacting to US and Chinese initiatives. In this respect the CSTO and EurAsEC appear copycats of Western organizations, and Russia's Kant airbase is situated roughly fifty-five kilometers from the Manas Transit Center. Russia's interest in Central Asia has been called neoimperial by some, but for others it is driven primarily by Putin's drive to strengthen the Russian state by attracting migrant workers and economic contracts.

For Central Asia (with the partial exception of Uzbekistan), Russia has remained a natural security partner. Its geographical proximity and historical engagement has established a series of cultural and economic ties that bind. These include the hard power sources of electricity grid, pipelines, and transport networks, as well as the soft power of Russian as lingua franca and Russia itself as a pole for migrant workers. Russian security services also enjoy unparalleled external access to security intelligence in the region.

Russia has supplemented its multilateralism with tailored bilateral relationships. While Kazakhstan and the Kyrgyz Republic have been fairly consistent in their policies toward Russia, Turkmenistan particularly, Uzbekistan more intermittently,

and Tajikistan more recently have wavered. Once Russian border guards had left Turkmenistan, for example, relations only improved after the 2003 signing of the agreement with Gazprom and then more noticeably with the change of regime after Niyazov. From then on Russian companies gained a stronger foothold in the Turkmen market.

Despite these obvious advantages over potential rivals, Russia can no longer count on unquestioned support for its own foreign policy initiatives. A good example of this was when Central Asian regimes refused to back Russia in the Russia-Georgia war, or again, Bakiev's elite reneging on several economic agreements with Russian partners not long before his ouster. Prestige has factored into Russia's attempts to keep its standing in Central Asia in a way that has been less the case either for China (drawing on the hubris of a rising power status) or the United States (its unipolarity at that time unquestioned). Meanwhile, Central Asian leaders tread the delicate line between respect for a partner on whom they remain dependent and insubordination to this partner as they assert their independence.

25.4.5. China

China, unlike Russia, could not present itself as a natural post-Soviet ally to Central Asian states despite its status as a significant regional power. The country's perceived territorial ambitions, its early swamping of the Central Asian market with cheap manufactures, and its historic encroachments into Central Asia had generated a powerful "other" image that confronted China with a serious legitimacy problem. Also, in the early 1990s China strongly encouraged Central Asian governments to refuse to back either its Western province Xinjiang's drive for autonomy or attempts by Uighur minorities in Central Asia to create cross-border ties.

Given these constraints, "China's increasing sway in Central Asia is nothing short of remarkable, though it is less frequently commented on than the U.S.-Russia regional 'Great Game' dynamics" (Cooley 2012, 74). Niklas Swanström (2005, 576) also writes how "Central Asian states have decreased their skepticism towards China even as they still view China and Russia as possible hegemonic powers." Strategy and regional investment primarily explain this remarkable turnaround. The approach employed by the Chinese leadership involves attempts to better understand the insecurities, limits, and needs of Central Asian leaderships. Whether intentional or not, the use of a multilateral forum for the pursuit of bilateral goals, particularly when that forum includes another regional power (Russia), assuaged some of the fears Central Asian leaders had about cooperating with China. References by China to some of its bilateral initiatives as SCO initiatives "causes confusion among regional observers and analysts, who often attribute Chinese accomplishments to the SCO's regional mechanisms" (Cooley 2012, 79). Furthermore, unlike any other power, China has addressed some of the urgent infrastructural needs of Central Asian states. It has built pipeline, road, and rail links, casting China as a "regional public goods" provider (Cooley 2012, 85).

China's success has also been partly about addressing the needs of individual states. In the Kyrgyz Republic, the only Central Asian state to have joined the WTO (1998), China sought to create a major re-export hub for the rest of the world. In Tajikistan it sought to build roads and help with electricity infrastructure. In Turkmenistan and Kazakhstan it has built major new pipelines, and has shown interest in a second gas pipeline in Turkmenistan.

25.4.6. India

By contrast with China's experience, the absence of a direct land route has been a key stumbling block to India's foray into Central Asia (see also Ganguly in this volume). India's access to Central Asia is controlled by hostile Pakistan and unstable Afghanistan. "Building oil or gas pipelines through Afghanistan and Pakistan would clearly be extremely difficult. Even if it were possible to construct them, they could not be relied upon" (Laruelle, Huchet, and Peyrouse 2010, 134). Additional obstacles to a strong Indian presence in the region have been the low level of interregional trade and India's nonmembership in any regional organization. India's soft power advantage over China—no negative historical legacy or any perceived ideological, demographic, or territorial threats to Central Asia—has been insufficient. Despite new educational exchanges between the two regions, Indian cultural influence, "which was so significant during Soviet times, has partly vanished, even if Central Asian societies still watch Indian channels and their broadcasts of Bollywood films" (Laruelle and Peyrouse 2011, 1).

These obstacles notwithstanding and particularly since 1998, the year of India's nuclear tests, New Delhi has seen symbolic attraction in increasing its engagement in Central Asia. This symbolism is primarily driven by its wish to counter Pakistan's role in Central Asia and Afghanistan (Moore 2007). Russia's involvement in the region is viewed in a different light than China's, partly because of the legacy of Soviet-Indian friendship, partly because it still sees Central Asia as essentially Russia's backyard, although, of course, this may change if the Russia-China axis continues (Singh 1995). Neither Russia nor the United States has any obvious clash of strategic interests with India in Central Asia. The US policy for Greater Central Asia coincides with India's strategic blueprint. By contrast, "China and India are simultaneously cooperators and competitors, and the competitive aspect of their relationship is frequently more apparent" (Laruelle, Huchet, and Peyrouse 2010, 135).

Only lukewarm mutual interest currently exists, therefore. Cooley (2012, 169) writes how in India "few analysts pay much attention to understanding Central Asia's local rules." These analysts and the Indian and Chinese governments themselves prefer the Great Game approach, confirmed by Sachdeva (2006, 25): India (and China) are "still very much concerned with basic balance of power considerations" and India's failure to understand local practices, particularly neopatrimonial politics, lost the country its access to Tajikistan's base at Ayni (Farkhor) Airport in 2011.

25.5. CONCLUSIONS: REFLECTIONS AND FUTURES

What does the foregoing discussion suggest about (a) the synthetic approach when applied to Central Asia; (b) current and future developments with respect to great power and regional institutions activity in the region; and, (c) state-building in a peripheral zone?

Existing approaches that focus on Central Asia show an emphasis on structures over agents. Less has been written on Central Asian foreign policy as it relates to Carlsnaes's first dimension, the intentional, in that few works engage in "‘thick’ description[s] of top-level negotiations and statecraft." Similarly, there is less written on "underlying psychological-cognitive factors which have disposed a particular actor to have this and not that preference or intention" (2008, 97). Writers have tended to refer to the intentional in the context of the structural.

Foreign policy outcomes are "a function not only of conscious intention, unanticipated consequences, or perceived opportunity costs, but also of how other actors understand and play the game of institutional reconstitution" (Carlsnaes 1992, 263). Central Asian foreign policy outcomes contained this mix. Actors in Central Asia have made conscious attempts to anchor their independence and move their foreign policies away from Moscow. Unanticipated consequences have happened partly as a result of this reorientation, including the attraction of new players such as China or the stationing of the Manas Air Base following from 9/11. Institutional reconstitution, well illustrated by Cooley (2012), has occurred as Central Asian foreign policy elites have learned to bargain with their external partners. The policies of the states "are a consequence of, and can hence only be fully explained with reference to, a dynamic process in which both agents *and* structures causally condition each other over time" (Carlsnaes 1992, 256).

The brief overview of Central Asian foreign policy has also suggested that temporal analysis of structure-agency issues is possible on the lines proposed by Margaret Archer (1982, 462) in that "during the time it takes to change something, . . . that thing continues to exert a constraint which cannot be assumed to be insignificant in its social consequences, whilst it lasts. Nations can fall, polities be deposed and economies bankrupted, while efforts are being made to change the factors responsible." Her core meaning of morphogenesis stresses this sequential element. Central Asian foreign policies have in part been possible to trace as consequences of Soviet legacies, for example, even while their polities have been transforming.

In these transformations Central Asia is distinctive in neighboring two regional powers that are also global powers. Sino-Russian relations in Central Asia have been a pragmatic "axis of convenience" rather than a fully blown strategic alliance against the West (Lo 2009). Alyson Bailes and coauthors (2007, 16) elaborate that "the SCO is not and never could be a full Russia-China strategic 'alliance,' and its military and directly

security-related activities are still on a very modest scale.” Even if the SCO is only an axis, its two great powers have few current incentives to abandon it: Russia can use this as a platform for better understanding China’s intentions and China needs Russia to make its multilateral project in Central Asia acceptable. The SCO is the only regional organization in which Russia faces an equally strong partner and this may explain why the organization has “made more headway, faster, than anything else so far—including NATO’s partnership framework—in getting the Central Asians to work together on real issues in a non-zero-sum fashion” (Bailes et al. 2007, 15). The “nonintervention” principle used to define the SCO is unlikely to change in the near future, and the Russian-led CSTO continues to offer the only promised collective security guarantee to Central Asia—even if it is yet to be implemented.

Despite its search for greater regional “strategic depth” (Moore 2007, 279), India is unlikely to be allowed to join this axis. Russia and the United States will, however, remain objects of cooperation with New Delhi in the region, so long as this cooperation does not degrade India’s influence (Moore 2007, 289). If either Russia or China chooses to side with India against the other, other axes of interests may result and boost Indian influence, particularly as this might then do away with the stipulation that Pakistan needs also to be included. A more radical alternative proposed by Sachdeva (2006, 33) would be the development of an altogether “separate regional organization” that would include “the five Central Asian countries, Afghanistan, China, India, Japan, Russia, Pakistan, Turkey and the United States.”

Meanwhile, for both the United States and India, Central Asia is seen as a buffer and bridge to addressing more pressing issues in Afghanistan and Pakistan, respectively. The 2014 planned US withdrawal from Afghanistan will reduce the US stakes in this region. For a great power to have effective working relations with a Central Asian state, it needs to convince the regional leaders that the great power will (a) seek to understand what Central Asian leaders themselves desire from such a relationship; (b) work to maintain Central Asian regime security; and, (c) invest in the region itself. Russia and China have understood these three dynamics; the United States and India have as yet either had too few incentives or encountered too many obstacles to do so.

As Muthiah Alagappa (1995) and Ba in this volume outline for states in Southeast Asia, regional institutions that involve great powers seem above all to fill the political legitimacy gap of less established states. By providing a talking shop and a collective platform they bolster these fledgling states’ projection of their sovereignty. In this way, regionalism can serve nationalism. But, at the same time, these imported ideas about legitimacy are adapted by their leaderships to fit their own indigenous practices (Acharya 2011). More cynically, the Central Asian elites have pushed the practice even further, framing much of their own suppression of all forms of political opposition as part of the international “war on terror.”

The less institutionalized these great power regional institutions, the more legitimate they have been viewed to be by Central Asian rulers. This appears to conform to the experience of Asian regional organizations that are “geared to sovereignty enhancement, not sovereignty pooling” (Higgott 1997, 177). “Informal” regional institutions

that rely less on state bargains and legal norms and thus conform more to what Peter Katzenstein (2005) typifies as Asian regionalism have responded to these leaderships' current needs of nonintegration. Their effect has been to socialize (Laruelle and Peyrouse 2012) and to reinforce the role of sociocultural over legal norms in the region. Underinstitutionalized and often "virtual," they have been so far primarily of symbolic value. This "protective integration" is, possibly, "a more important factor than Russian power politics and hegemonic ambitions" (Libman 2007, 416).

In the presence of powerful competitive political and economic urges among the states themselves, Central Asian regional self-cooperation is unlikely to flourish any time soon. The absence of intra-Central Asian cooperation is, furthermore, down to the difficulty of ring-fencing this region from its surrounding areas. Bjørn Hettne (2001, 9) argues that Central Asia is "more peripheral than the western parts of the post-Soviet area." Barry Buzan and Ole Waever (2003) call Central Asia a subcomplex linked to a larger Russian security complex. But this complex increasingly factors in China and Afghanistan. The US State Department's multiple affiliations of the region (South Asia, Greater Middle East) attest not just to US political objectives but also to the perception that Central Asia seems to lend itself to such malleability. Although at first sight there appear to be many regional institutions in Central Asia, they are not nearly as numerous as those found in other world regions; this relative paucity reflects the difficulties of simultaneously speaking to the region's multiple identities and responding to the particular constraints of landlocked geography bordering two regional powers that are also great powers.

A shift to Asia as the new center of gravity in global affairs is unlikely to change Central Asia's status as a peripheral or intermediate zone. Geography partly dictates this conclusion, but ideational factors also matter: legacies lock the states northward to Russia, and the Soviet and earlier Russian imperial pasts imported significant elements of European culture, including the forced settlement of many Slavs and Europeans. Central Asia is pulled culturally and ideationally in multiple and sometimes competing directions, within the states themselves as well between them. The absence of strong intra-Central Asian unity further weakens these states' ability to negotiate collectively as a defined regional space.

Overall, multilateral and bilateral engagements have been acceptable to the Central Asian leaders only if they serve regime security, or keep the incumbent elite ruling. Regime security has been the fundamental driver behind major foreign security policies of the last two decades, and foreign policy, instrumentalized, has been pragmatically used to serve this goal of regime security. For the moment, "Central Asian governments believe that sticking with China and Russia will better ensure the longevity of their regimes" (Chung 2006, 12). Regime security will determine how these ruling elites react to the US withdrawal from Afghanistan; the steadily growing influence of China; the challenges facing Russia domestically and internationally; and their own forthcoming leadership succession. In their calculations Central Asian leaders will continue to draw on their own indigenized norms and the reality of their wealthy but landlocked and intermediate geography.

NOTE

1. For a comprehensive overview of existing regional organizations see Laruelle and Peyrouse (2012).

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*B. Regional Rivalries and
Cooperation*

CHAPTER 26

NUCLEAR POLITICS IN ASIA

JINGDONG YUAN

DURING the past quarter of a century Asia has been the center of nuclear proliferation challenges. A region with perennial conflicts, territorial disputes, divided nations, and emerging rivalries, Asia has long suffered from a dearth of strong multilateral security institutions. At the same time, given the region's geostrategic importance, it has always been an integral part of great power competition, and the interactions between the region's key players and extraregional actors continue to define the nature of cooperation and conflict. More than two decades after the end of the Cold War, Asia remains highly militarized, with growing defense budgets, major procurement in increasingly sophisticated conventional weapons systems, and key areas of power projection, from C⁴ISR (command, control, communications, computers, intelligence, surveillance, and reconnaissance) to joint operation capabilities. According to the Stockholm International Peace Research Institute, in 2007–11, the international top five importers of conventional arms are all in Asia—India, South Korea, Pakistan, China, and Singapore—representing 30 percent of the global total during the period (Holtomet al. 2012).

What is also important to note is that Asia has the highest concentration of nuclear weapons in the world (see table 26.1): three of the NPT (Nuclear Nonproliferation Treaty)-recognized nuclear weapons states—China, Russia, and the United States; India and Pakistan, the two declared nuclear weapons states; and North Korea, a state that is viewed as having acquired nuclear weapons capability. In addition, Japan, South Korea, and Taiwan are widely considered as nuclear-capable, with well-developed nuclear infrastructure. More significantly, all three have at various times considered the nuclear weapons option. In effect, nuclear politics in Asia display four broad developments over the past twenty-five years: the emergence of three nuclear weapons states; continuing nuclear modernization; modest progress in nuclear nonproliferation; and nuclear rollback and restraint.

With ongoing and even intensifying disputes between some of the region's long-standing rivals and growing strategic uncertainty, further nuclear proliferation—vertical as well as horizontal—cannot be ruled out. Some nuclear weapons states—most

Table 26.1 World Nuclear Forces, January 2013

Country	Year of first nuclear test	Deployed warheads	Other warheads	Total inventory
United States	1945	2,150	5,550	~7,700
Russia	1949	1,800	6,700	8,500
United Kingdom	1952	160	65	225
France	1960	~290	~10	~300
China	1964		~250	~250
India	1974		90–110	90–110
Pakistan	1998		100–120	100–120
Israel			~80	~80
North Korea	2006			6–8?
Total		~4,400	~12,865	~17,270

Source: Stockholm International Peace Research Institute 2013, *SIPRI Yearbook 2013*, 284.

notably, India and Pakistan—are expanding their arsenals of nuclear warheads, while China continues with its nuclear modernization. Nuclear weapons continue to feature prominently in the national security policies of many Asian countries due largely to an evolving and uncertain geostrategic landscape, rising tensions and unresolved conflicts between a number of long-standing and emerging rivals, lack of both confidence in and provision of security assurances offered by the United States to its allies, and consequently the need to hedge against threats and enhance deterrence (O’Neil 2007). Deeply held strategic distrust has effectively prevented the development of viable and functional cooperation among the key players (Alagappa 2008). And finally, the region has yet to implement effectively and strengthen measures to deal with the proliferation of nuclear items and technologies despite concern over the activities of the A.Q. Khan network in the past and illicit trafficking by the current Kim Jong-un regime.

Extraregional powers have always been, and remain a key part of both the nuclear proliferation challenges and their solution. Much of the proliferation pressure, from the expansion of nuclear arsenals in India and Pakistan, to nuclear modernization in China, is often related to their perceived security threats from powers external to their own subregion, or what has been characterized as security complexes and great power “overlay”—the United States in China’s consideration, and China as a key variable in India’s nuclear policy (Buzan and Wæver 2004). In order successfully to address subregional or regional proliferation issues, the participation of extraregional players needs to be taken into account. At the same time, it is critical to understand the impact of nuclear proliferation on crisis stability and conflict stability. For instance, recent debates have focused on whether China’s enhanced nuclear second strike capability can be seen as a positive development in enhancing crisis and conflict stability, and if the same can also be said in the India-Pakistan context.

This chapter will first review the major developments in Asia with respect to nuclear weapons over the past twenty-five years. The first section will provide a brief overview of some of the main patterns of Asian behavior before reviewing the major theoretical explanations for why states decide, or decide not, to acquire nuclear weapons. It will also demonstrate how these theoretical explanations help us to understand decisions regarding nuclear weapons status and attitudes in Asia toward proliferation. A final section will assess the impact that a heavily nuclearized Asia has on the prospects for cooperation and conflict in the region.

26.1. A NUCLEAR ASIA

Nuclear proliferation has been one of the most significant geostrategic developments in post-Cold War Asia. The region has witnessed numerous nuclear crises and break-outs in the past quarter of a century. From India and Pakistan's nuclear tests in 1998 to North Korea's latest nuclear test in February 2013, this is the only region that has seen states going nuclear in the past twenty-five years (see also chapters by Ganguly and by Delury and Moon). In contrast, in other parts of the world, the states of Ukraine, Belorussia, and Kazakhstan gave up their nuclear weapons and joined the NPT as non-nuclear weapons members; likewise, South Africa dismantled its existing nuclear arsenal. Elsewhere, Argentina and Brazil halted their nuclear weapons programs (Solingen 2007; Ogilvie-White and Santoro 2012).

There are at least four recognized patterns in Asia. First has been the open challenge to the nuclear nonproliferation regime posed by India, Pakistan, and, lately, the Democratic People's Republic of Korea (DPRK), as these states defy the norms of nuclear nonproliferation and the potential costs in declaring themselves nuclear weapons states. Second, there have been continued efforts to modernize nuclear weapons arsenals in the region as states hedge against uncertain and evolving security environments, especially for those that are embroiled in historical rivalry and perennial conflicts over territorial disputes. Third, there has been growing recognition and cooperation among the key players—namely the United States and to some extent China—to control the further spread of nuclear materials and technology to extraregional parties, including nonstate actors. In this context, multilateral efforts have been put into place to counter nuclear proliferation. And fourth, despite the uncertain—and for some definitely worsening—security environment facing a number of the nuclear-capable states, nuclear nonproliferation norms coupled with domestic constraints, US security guarantees, and, most importantly, extended deterrence, have served to contain further proliferation. As a brief survey of the main players below shows, the dire prediction of an Asian nuclear domino effect has not—yet—materialized (Cirincione 2000). Meanwhile, Kazakhstan, which inherited a huge nuclear arsenal when the former Soviet Union disintegrated in the early 1990s,

as noted earlier decided to give up these weapons and join the NPT (see Cummings, chapter 25 in this volume).

26.1.1. Nuclear Proliferation

The Indian and Pakistani nuclear tests of 1998 came as a shock to the international community and seriously undermined the nuclear nonproliferation regime. While India began its nuclear program right after independence and developed a civilian nuclear infrastructure, it refused to sign the NPT, viewing it as discriminatory against the nuclear have-nots. Instead, for many years New Delhi called for nuclear disarmament. Its first nuclear test, termed a peaceful nuclear explosion (PNE) in 1974, led to the establishment of the Nuclear Suppliers Group (NSG) in 1975 and the strengthening of controls on civilian nuclear transfers. A combination of threat perceptions, domestic politics, and the convictions and motivations of particular political leaders best explain the shift toward nuclear weapons status, as will be discussed in more detail below (Perkovich 1999; Kennedy 2011).

Pakistan's reaction of detonating six nuclear devices two weeks after the Indian tests was largely expected. Against mounting international pressure, Islamabad went ahead in making its nuclear statement. As a country inferior to its nemesis neighbor in economic and military capabilities, and with a long-standing territorial dispute over Kashmir, Pakistan had fought three wars with India, including one in 1971 that caused its dismemberment and the separation and independence of Bangladesh. Islamabad had sought to enhance its security by forming close defense ties first with the United States and, after the early 1960s, with China, with the latter providing it with both conventional arms and nuclear assistance. It is widely believed that without critical assistance from China, Pakistan's nuclear and missile capabilities would not have been developed (Ahmed 1999, 186–87; Reed and Stillman 2009, 249–50).

North Korea's nuclear weapons program can be traced back to the late 1950s when, with Soviet assistance, Pyongyang began to acquire technology, trained personnel, and nuclear facilities. In 1985, North Korea acceded to the NPT, but it was not until 1992 that it concluded a safeguard agreement with the International Atomic Energy Agency (IAEA). The end of the Cold War and South Korea's diplomatic coup in weaning recognition from Pyongyang's patrons, the former Soviet Union (1990) and China (1992), made it feel deserted and resentful; the South's economic takeoff further enlarged the gap between the two (see Delury and Moon in this volume). The DPRK escalated its covert nuclear weapons program despite its NPT membership leading to the first nuclear crisis in 1993–94. While the Agreed Framework of 1994 halted the North's plutonium program, the failure to achieve any diplomatic breakthrough, as Pyongyang had expected, and a perceived US threat to regime security, only reinforced North Korea's determination to seek the ultimate security assurance—its own nuclear weapons. A second nuclear crisis ensued; in 2003 North Korea withdrew from the NPT, the

first member to do so, and it subsequently conducted three nuclear tests, in 2006, 2009, and 2013. The Six-Party Talks, which occurred between 2003 and 2009, failed to secure agreement on dismantling its nuclear program (IISS 2011; Wit, Poneman, and Galluci 2004; Funabashi 2007).

26.1.2. Nuclear Modernization

The region has also seen continued nuclear modernization. Both India and Pakistan have built up their nuclear arsenals and are improving delivery systems. India has focused on the development of the diversity, precision, and range of its ballistic missiles. It aims to achieve a triad capability—the ability to fire nuclear warheads from land, air, and sea—and has made impressive strides toward that end, but it will likely be later in the decade that a nuclear triad will be deployed (Kampani 2013). The successful test of the 5,000-kilometer-range Agni-V ballistic missile in April 2012 demonstrates India's capacity to reach any target within China. Pakistan, meanwhile, has been testing and deploying a growing inventory of ballistic and cruise missiles and moving away from the HEU-based arsenal to the rapid expansion of plutonium production. Neither India nor Pakistan has signed any of the major international treaties on nuclear weapons and Pakistan in particular has been held responsible for holding up progress on the negotiation of a fissile material cutoff treaty (Kristensen and Norris 2011, 2012; Kerr and Nikitin 2012). While New Delhi has adopted a no-first-use posture, Islamabad, because of its conventional inferiority, depends on nuclear first use as deterrence against India. The Indo-Pakistani rivalry and military standoffs over Kashmir have nearly brought South Asia to the nuclear brink (Ganguly 2001; Ganguly and Hagerty 2005).

China continues with its nuclear weapons modernization program, although the focus over the past two decades has been on improving long-range ballistic missile and nuclear submarine capabilities to ensure their survivability and reliability for effective retaliation. China's current strategic nuclear arsenal supports its strategy of assured retaliation, which has more or less been the country's nuclear doctrine since 1964. The rationale for such a posture has been both ideational and technical in that nuclear weapons have been viewed largely in the context of being able to prevent nuclear coercion rather than as weapons for use in military combat. Levels of technological sophistication have also been key factors in determining the pace of nuclear modernization (Taylor and Medeiros 2010). Toward that end, efforts have been under way to develop and deploy new-generation land- and submarine-based ballistic and cruise missiles. However, this rather restrained nuclear posture could change should China perceive the development of missile defenses and precision strikes posed by conventional weapons effectively to neutralize its limited retaliatory capabilities, and hence remove a key ingredient that provides assurance of survival (Lieber and Press 2006; Zhang 2012; Lewis and Xue 2012).

26.1.3. Nuclear Nonproliferation

Despite the more negative developments described above, the region has witnessed some progress on the nuclear nonproliferation front, especially with regard to the control of sensitive nuclear materials and technologies. China, after many years of resistance, finally acceded to the NPT in 1992. It subsequently joined the other major international and multilateral regimes, including the Nuclear Suppliers Group (NSG), and introduced domestic regulations and infrastructure to strengthen its export controls (Medeiros 2007; Yuan 2002). North Korea's nuclear weapons program has also galvanized regional efforts in responding to this serious proliferation challenge. The major powers have been able to reach a general consensus that the Korean peninsula must be denuclearized, and have supported multilateral efforts toward that goal ever since, and despite Pyongyang's withdrawal from the NPT in early 2003.

The Six-Party Talks, the multilateral negotiating process that included China, Japan, North Korea, Russia, South Korea, and the United States, were launched in August 2003 and became a critical mechanism for trying to manage and defuse the North Korean nuclear crisis, at least until the end of 2008. Six rounds of negotiation were conducted during this period, and the September 2005 joint statement and the February 2007 joint action plan brought the process closer than at any time to possible nuclear dismantlement. Despite these efforts, however, the Six-Party Talks have remained stalled since North Korea pulled out in late 2008. In November 2010, North Korea revealed to the outside world its uranium enrichment program, which for a long time it had denied existed (Hecker 2011).

Meanwhile, the US-instigated Proliferation Security Initiative (PSI) was launched in 2005, aiming at intercepting illicit nuclear transfers. Most key Asian states—with the major exceptions of China and India—have joined the effort; some other countries, while harboring reservation about the legality of such a blunt instrument, have nonetheless endorsed the principle behind it. Finally, the development of a Southeast Asian Nuclear Weapons Free Zone (SEANWFZ) and a Central Asian Nuclear Weapons Free Zone (CANWFZ) represents another important step toward nuclear nonproliferation. The notion of a SEANWFZ was first conceived when the original five members of the Association of Southeast Asian Nations (ASEAN) signed the Declaration on a Zone of Peace, Freedom, and Neutrality (ZOPFAN) in Kuala Lumpur in November 1971. After years of negotiation, the SEANWFZ Treaty was signed in Bangkok on December 15, 1995, by the ten ASEAN member states and entered into force in March 1997 (see also chapter by Goh). The CANWFZ also took over a decade to negotiate. Talks began soon after Kazakhstan relinquished its nuclear weapons (1992) and signed the NPT in 1994, and a draft text was concluded in 2002, with the final version adopted for signature in 2005. The treaty entered into force in early 2009.

26.1.4. Nuclear Rollback and Restraint

Kazakhstan's decision in the early 1990s to give up its inherited nuclear arsenal was a major development in nuclear politics in Asia. When the former Soviet Union ceased

to exist in late 1991, Kazakhstan suddenly found itself in possession of close to 1,500 nuclear weapons. In addition, the country was home to major former Soviet nuclear test sites, had a sizable nuclear weapons infrastructure and significant nuclear expertise. While for a brief period Almaty entertained the idea of retaining the nuclear arsenal—either out of concerns over its security or tempted by the idea of using its nuclear possession to bargain for better security and economic deals with the West, and especially the United States—in the end serious debate and consideration of all the benefits and pitfalls of retaining or forsaking the nuclear arsenal led to the decision preferring rollback (Ustiugov 1993; Tokaev 2004; Burgess and Kassenova 2012; see also Cummings, chapter 25 in this volume).

Japan has long been viewed as a virtual nuclear state given its well-developed nuclear infrastructure and sizable plutonium stockpiles (Cohen and Pilat 1998). Indeed, Tokyo has seriously contemplated the nuclear option and undertaken several studies of this possibility in the past. There were also protracted debates whether and under what conditions Japan should ratify the NPT after it signed the treaty in 1970. Ultimately the overall cost-benefit assessments and the confidence in US extended deterrence have ruled out the nuclear option (Kase 2001; Solingen 2007; see also chapter by Hughes). Given Japan's lack of strategic depth, its high population concentration in major cities, and its overreliance on resources and markets overseas, a nuclear option would seriously threaten its economic lifeline and hence its vital security interests.

However, the security environment in which Japan finds itself is a fluid one, as Hughes notes in this volume. North Korea's nuclear tests and its continuing efforts in developing long-range ballistic missiles have been perceived by some in Tokyo to seriously weaken a central pillar of postwar Japanese nuclear policy—the US nuclear umbrella—and therefore its extended deterrence against threats to Japan's security. This development, combined with the fast growth of Chinese military power, has had the effect of eroding Japan's confidence in US resolve and its security guarantee. This has reintroduced debate in Japan on its nuclear policy, with some politicians and security analysts advocating a nuclear option (Green and Furukawa 2008). However, a number of factors prevent Japan from adopting the nuclear option, at least for now. These include the reinforcement of the US security commitment; a lack of domestic consensus and political will to overcome strong domestic antinuclear sentiment; and the economic vulnerability that Japan faces should it embark on the nuclear path (Hughes 2007).

South Korea has also refrained from taking the nuclear path despite the constant security threats it faces from the North. However, Seoul's anxiety and fear about abandonment by the United States has also driven the country to consider nuclear options in the 1970s and as lately as the 1990s (see Snyder and Easley in this volume). In both instances, US plans to reduce its military presence on the peninsula and perceived erosion of its security commitment to South Korea have been attributed to Seoul's decision to reevaluate its nuclear policy. Each time, pressure from Washington and a renewed US security commitment have persuaded Seoul to give up its nuclear ambitions (Choi and Park 2008; Snyder 2010).

26.2. INTERNATIONAL RELATIONS THEORY AND NUCLEAR POLITICS

Why states acquire nuclear weapons and whether or not nuclear acquisitions stabilize or destabilize regional and international security remain serious points of contention in international relations theory (Potter with Mukhatzhanova 2010). There are at least three major explanations in the theoretical literature as to why states pursue nuclear weapons and how a combination of motivations and constraints underlie nuclear proliferation dynamics. These are, respectively, external security threats, domestic factors, and global norms. At the same time, nuclear optimists and pessimists continue to debate the consequences of nuclear proliferation.

26.2.1. External Security Threats

A state's decision on whether or not to acquire nuclear weapons can be attributed to a number of factors. External security threats, actual or perceived, are a necessary but not sufficient condition for a state to choose the nuclear option. Where states confront serious security threats and are entangled in perennial rivalry with neighboring foes, and where external assistance in the forms of security guarantees or a nuclear umbrella is either nonexistent or unreliable, states in a relatively weaker position have greater incentives to pursue nuclear weapons as the ultimate guarantee (Mearsheimer 1990, 1993; Waltz 1990, 1993; Wirtz and Lavoy 2012). On the other hand, when facing reduced security threats, or offered security assurance and protection, then states are likely to consider giving up nuclear weapons and, in the case of those contemplating the nuclear option, to refrain from taking that step. There is some support for this argument in that several states that either have developed nuclear weapons or have been in the process of doing so, such as South Africa, Brazil, and Argentina, changed their positions as their external security environments improved. At the same time, alliance commitments, especially the strengthening of extended deterrence, can also serve as assurance to those states facing significant security threats that their interests will be protected.

The conventional wisdom on nuclear weapons pursuit is that states confronting a serious security threat and without either an alliance to depend on or strong enough conventional military capabilities will turn to nuclear weapons (Davis and Frankel 1993). However, whether or not states seek nuclear weapons is determined not simply by the security threats they face but also the nature and intensity of conflicts; the likelihood of threat or conflicts rather than worst-case scenarios; the potentially worsening security environment caused by pursuing nuclear weapons, for example, other states may also seek nuclear weapons, or they may become targets of the established nuclear weapons states; and the fact that the means by which states can enhance their security are not merely through increased armaments, including nuclear weapons. According

to T. V. Paul (2000), prudent realists would balance interests and capabilities and avoid causing intense security dilemmas since the acquisition of nuclear weapons by one state could lead to a nuclear domino effect.

26.2.2. Beyond Realism and the External Threat Environment

Beyond these refinements of the external security threat argument are ones emphasizing the domestic realm of decision-making, as well as questions of prestige and standing and the approval or disapproval associated with nuclear weapons acquisitions. In a seminal article on the subject, Scott Sagan (1996–97) challenges the predominant security-centered view and argues that apart from this model, there are two additional or alternative models that can explain why states pursue nuclear weapons. These are what he terms “the domestic politics model” and “the norms model,” with the former describing how weapons development can advance the domestic political interests of certain groups, while the latter reflects a state’s view that possession of nuclear weapons is of important symbolic value, both domestically and internationally. Domestic political interests include actors working as part of a nuclear scientific community, or politicians whose constituencies favor nuclear weapons development, both of whom could influence policy makers and create conditions that favor nuclear weapons acquisitions. The idea that nuclear weapons also have symbolic importance is based on the notion that they reflect the country’s technological achievement; offer membership in a very exclusive club; or simply enhance the pride and prestige attaching to possession of nuclear weapons. However, it is worth noting that the identity and norm models can also work against nuclear proliferation, especially when nuclear proliferation is perceived as inappropriate behavior for which states will pay a heavy political and economic price. This argument assumes that being in good standing on nuclear proliferation issues is important to some states and can impose significant normative restraints (Ruble 2009).

Etel Solingen’s work, in particular, has developed this idea in relation to nuclear restraint (1994, 2007). Solingen argues that pursuing nuclear weapons is against international norms and invites international condemnation, isolation, and even economic sanctions. These in turn can affect levels of inward foreign direct investment, constrain foreign trade and, where dependence on imported resources is high, can threaten vital economic interests. On the other hand, politicians and domestic interest groups who give priority to regime security and perceive serious threats to their intention to hold onto power might prefer to shun international integration. Under these conditions, they have some incentive to pursue the nuclear option and thereby enhance their strategic autonomy. Her essential argument is that political leaders and ruling coalitions adopt different strategies in line with their political and economic preferences, and these affect the decisions on nuclear weapons acquisition (Solingen 2010).

Constructivists have also emphasized the power of norms to constrain behavior in this policy area. They would argue that most states observe nuclear nonproliferation

norms and comply with NPT provisions not so much because they either anticipate gains (nuclear technology for energy) or fear punishment (sanctions) but simply because they believe it is wrong to pursue nuclear weapons programs. Social conformity and identity further condition states' behavior as they want to be seen as belonging to a group in good international standing rather than being viewed as pariah states, as those that seek nuclear weapons often are (Ruble 2009). Norms, expectations of behavior, conformity, and identification with particular groupings can help to shape the preferences of policymakers and transform their views, leading to nuclear restraint. When proliferation becomes associated with economic sanctions, possible military action, and diplomatic isolation, those associations, together with the positive benefits of association with the nonproliferation norm, create strong incentives to comply with regime norms, rules, and provisions (Ruble 2009).

26.2.3. Consequences of Nuclear Proliferation

In a well-publicized work and subsequent debate with Scott Sagan, Kenneth Waltz (1981) suggests in his now classic *Adelphi* Paper monograph and later writings (1990) that the limited spread of nuclear weapons could be a stabilizing influence in international relations. The introduction of nuclear weapons establishes a degree of deterrence, and the uncertainty of where nuclear conflicts could lead and the certainty of the enormous destructiveness of any nuclear exchange, arguably inhibits the use of nuclear weapons in the first instance. Nuclear weapons impose significant constraints on states that retain them and therefore make wars more difficult and costly to start (Sagan and Waltz 1995). However, because of nuclear weapons, a constraint-provocation paradox has come into play; on the one hand, the unbearable costs of nuclear wars make the exercise of prudence and control ever more critical, lest crisis situations escalate to the nuclear level. This in particular would require steadfast, precise control by top civilian decision-makers. On the other hand, there may be a greater tendency to lower the escalation threshold and resort to tactical provocation, with the expectation—rightly or wrongly—that the other side may tolerate these actions to avoid risking nuclear war (Snyder and Diesing 1977, 450–62).

Sagan (1994; Sagan and Waltz 1995), on the other hand, argues that such Waltzian optimism is misplaced due largely to the ethnocentric assumption that states will act in a similar fashion to the United States and the Soviet Union during the Cold War. In particular, the new nuclear weapons states tend to be those where civilian control over the military is weak to nonexistent. This might allow the military's parochial interests, biases, and inflexible routines to prevail over or overrule more objective analyses of national interests, leading to deterrence failure and deliberate or accidental wars. In what follows, these particular arguments will be assessed with respect to some Asian examples.

26.3. EXPLAINING NUCLEAR POLITICS IN ASIA

How do these theoretical approaches match with Asia's nuclear realities? The picture is mixed to say the least, and encourages eclectic theorizing to explain outcomes in this policy area. As was pointed out earlier in the chapter, the end of the Cold War has yet to bring peace to Asia. Historical legacies, territorial disputes, divided states, and emerging rivalry continue to define the region's geostrategic landscape, even at a time of growing economic interdependence. India and Pakistan confront each other and have nearly launched nuclear attacks in the past decade in disputes concerning Kashmir. North Korea's nuclear provocation and the international community's inability to rollback Pyongyang's nuclear weapons program raises serious questions about the effectiveness of the nuclear nonproliferation regime. China's ongoing nuclear modernization coupled with its growing conventional ability to keep US forces at bay in the Western Pacific could over time undermine the credibility of America's security commitments to its allies in the region (Christensen 2012). Developments in Northeast Asia are particularly disturbing to nuclear order. North Korea's nuclear weapons program threatens to trigger a nuclear domino effect should US commitments to the security of Japan and South Korea be seen to falter. Meanwhile, China's continuing military buildup and its growing ability to prevent American intervention in a cross-Strait conflict could also cause Taiwan to reconsider its options (Campbell, Einhorn, and Reiss 2004).

North Korea's pursuit of its nuclear weapons program fits the realist hypothesis that states that face serious security threats, have little or a declining security guarantee, are disadvantaged in conventional military capabilities, and fear for their very survival have great incentives to go nuclear. These security concerns are particularly magnified in a case where Pyongyang sees no true friend that it can depend on, and where its interpretation of threats to security are not merely confined to physical harm—aggression or invasion, or simply military threats—but also threats to the survival of the regime itself (see Delury and Moon for a further expression of this argument). The DPRK regime is preoccupied with survival: hence its emphasis on *Juche* (self-reliance) principle and *Songun* (military first) policy. As a result, international sanctions designed to dissuade it from nuclear weapons programs only reinforce its resolve. And the harsh, repressive nature of the regime means that Pyongyang is unlikely to yield to international pressure regardless of how its people suffer as a consequence (Haggard and Noland 2012). North Korea's nuclear weapons program and its defiance of the international community—specifically its withdrawal from the NPT without any serious consequences beyond some limited sanctions—have seriously undermined the integrity of the treaty and the nonproliferation regime in general.

However, while external security threats provide strong impetuses for states to seriously consider the nuclear option—and indeed some have taken that path—whether or

not that option becomes state policy, and the extent to which the nuclear program thus undertaken can succeed, will depend to a large extent on a number of key domestic factors. Solingen's framework is effective in explaining Japan's policy on nuclear weapons. She makes the point that what is critical for Tokyo is the set of domestic constraints that impede the ability to make the political decision to cross the nuclear threshold. As the only country that has suffered the devastation of nuclear weapons, Japan has developed a strong nuclear aversion and deep sentiment for nuclear disarmament. In addition, there is a Japanese legal barrier to nuclearization. Japan's dependence on foreign resources and markets makes it highly sensitive to international pressure and potential punitive action should Tokyo pursue the nuclear option, which would be contravening the postwar Japanese economic strategy—"economy first"—developed by the Liberal Democratic Party (LDP) and continued to this day (Solingen 2007).

However, Japan's nuclear restraint is fundamentally contingent on continued US security protection through the latter's extended nuclear deterrence against potential threats to Japan's security. While Japan's peace constitution prohibits it from remilitarization, it demonstrates its concerns about US abandonment by having a defense expenditure that ranks Tokyo among the world's top military powers. It also maintains a well-equipped, albeit undersized, Self-Defense Force. What is more important in the context of the nuclear option is that with a fully developed and highly sophisticated nuclear infrastructure—large stockpiles of accumulated plutonium, spent fuel reprocessing capacity, and advanced nuclear technology—Japan has long been considered as a state with a virtual nuclear weapons capacity. If and when a political decision is made to go nuclear, it would be relatively easy for Japan, in technical terms, to cross the nuclear threshold (Hughes 2007, and Hughes in this volume). Indeed, "a combination of abandonment and anxiety might be the most lethal threat to Japan's nuclear restraint" (Ruble 2012, 165). Should that ever happen, there is likely to be a serious domino effect, with South Korea possibly following suit.

Security considerations may also drive Taiwan toward a nuclear option. While in recent years cross-Strait relations have much improved, there remain deep irreconcilable differences between the two sides. Overtime, the military balance is increasingly tilting toward the mainland and Taiwan's options are becoming more and more limited. In the past, Washington has successfully forced Taipei to give up its covert attempts to develop nuclear weapons, but the question lingers, especially were the United States to be perceived as incapable and unwilling to come to Taiwan's assistance should the mainland threaten the island's survival and force a resolution on unification (Ding 2012; Wang 2008).

The study of India's nuclear weapons development suggests that domestic factors have played an important role in determining the timing of India crossing the nuclear Rubicon (Perkovich 1999; Bajpai 2009). But ironically, this timing issue also reinforces the realist argument that security remains a forceful driver behind states' pursuit of nuclear weapons. A recent study of India's nuclear weapons development demonstrates a combination of domestic, normative, and realist arguments behind India's decision. It shows that New Delhi was prompted to develop nuclear weaponry

in the 1960s when its security environment seriously deteriorated in the aftermath of the Sino-Indian war of 1962—which dealt a humiliating defeat—and China’s subsequent nuclear test in 1964. However, Indian leaders chose not to do so, largely because they not only still believed in the immorality of nuclear weapons but also because they were assured of external support and hence some security protection. Both the Soviet Union and the United States were hostile to China at the time. With the ending of the Cold War, New Delhi reassessed its position once again. Its leaders came to the conclusion that its disarmament agenda and its diplomatic efforts had resulted in no major progress in that major nuclear weapons states continued to hold onto their large nuclear arsenals; at the same time, its security environment changed for the worse given China’s continued assistance to Pakistan’s nuclear and missile programs even as India was losing support from the former Soviet Union. This prompted India’s nuclear tests (Kennedy 2011).

Turning to China, its changing positions on nuclear proliferation have demonstrated the importance of norms and identity in affecting its policy over time. Prior to the early 1990s, Beijing not only refused to sign the NPT, it was also engaged in both conventional arms transfers and the provision of assistance for nuclear and missile programs in a number of developing countries, including Algeria, Iran, Saudi Arabia, and most prominently, its long-standing ally, Pakistan (Gill 1992). After the early 1990s, when Beijing finally signed the NPT, the Chinese government has introduced, strengthened, and implemented domestic export control regulations in line with its international and multilateral nonproliferation commitments and gradually become part of the solution rather than part of the problem (Medeiros 2007). While a reevaluation of the link between nuclear proliferation and the threat to its own security has been a key factor in Beijing’s change of policy, image considerations and the perceived need to comply with internationally accepted norms and expected behavior have also played an important role in that fundamental change (Johnston 2008).

How does Asia’s experience relate to the nuclear optimism-pessimism debates? In the South Asian context, pessimists such as Sagan challenge the central assumption that nuclear weapons bring stability. He notes in particular the importance of understanding the role of domestic actors and their relative power in making decisions with regard to such critical issues as nuclear tests, nuclear doctrines, weapons procurement, and crisis behavior or management (Sagan 2009). The central debate is focused on whether, and to what extent, the Cold War US-Soviet nuclear stability can be replicated in situations where new nuclear powers such as India and Pakistan—which are still deeply entangled in historical rivalry and tense territorial disputes, and for geographical reasons face shorter warning times—have strong incentives to engage in preventive wars (Karl 1996–97).

Nuclear optimists, on the other hand, argue that leaders are rational and nonsuicidal. They maintain that overt nuclearization in regions where perennial conflicts exist can deter these from escalating into full-scale wars, and therefore can contribute to strategic stability (Ganguly 2008). In the optimists’ view, Islamabad not only believes that nuclear weapons deter New Delhi from escalating the crises of the past

two decades to all-out conventional wars against Pakistan, but they also are the ultimate guarantor of the country's survival (Ganguly and Hagerty 2005).

The arguments regarding India and Pakistan are, then, finely balanced, but I argue that they tend toward the pessimistic. Given their geographical proximity and lack of warning time, were a decision made in either capital to use the nuclear option, both India and Pakistan face enormous pressure regarding the use or loss of their limited nuclear arsenals. On balance, the introduction of nuclear weapons into the subcontinent, instead of contributing to regional stability, creates opportunities for actions that are deeply destabilizing. Pakistan's asymmetric escalation nuclear posture—rapid first use of nuclear weapons in response to conventional attacks, for example—enables it to engage in revisionist, small-scale adventures without fearing India's major conventional military counterattacks, since New Delhi is concerned that this may trigger Pakistan's nuclear first use—or at least so Islamabad's rulers believe. There is an inherent risk in the intentional or inadvertent use of nuclear weapons since misperceptions and miscalculations potentially abound (Narang 2009–10).

26.4. ASIA'S NUCLEAR FUTURE

Asia amply demonstrates the proliferation challenges in what has been characterized as either abstention or predation in relation to the NPT (Fuhrmann and Berejikian 2012). The former, represented by India and Pakistan, describes situations where states seeking nuclear weapons simply decline to sign the relevant international treaties, in this case, the NPT. New Delhi refuses to sign the NPT because it sees it as fundamentally flawed and discriminatory; Pakistan because of India's refusal. Meanwhile, North Korea joined the NPT under pressure from the former Soviet Union and also signed the peninsula nonnuclearization pact with South Korea, but apparently never intended to fulfill its obligations. When confronted with evidence of noncompliance, it simply withdrew from the NPT, a blatant display of defiance of international nonproliferation norms.

As this chapter has demonstrated, nuclear politics in Asia have been informed by a combination of security concerns, domestic factors, and nuclear nonproliferation norms. For states that have already acquired nuclear weapons, national security strategies, deterrence, and stability-instability dynamics will continue to influence critical decisions on nuclear modernization and nuclear weapons deployment, especially where perceptions of threats, ongoing disputes, and emerging rivalry continue to cast a long shadow over the nuclear future. In other words, unless there are fundamental changes in their security environments for the better, Asia's nuclear weapons states will not easily give up on their nuclear arsenals (Alagappa 2008).

However, for the nuclear threshold states that face volatile and uncertain security environments, external threats will have a strong impact on domestic debates and nuclear policies. Japan, South Korea, and Taiwan have all contemplated the nuclear

option and indeed the latter two even started covert nuclear weapons programs of their own, only to be reversed and forced to give up as a result of strong US pressure and threats, coupled with renewed security assurances and pledges of extended deterrence. Given the democratic political structure of all three states, domestic factors have been critical in their nuclear debates and nuclear decisions, and will likely remain so in the foreseeable future. For the time being, the domestic factors in all three states work against the nuclear option. But it is not impossible to imagine scenarios in which fundamental changes in their security environments, coupled with nuclear-inclined strong leaders, could overcome domestic institutional constraints and shape debates more favorable to the acceptance of nuclear weapons as part of their security architectures.

The role of the NPT remains limited in influencing states' decisions whether to pursue or give up nuclear weapons programs. This is because the treaty is ill suited to deal with hard cases. Fundamentally, if states feel threatened, and if there is no other recourse, then there are strong incentives to go nuclear. Granted, whether states can successfully develop a nuclear program and eventually acquire nuclear weapons depends on many factors, but security concerns first and foremost comprise the key reason that affects such critical decisions (Bergner 2012).

China's nuclear and conventional missile developments and its anti-access/area-denial (A2/AD) strategy pose a serious threat to US power projection in the western Pacific, its ability to intervene during crises, either to protect its own interests or to support and protect allies and partners in the region. These Chinese policies therefore undermine the credibility of US extended deterrence, even though Beijing perceives these policies as being imperative in ensuring the survivability of its limited nuclear second-strike capability. With China deploying antiship and land attack ballistic and cruise missiles with extended ranges and improved precision, US forward-based troops, depots, and naval forces at sea such as aircraft carrier battle groups could become vulnerable targets. US allies and partners, concerned with the specter of being attacked, may become reluctant to provide bases to the US military. Coupled with steep cuts in defense budgets in the coming years, America's commitments to Asia have to undergo significant changes and adjustments to meet the new challenges (Mahnken 2012).

The United States has always been and will remain a key factor in Asia's nuclear developments in three critical ways. First, its nuclear posture and related military doctrine will have an important impact on China's nuclear modernization efforts. A robust, multilayered missile defense system, conventional long-range precision strike capabilities, and C⁴ISR capable of tracking Chinese missiles could threaten China's small nuclear arsenal and subsequently result in the expansion of China's nuclear forces, development of countermeasures, and even the adoption of launch on warning (LOW) or launch under attack (LUA), as its no-first-use posture is being challenged (Bolt and Willner 2006; Gompert and Saunders 2011; Fingar 2011). China's actions could in turn trigger an Indian response, including building up its nuclear capabilities, a move that surely will lead to Pakistan doing the same. Managing this delicate nuclear balance, even an asymmetrical one, is critical for regional stability.

Second, the security assurance and commitments that Washington can and should provide to its allies will go a long way toward mitigating their concerns over North Korea's nuclear weapons program and China's growing military power, and therefore prevent a nuclear domino effect that otherwise might well take place without such security guarantees (Tertrais 2012). Third, the United States remains a critical force in sustaining and strengthening the nuclear nonproliferation regime, which provides the universally accepted norms and sets the benchmarks for expected behavior in nuclear nonproliferation. Despite the setbacks in the past twenty-five years, the NPT and the other important elements of the regime, from IAEA to NSG, have slowed down if not completely prevented further proliferation. In this context, how to contain North Korea's nuclear proliferation activities and bring the region's de facto nuclear weapons states under the rubric of the nonproliferation regime or at least commit both India and Pakistan to acceptable nonproliferation practices also depends on US leadership. Important too are Chinese policies, including the state of its relations with these key states, and its developing strategic nuclear doctrine.

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CHAPTER 27

TERRITORIAL AND MARITIME BOUNDARY DISPUTES IN ASIA

M. TAYLOR FRAVEL

TERRITORIAL disputes involve a state's national sovereignty and territorial integrity—its core interests. Historically, they have been the most common issue over which states collide and go to war. Decisions by top political leaders either to use force or to settle these disputes have enormous consequences for peace and stability in international relations. Nowhere are such disputes more important today than in Asia, where shifting power dynamics are changing the context in which states pursue their territorial claims. Some states, such as China and India, for example, are now more capable of pursuing their claims than in the past.

A territorial dispute is typically defined as a conflicting claim by two or more states over the ownership or sovereignty of the same piece of land. This definition includes disputes over land borders as well as disputes over offshore islands, such as the Spratly Islands in the South China Sea. Nevertheless, the focus on territorial sovereignty over land excludes conflicts over maritime boundaries, which can occur when the exclusive economic zones or extended continental shelves of two states overlap. This chapter will consider both territorial and maritime boundary disputes, as the latter have grown in importance over the past two decades and in some cases are intertwined with claims to sovereignty over offshore islands and rocks.

Below, I examine patterns of conflict and cooperation in Asia's territorial disputes since 1945. Although the temporal scope of this chapter is broader than some of the others in this volume, it situates recent trends in these conflicts within a wider context. The analysis reaches several conclusions:

First, Asia has been more prone to conflict over territory than other regions in the world. Asia also accounts for the greatest number of disputes over territory that have become militarized and that have escalated into interstate wars. Since 1945, disputes in Asia have also been resistant to settlement, accounting for the lowest rate of settlement when compared with other regions. Most importantly, Asia today has far more territorial disputes than any other part of the world. When combined with the rise of new

powers, which are involved in multiple territorial disputes, such conflicts are poised to become an increasing source of tension and instability in the region, especially the disputes over offshore islands and the demarcation of maritime boundaries.

One caveat is necessary before proceeding. The chapter does not examine the initiation of disputes in the region, namely, the original decisions by national leaders to lay claims to specific territory. The origins of many disputes lie in the period before 1945. Those disputes that erupted after 1945 are often linked with the creation of newly independent states with unclear or poorly delimited boundaries with their neighbors. In general terms, they are linked with the creation of newly independent states through either revolution or decolonization and the absence of clearly defined boundaries in many of the political entities in the region before colonization.

The chapter unfolds as follows. The first section examines scholarship on conflict and cooperation in territorial disputes from the literature on international relations. The second section turns to overall trends in these disputes in Asia, comparing them with other regions in the world to demonstrate that Asia has been the one region, past and present, with the greatest number of territorial disputes. The following two sections examine in greater detail the sources of conflict and cooperation in Asia since 1945. The last two sections consider the current situation, examining the characteristics of active territorial disputes in the region and the rise of disputes over maritime boundaries.

27.1. TERRITORIAL DISPUTES IN INTERNATIONAL RELATIONS

Territorial disputes play a central role in international relations. Existing research has demonstrated a clear relationship between the presence of a territorial dispute between two states and the probability of the dispute becoming militarized (Vasquez and Henehan 2001). Moreover, contested land has historically been the most common issue over which states wage war. John Vasquez has suggested that territorial disputes have been associated with between 80 and 90 percent of all wars (Vasquez 1993). Finally, territorial disputes are associated with what scholars call enduring or strategic rivalries among states, namely, relationships characterized by frequent threats or uses of force (Thompson 2001). Territorial disputes are sometimes a cause of these rivalries and sometimes a symptom of broader conflicts of interest that create the rivalry. If territorial disputes can increase the odds of armed conflict between states, then the successful resolution of such disputes contributes to peace by eliminating an important opportunity for conflict. In many cases, territorial settlements can mark the end of a rivalry, even if only as a reflection of improved relations between two states (Huth 1996a; Rasler and Thompson 2006).

Territory and armed conflict are related for several reasons, which can be summarized pithily as national interests and nationalism. Often disputed territory is highly

valued for material reasons, usually the land's underlying strategic or economic importance (Hensel 2000; Hensel 2001, 81–109; Huth 1996b, 2000; Huth and Allee 2002). Territory is also important for symbolic reasons because it is viewed in terms of a state's national identity or as an inherent part of the integrity of the state. Scholars, for example, discuss territorial disputes as an issue that is indivisible, or appears to be so, and is thus much more difficult to settle (Goddard 2006; Hassner 2003; Hensel and Mitchell 2005). Many times, of course, the material and symbolic value of territory becomes intertwined, especially when disputes intensify before domestic audiences who do not wish to see their leaders admit defeat over something as fundamental as national sovereignty. In addition, the symbolic nature of territorial disputes may both lower the costs for leaders to use force and create greater pressure for leaders to use force when challenged. Nondemocratic states may be more likely to use force because they are less constrained than democracies and perhaps more reliant on symbolic politics to maintain legitimacy. Finally, as one of the primary purposes of armed forces is to seize and hold territory from an adversary, territorial disputes can be particularly prone to threats or uses of force when compared to other types of dispute, such as those over trade (Huth 2000).

Nevertheless, even those disputes that are highly prone to conflict rarely escalate. Escalation often occurs because of the dynamics of the security dilemma, a concept discussed in greater depth in Lind's chapter in this volume (see also Jervis 1978). Because territorial disputes involve conflicting claims to sovereignty over the same area, policies to strengthen claims that one state views as inherently defensive can be seen by its adversary as challenging and offensive. When sovereignty is contested, the consolidation and defense of a territorial status quo can be viewed as aggressive, especially when it entrenches a disadvantage for one side. As a result, both participants in a dispute may see their own actions as defensive responses to the other side's aggression, resulting in spirals of hostility as each seeks to bolster its claims and relative position (Christensen 2002). In this context, states should be especially sensitive to their ability to control the land that they claim, which will be critically shaped by the actions and capabilities of the opposing side in the dispute (Fravel 2008).

At the same time, states can and do settle their disputes over territory. Many of the reasons why states might settle such disputes are the inverse of those linked with escalation. All things being equal, disputes over less salient territory should be easier to settle than disputes over highly valued territory. Although the settlement of disputes has received less attention in the literature overall, empirical studies demonstrate several regularities with respect to the settlement of disputes (Hensel 2000, 2001; Huth 1996b, 2000; Huth and Allee 2002). First, states are more likely to settle disputes in instances in which states are allies and broadly share common security interests, which raise the costs of conflict between them. Second, states are more likely to pursue settlements when they are both democracies. Third, states are more likely to settle disputes when the territory is less valuable. Fourth, paradoxically, when states are stronger militarily, they are more likely to offer concessions necessary to settle disputes. However, as allies and pairs of democratic states are relatively rare, both the material value of the territory as well as superior military capabilities would seem to account for the majority of settlements.

Even then, however, the factors linked with those disputes more likely to be settled shed little light on when and why national leaders may make such important decisions. Part of the answer lies in the broader context in which states pursue their territorial claims. A state should be most likely to compromise and offer concessions to counter either internal or external threats to its security that shift the relative value of the territory being disputed. Any dispute with another state carries some price or opportunity cost, usually forgone military, economic, or diplomatic cooperation. When these costs outweigh the value of the land at stake, compromise becomes more attractive than holding out or using force. As a result, a state may use territorial concessions for aid from the opposing state as a means of ameliorating the more pressing or immediate threats that it faces. External threats to the security or survival of the state are one source of compromise. When engaged in acute competition with a rival, for example, a state can use territorial concessions to form an alliance with a third party against its adversary. Internal threats to the strength and stability of a state offer a second reason for compromise. When faced with an armed rebellion, for instance, a state can trade territorial concessions for assistance from neighboring states, such as policing the border or denying safe haven to insurgents (Fravel 2008).

27.2. ASIA'S TERRITORIAL DISPUTES IN COMPARATIVE PERSPECTIVE

As a region, Asia has witnessed more territorial disputes, and more armed conflicts over disputed territory, than any other region in the world. In 2000, Asia also accounted for almost 40 percent of all active territorial disputes worldwide. This section examines these claims using a data set that was created by Paul Huth and his collaborators (Allee and Huth 2006a, 2006b; Huth 1996a; Huth and Allee 2002). This data allows for the comparison of overall trends in cooperation and conflict in territorial disputes across regions. Subsequent sections will examine Asia more closely and extend the time frame of analysis from 2000 to 2012. Consistent with this volume, Asia as a region includes Northeast Asia, Southeast Asia, South Asia, and Central Asia.

A comparison of trends in Asia's territorial dispute with other regions of the world is revealing. First, between 1945 and 2000, Asia experienced more territorial disputes than any other part of the world. As table 27.1 shows, Asia accounts for 28 percent of all disputes during this period. In absolute terms, Asia's share of worldwide territorial disputes is partly an artifact of the large numbers of states in the region, and thus increased opportunities for conflict over territory. Nevertheless, the high incidence of territorial disputes cannot be attributed solely to this. During this same period, sub-Saharan Africa has had slightly more states than Asia, but accounts for only 18 percent of worldwide territorial disputes. In addition, Asia has had the highest number of disputes per state (roughly two), along with the Middle East and North Africa.

Table 27.1 Cooperation and Conflict over Disputed Territory by Region, 1945–2000

	% of Total Disputes		% of Militarized Disputes		Wars	% of Wars		% of Settlements Through Arbitration		Active (in 2000)	% of Active (in 2000)
	Disputes	Militarized Disputes	Disputes	Militarized Disputes		Settlements	Through Arbitration	Settlements	Through Arbitration		
<i>Africa</i>	30	18%	10	14%	2	10%	17	18%	3	13	18%
<i>Americas</i>	19	12%	9	13%	2	10%	10	11%	4	9	13%
<i>Asia</i>	46	28%	24	34%	7	33%	19	20%	4	26	38%
<i>Europe</i>	30	18%	6	8%	2	10%	21	23%	2	9	13%
<i>MENA</i>	39	24%	22	31%	8	38%	26	28%	4	12	18%
Total	164		71		21		93		17	71	

Source: Huth territorial dispute data set. Militarized disputes exclude those that escalated to "wars." "Settlements" includes those that were reached through arbitration.

Second, Asia has experienced more armed conflict over territory than any other region. As table 27.1 demonstrates, Asia accounts for 34 percent of territorial disputes worldwide that have become militarized. Put differently, more than half of territorial disputes in Asia have experienced the threat or use of force and become what scholars of international relations describe as a militarized interstate dispute (Jones, Bremer, and Singer 1996). Moreover, militarized disputes over territory in Asia were much more likely to result in an interstate war than such disputes in other regions, with the exception of the Middle East and North Africa. Asia accounts for about 33 percent of all interstate wars over territory from 1945 to 2000, as more than one-quarter of the region's militarized disputes escalated into wars.

Third, territorial disputes in Asia have been more resistant to settlement than those in other regions. Asia accounts for only 20 percent of all territorial disputes that were settled between 1945 and 2000, while the Middle East and North Africa account for the greatest number of settlements. Put differently, only 42 percent of territorial disputes in Asia were settled during this period. The use of international arbitration as a mechanism for resolving territorial disputes in Asia is similar to other regions. The Americas, the Middle East, and Asia each account for around 24 percent of settlements reached through some form of arbitration. Interestingly, despite being the most institutionalized region in the world, Europe has had the fewest number of disputes settled through arbitration.

Finally, by 2000, Asia accounted for 38 percent of all unresolved territorial disputes in the world. The region with the second highest number of active disputes, Africa with thirteen, had roughly half as many disputes as Asia. If the territorial disputes are associated with armed conflict and war, the large number of unresolved disputes in the region should concern scholars and policymakers alike.

The remainder of this chapter examines conflict and cooperation in Asia's disputes in more detail. One important housekeeping note is necessary before proceeding. For the purposes of comparison, the analysis above uses Huth's data without any alterations or amendments in order to ensure consistent comparisons across regions. The analysis below presents a more detailed review of disputes in Asia. As a result, it includes some disputes that were not in Huth's data and extends the scope of analysis by twelve years, from 2000 to 2012, to capture additional episodes of escalation and settlement.¹ As a result, the total number of disputes, militarized episodes, and settlements will differ from the data presented above.²

27.3. ARMED CONFLICT OVER TERRITORY IN ASIA

In addition to having more disputes than any other region, Asia's disputes have also been more prone to becoming militarized than in other parts of the world. Those

militarized disputes have been more likely to result in devastating interstate wars, even though the frequency of war in the region overall has declined in the past two decades.

A closer look at the escalation of territorial disputes in Asia reveals several key trends. First, as figure 27.1 shows, the militarization of disputes in Asia peaked from the 1950s to the mid-1960s. This was a period when new states were formed, some through revolutions, and newly installed national leaders were seeking to consolidate control. During this period, newly established states clashed with colonial powers in the region as they sought to complete the pursuit of independence, such as Indonesia's conflict with the Netherlands over West Irian Jaya. Other armed conflicts arose as new states sought to consolidate control over their boundaries. As precise borders were often absent, clashes occurred as frontiers were garrisoned. In 1959, for example, Indian and Chinese forces clashed several times as China pursued Tibetan rebels who had fled south and India moved forces north to secure its border with China. These clashes set the stage for the border war that occurred in 1962 (Fravel 2008).

Second, over time the frequency of militarized conflicts in territorial disputes has declined. At the end of the Cold War, many scholars predicted that the region would be characterized by increasing conflict over territory following the collapse of bipolarity and the instability that this would generate (Betts 1993; Friedberg 1993–94). This prediction, however, is not supported by the data during the period being examined. The frequency of militarized disputes over territory has steadily declined since 1992. As

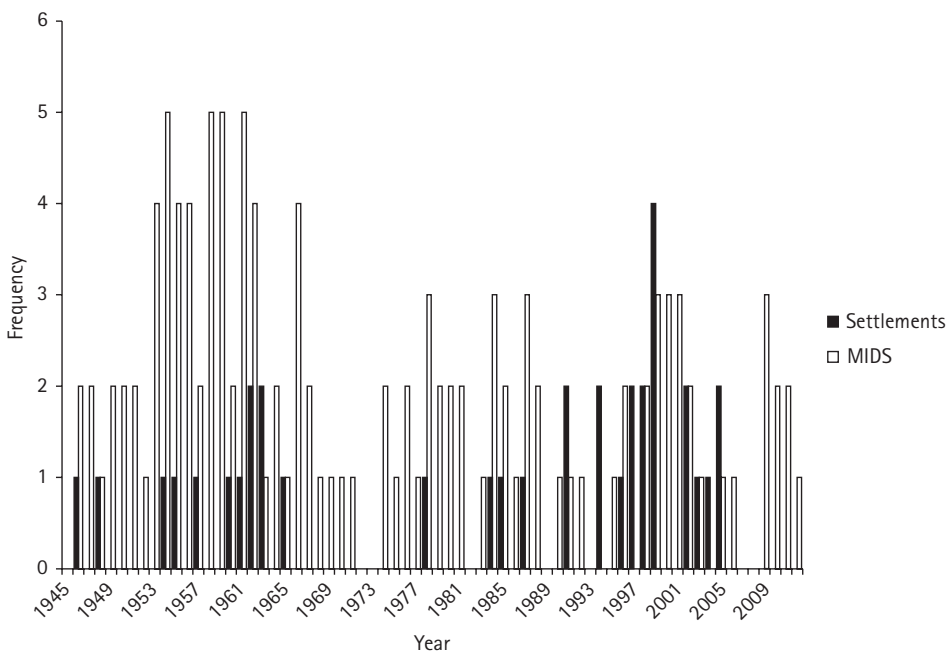


FIGURE 27.1. Escalation and Settlement of Asia's Territorial Disputes, 1945–2012.

discussed later in the chapter, shifting power balances may increase conflict over territory in the region in the future.

Third, the militarization of Asia's disputes has not been distributed evenly across all disputes. Instead, consistent with research on enduring rivalries and territory, three disputes account for about 40 percent of episodes of dispute militarization in the region. The dispute between North and South Korea over unification of the peninsula accounts for eighteen of the region's 102 militarized episodes over territory. The disputes between India and Pakistan, especially over Jammu and Kashmir, witnessed twelve such episodes, while various disputes between China and Vietnam account for ten. Each of these relationships would be considered as a rivalry, consistent with the role that security dilemma dynamics can play in the escalation of disputes. The disputes between the two Koreas and India-Pakistan concern national unification, arguably the most salient of all territorial disputes and the ones where the expected utility of using force would be highest.

Fourth, participation in militarized disputes over territory is also concentrated in a small number of countries. Some instances of militarization have involved pairs of nondemocratic states, while others have involved one democratic and one nondemocratic state. Not unsurprisingly, the Koreas and India-Pakistan are among the most frequent participants in the region's militarized disputes (see also chapters by Delury and Moon, Snyder and Easley, and Ganguly in this volume).³ In addition, China has participated in more instances of militarized conflicts over territory than any other state, a total of thirty-six times. As China has been involved in twenty-three territorial disputes, however, this high rate of participation is not surprising.

Since 1945, seven wars over disputed territory have occurred in Asia. Five of these wars occurred between the late 1940s and the mid-1970s, including the 1947–48 India and Pakistan war, the Korean War (1950–53), the China-India Border War (1962), the Vietnam War (1965–75), and the 1965 India-Pakistan War. The last two wars occurred in the mid-1980s (the 1984–85 border clashes between China and Vietnam) and the late 1990s (the 1999 Kargil war between India and Pakistan). Thus, the distribution of wars over time is consistent with newly established or newly independent states seeking to consolidate the territorial integrity of their states.⁴

The two deadliest wars over territory were total wars of national unification, not limited wars over a section of a border or an offshore island. These were both the longest and deadliest wars involving disputed territory in the region. The first is the war between North and South Korea to unify the Korean peninsula under one government. This conflict escalated to the international level, involving direct fighting between the United States and China. The second total war over territory was the war between North and South Vietnam to unify Vietnam under one government. Similarly, this escalated into a conflict involving the United States and other allied forces against a smaller but nevertheless significant contribution of Chinese troops. Such total wars, however, are perhaps less likely in the future than they were in the past.

The other five wars over territory in Asia have been fought over more limited aims. Most of these conflicts include portions of a disputed land border. The dispute over

Kashmir comes closest to a territorial dispute involving national unification, though not a total war like Korea or Vietnam. It is perhaps unsurprising that India and Pakistan have gone to war three times over Kashmir: in 1947 during the process of independence, in 1965, and again in 1999.

In addition, the regional powers have fought in multiple wars. China has clashed with India and Vietnam over contested boundary claims. As discussed above, India has fought with Pakistan as well as China. One important exception is Japan, which has not fought a war over territory since 1945.

Finally, at least at the level of war, armed conflict over territory in the region does not seem to have increased following the end of the Cold War. Although Pakistan and India clashed over Kargil in 1999, it would be hard to attribute this conflict to a change in the structure of the international system following the collapse of the Soviet Union, especially as India and Pakistan clashed before the end of the Cold War for similar reasons.

Nevertheless, three territorial disputes that resulted in wars remain and all of these involve questions of national unification, which have the potential—however unlikely—to escalate into major military conflicts. Although tensions across the Taiwan Strait have been reduced following the election of Ma Ying-jeou in 2008, the same cannot be said for relations between India and Pakistan or North and South Korea. As a result, opportunities for war over territory remain in the region.

27.4. COOPERATION OVER TERRITORY IN ASIA

Between 1945 and 2012, approximately thirty-four territorial disputes in Asia among twenty-seven pairs of states have been settled. More than half of these settlements were territorial disputes in which China was a participant.⁵

The characteristics of those territorial disputes that were settled are inconsistent with two of the major empirical regularities from the literature on territorial disputes. First, all but two of the agreements reached to settle territorial disputes listed in table 27.2 were between two nondemocracies.⁶ This raises the intriguing possibility that nondemocratic states less directly accountable to mass publics might have more flexibility in when and how they settle their territorial disputes. Second, few of the disputes settled in the region involved those among allies. The main exception is China–North Korea, as the two states had signed a treaty the year before settling their disputed boundary in 1962 (Fravel 2008).

Instead, what may be most relevant from the literature is the underlying value of the territory. The vast majority of settlements focus on territorial disputes over land borders, not offshore islands. Only four of the thirty-four disputes settled were over offshore islands. Although in some cases these land border disputes are vast, such as

Table 27.2 Asia's Territorial Disputes, 1945–2012

Land Borders and Areas	Countries	Year Settled	Summary	
	Afghanistan	Russia	1946	Penjeh, Islands in Amour and Pyandzh rivers, disputes over river borders
	Pakistan	India	1948	Area of Junagadh
	India	France	1954	Borders of French enclaves; French control over Pondichery, Karikal, Mahe, and Yanam
	China	Russia	1955	Call for termination of Soviet base rights at Port Arthur and withdrawal of Soviet forces
	China	Myanmar	1960	Three sectors along the border
	China	Nepal	1961	Land border areas adjacent to Tibet
	India	Portugal	1961	Portuguese enclave of Goa
	China	Mongolia	1962	Land border areas, including Bogeda and Beita Mountains
	China	DPRK	1962	Changbai/Paekdu Mt. and islands in Tumen and Yalu Rivers
	China	Afghanistan	1963	Wahkan Corridor
	China	Pakistan	1963	Land border areas including parts of Pakistan-controlled Kashmir
	India	Pakistan	1965	Rann of Kutch
	China	United Kingdom	1984	Island of Hong Kong and the New Territories
	Cambodia	Vietnam	1985	Preah Vihear Temple area
	China	Portugal	1987	Macau
	China	Laos	1991	Land border areas
	China	Russia	1991	Eastern sector of the land border
	China	Russia	1994	Western sector of the land border
	China	Kazakhstan	1994	Land border areas, including Ala Pass
	China	Kyrgyzstan	1996	Land border areas, including Khan Tengri and Irkeshtam
	China	Kazakhstan	1997	Land border areas, including Khan Tengri
	China	Kazakhstan	1998	Land border areas, including Sary-Chilydy and Chogan Obo
	China	Kyrgyzstan	1999	Land border areas, including the Uzengi Kush
	China	Vietnam	1999	Land border areas
	China	Tajikistan	1999	Land border areas
	Portugal	Indonesia	1999	Refusal to recognize Indonesian annexation of East Timor and maintaining rights
	China	Tajikistan	2002	Land border areas, including the Pamir Mountains

(Continued)

Table 27.2 (Continued)

Land Borders and Areas		
Countries	Year Settled	Summary
Uzbekistan	2002	Land border areas
Uzbekistan	2003	Land border areas
China	2004	Hexiazi/Black Bear Island and Abagaitu Shoal
Kazakhstan	2005	Land border areas
Kazakhstan	2005	Land border areas
Afghanistan		Durand line; desire for incorporation of Pathan-populated territory
Cambodia		Preah Vihear Temple area
China		Land border areas
China		Island of Taiwan
India		Disputes over three sectors on land border plus area adjacent to Pakistan occupied Kashmir
India		Junagadh area
India		Land border areas
Kyrgyzstan		Land border areas
Malaysia		Areas adjacent to the Golok River
North Korea		Korean peninsula
Pakistan		Jammu and Kashmir
Philippines		Philippine claims to Sabah State
Thailand		Areas along Mekong River and in Ban Rom Klao region
Timor Leste		Land border areas
Uzbekistan		Land border areas
Uzbekistan		Land border areas, including Isfara valley delimitation
Offshore Islands		
Countries	Year Settled	Brief Summary
China	1957	White Dragon Tail Island in the Gulf of Tonkin
Papua New Guinea	1978	Islands along coastline
Indonesia	1997	Sipadan and Ligitan Islands

Malaysia	Singapore	1998	Pedra Branca Island
Cambodia	Vietnam		Offshore islands in the Gulf of Thailand
China, Taiwan, Vietnam, the Philippines, Malaysia, Brunei	China, Vietnam, the Philippines, Malaysia, Brunei		Spratly Islands in the South China Sea
China	Vietnam		Paracel Islands in the South China Sea
China	Japan		Senkaku Islands in the East China Sea
China	Philippines		Scarborough Shoal in the South China Sea
France	Vanuatu		Matthew and Hunter Islands in the South Pacific
Japan	Russia		Kurile Islands
South Korea	Japan		Dokdo/Takeshima Islands in the Sea of Japan
Maritime Boundaries			
Countries			
		Year Settled	Description
Indonesia	Malaysia	1969, 1970*	Overlapping boundaries in Malacca Strait and South China Sea; dispute remains over EEZ delimitation in the Celebes Sea
Australia	Indonesia/East Timor	1972, 1989, 1997*	Delimitation of the Timor Sea; dispute over maritime boundary remains between East Timor and Indonesia
Indonesia	Singapore	1973, 2009	Territorial waters and EEZ claims in Straits of Singapore
Japan	South Korea	1974*	Partial delimitation of maritime border; Dispute remains over EEZ delimitation near around Dokdo/Takeshima Islands
Thailand	Vietnam	1997	Overlapping claims in the Gulf of Thailand
Indonesia	Vietnam	2003*	Continental shelf agreement in the South China Sea; dispute remains over EEZ delimitation
Brunei	Malaysia	2009	Territorial waters and EEZ claims in South China Sea
Bangladesh	Burma	2009	EEZ claims in the Bay of Bengal; adjudicated by International Tribunal on the Law of the Sea in 2012
China	Vietnam	2000*	EEZ delimitation of Gulf of Tonkin; dispute remains over southern part of the Gulf
China	North Korea		Overlapping claims in the Yellow Sea
Cambodia	Thailand		Overlapping claims in Gulf of Thailand
Cambodia	Vietnam		Overlapping claims off Cambodia's coast and in Gulf of Thailand
China	Philippines		Dispute over EEZ delimitation, including waters around Scarborough Shoal
China/Taiwan	Japan		Overlapping claims in East China Sea
East Timor	Indonesia		Overlapping claims in Timor Sea
China	South Korea		Overlapping claims in the Yellow Sea

(Continued)

Table 27.2 (Continued)

Maritime Boundaries		
Countries	Year Settled	Description
North Korea	South Korea	Overlapping claims in Yellow Sea, including Northern Limit Line
Japan	Russia	Overlapping claims, including around Kuril Islands
Japan	Philippines	Overlapping claims in East Philippine Sea
Indonesia	Philippines	Overlapping claims in Celebes Sea
Malaysia	Philippines	Overlapping claims in South China Sea, Sulu Sea and Celebes Sea
China, Taiwan, Vietnam, the Philippines, Malaysia, Brunei, and Indonesia		Overlapping claims, based on competing claims to Spratly Island and China's "nine-dashed line" in the South China Sea
Indonesia	Palau	Overlapping claims
Indonesia	Palau	Overlapping claims
Bangladesh	India	Overlapping claims in the Bay of Bengal
India	Pakistan	Overlapping claims from Gwatar Bay outward
Brunei	Vietnam	Overlapping claims in the South China Sea
Azerbaijan	Turkmenistan	Overlapping claims in Caspian Sea

Notes: Taiwan is included as a land dispute, given its size, population, and role in the politics of China's unification. For disputes referred to binding arbitration, "year settled" refers to the year the dispute was referred to an international tribunal. An asterisk (*) indicates a partially settled maritime boundary.

Sources: CIA 2012; Fravel 2008; Guo 2009; Huth 2002; Presscott and Schofield 2005; Lexis-Nexis searches.

the dispute between India and Pakistan over Kashmir, or India and China over three sectors along their shared boundary, many of the disputes involved smaller parcels of land.

Over time, as shown in figure 27.1, settlements appear to have occurred in two waves, the early 1960s and the 1990s. As discussed below, this pattern is associated with the settlement of disputes involving China. Nevertheless, it is noteworthy for several reasons. First, contrary to arguments that the collapse of bipolarity would produce an increase in wars and conflicts suppressed by Cold War competition, Asian states have been able to settle their disputes before and after the Cold War. The vacuum of power to the extent that it occurred did not prevent the settlement of disputes.

27.4.1. China's Settlement of Territorial Disputes

China's large share of all territorial settlements in Asia warrants further discussion. China has settled seventeen of its twenty-three territorial disputes. In fifteen of these seventeen cases, the disputes were settled when China offered significant compromises over the territory being contested.⁷

Several factors explain China's willingness to compromise in disputes on its long land border and not in other disputes. First, the territory being contested along China's land borders is generally less valuable than offshore islands or homeland territories such as Taiwan. All things being equal, states are more likely to cooperate in their less salient disputes. China is no exception here. Second, China's strength in the local military balance along its land borders has reduced the potential risks of compromising with opposing states. With a large standing army, China has greater leverage in disputes on its land border, where it can most easily project power, decreasing the chance that other states will perceive territorial concessions as a sign of weakness. The low value of contested land and high level of military power indicate why China has more frequently pursued compromise over its frontiers than over offshore islands or homeland areas. Nevertheless, neither factor can account for the variation over time in China's willingness to compromise nor explain why, in each case, China chose to do so. The value of contested land and the strength of the PRC's claims have mostly been constant in China's land border disputes since 1949, but its willingness to compromise has varied widely (Fravel 2005, 2008).

With one exception, China has only settled disputes on its long land border because its territorial conflicts are intertwined with the varied challenges of maintaining its territorial integrity as a large and multiethnic state (see also Shirk's discussion of Chinese motivations, chapter 20). Ethnic geography, or the location and distribution of ethnic groups, largely defines the different goals that China's leaders have pursued in their country's territorial disputes. The PRC's ethnic geography consists of a densely populated Han Chinese core, a large but sparsely populated non-Han periphery, and unpopulated offshore islands. In territorial disputes on their country's land border, China's

leaders seek to maintain control over vast borderlands populated by ethnic minorities that were never ruled directly by any past Chinese empire. In homeland disputes, China's leaders seek to unify what they view as Han Chinese areas not under their control when the PRC was established in 1949, namely Hong Kong, Macao, and Taiwan. In offshore island disputes, China's leaders aim to secure a permanent maritime presence among unpopulated rocks and islands far from the mainland that is linked with economic and strategic factors (Fravel 2005, 2008).

Internal threats to regime stability and security best explain China's willingness to compromise in its many territorial disputes. China has offered concessions in each and every dispute along its land border but not in any homeland disputes, and in only one offshore island dispute. Ethnic minorities who have maintained strong social and economic ties with neighboring states and harbored aspirations for self-determination live in many of the frontier areas near China's borders. When faced with internal threats, especially ethnic unrest in the frontiers, China's leaders have been much more willing to offer concessions in exchange for assistance that strengthens the state's control over these regions, such as denying external support to rebels or affirming Chinese sovereignty over the areas of unrest (Fravel 2005, 2008).

The first wave of settlements involving China occurred in the early 1960s. In 1959, a revolt in Tibet sparked the largest ever internal threat to the PRC's territorial integrity. The outbreak of this revolt dramatically increased the cost of maintaining disputes with states adjacent to Tibet (Burma, Nepal, and India). China offered concessions in its conflicts with these states in exchange for their cooperation in eliminating external support for the rebels and affirming Chinese sovereignty over Tibet. In the spring of 1962, China faced renewed ethnic unrest in the frontiers, especially Xinjiang, during the economic crisis following the failure of the Great Leap Forward. This combination of internal threats to both territorial integrity and political stability increased the cost of contesting land with its neighbors. China pursued compromise in disputes with North Korea, Mongolia, Pakistan, Afghanistan, and the Soviet Union in order to rebuild its economy and consolidate state control by easing external tensions (Fravel 2005, 2008).

Similar threats explain the second wave of settlements throughout the 1990s. In 1989, the upheaval in Tiananmen Square posed an internal threat to the stability of China's socialist system of government. This legitimacy crisis, which the weakening of other Communist parties worldwide exacerbated, increased the cost of maintaining territorial disputes with its socialist neighbors (Soviet Union, Laos, and Vietnam). China traded concessions in exchange for cooperation to counter its diplomatic isolation and ensure the continuation of economic reforms. Soon after Tiananmen, ethnic unrest in Xinjiang posed a new internal threat to the state's territorial integrity. The armed uprisings and demonstrations increased the price for pressing claims against neighboring Kazakhstan, Kyrgyzstan, and Tajikistan. China compromised in these disputes in exchange for assistance to limit external support for Uighur separatists (Fravel 2005, 2008).

27.4.2. International Institutions and Territorial Disputes in Asia

International institutions have not featured prominently in the settlement of territorial disputes. On this score, Asia is like any other region. The role of two international institutions is discussed below: the Association of Southeast Asian Nations (ASEAN) and the Shanghai Cooperation Organization (SCO).

ASEAN and the South China Sea: Four of the ten states in ASEAN claim some or all of the land features known in the South China Sea as the Spratly Islands, which China and Taiwan also claim. Vietnam also claims the Paracel Islands along with China and Taiwan. In the past, action taken by ASEAN has helped to manage the potential for escalation of these disputes. Nevertheless, ASEAN itself lacks the ability to facilitate the resolution of the underlying claims (see also Goh's chapter in this volume).

In the late 1980s, the dispute over the Spratlys escalated when China executed a plan to seize disputed features not currently occupied by other claimants. China's seizure of Fiery Cross Reef in January 1988 sparked a spiral of instability as China and Vietnam raced to seize adjacent features that had not yet been occupied by any of the claimants (Fravel 2008). In March, China and Vietnam clashed over Johnson Reef. The situation remained tense for several more years. In 1992, ASEAN moved to take action, issuing its first statement on the South China Sea. It also moved to create the ASEAN Regional Forum (ARF), an annual meeting involving a much larger number of states with interests in the region such as the United States, in response to concerns about instability (Leifer 1996).

ASEAN's role increased in 1995 after China occupied Mischief Reef, a feature claimed by both the Philippines and Vietnam. At the meeting of the ARF that summer, the Chinese foreign minister issued a series of pledges designed to repair ties with states in the region. ASEAN also began to discuss the drafting of a code of conduct, which was signed as a declaration between China and ASEAN in 2002 (ASEAN 2002; Buszynski 2003). Following the recent tensions in 2009 and 2010, the ARF once again served as a forum to manage tensions in the dispute. For example, more than half of the participants in 2010 used the meeting to express concern about developments in the dispute that revolved largely around Chinese actions seen as assertive or aggressive. Just days before the 2011 meeting of the ARF, China and ASEAN reached an agreement on implementing guidelines for the 2002 code of conduct declaration, as China sought to preempt discussion of the issue at the meeting that year.

The limits of ASEAN were revealed in 2012. During the ASEAN Ministerial Meeting in July 2012, member states could not agree on language to describe the situation in the South China Sea. Vietnam and the Philippines pushed for the inclusion of references to specific episodes of conflict with China over oil concession blocks and Scarborough Shoal, respectively. Other states, however, were less inclined to depart from existing anodyne statements. As ASEAN chair for 2012, Cambodia

decided for the first time since the founding of the organization that no joint statement would be issued (BBC 2012). Days before the East Asian Summit in November 2012, Cambodia announced that ASEAN had agreed not to internationalize the disputes in the South China Sea. Five of the ten member states, however, submitted letters objecting to Cambodia's characterization of ASEAN's position (Szep and Pomfret 2012).

The limits of ASEAN stem from several factors. First, only some of its members are involved in territorial disputes with China and each other in the South China Sea. Maritime issues matter more to some states than to others. Second, some member states, especially those in continental Southeast Asia in close proximity to China, are unwilling to sacrifice their ties with China to bolster the position of other states in these disputes. ASEAN may be able to help to manage the potential for escalation in the South China Sea, but it is unlikely to serve as a forum for resolving the underlying sovereignty disputes. Third, as the disputes revolve around offshore islands that are perceived as being valuable territories (see section 27.6 below), states have bargained hard and resisted compromising because of the perceived high stakes (Fearon 1998).

Shanghai Cooperation Organization: Management of territorial disputes in Central Asia after the end of the Cold War helped to create conditions that facilitated the establishment of a new multilateral organization, as Cummings notes elsewhere in this volume. Following the establishment of the Soviet Union, a "four plus one" negotiating structure was established (Fravel 2008). The newly independent Central Asian states lacked the resources and knowledge of the Soviet Union's boundary negotiations with China. Although boundaries were negotiated bilaterally, the talks were held on the basis of this four-plus-one structure, through which China reached agreements with Kazakhstan, Kyrgyzstan, and Tajikistan. The group also negotiated a series of border demilitarization and confidence-building measures.

Over time the group became known as the "Shanghai Five." Based on its successes in resolving outstanding territorial disputes and demilitarizing the border, a decision was made to create a permanent organization with a broader mandate in 2001, the Shanghai Cooperation Organization (SCO) (Bailes et al. 2007). Since then, Uzbekistan has joined the group along with a number of observers—India, Iran, Pakistan, and Mongolia—and dialogue partners—Belarus and Sri Lanka. Although the organization's mission has expanded to include cooperation in a variety of areas, its establishment would not have been possible without the successful resolution of the border disputes between China and its neighbors in this region. Nevertheless, the SCO was a consequence and not a cause of successful bilateral efforts to settle territorial disputes in the 1990s.

Looking forward, regional multilateral institutions are unlikely to play a leading role in the resolution of the underlying claims in the region's territorial disputes. Ultimately, these require direct talks among the states with claims. Instead, at best multilateral institutions can help to manage the disputes and prevent unwanted escalation before a settlement is reached.

27.5. ASIA'S REMAINING TERRITORIAL DISPUTES

Despite the ability of Asian states to settle some territorial disputes, the region has twenty-four active territorial disputes.⁸ Given the relationship between territory and armed conflict, the presence of these unresolved disputes should worry scholars and policymakers for several reasons.

First, the great powers in the region remain involved in multiple disputes. China disputes its long border with India, its border with Bhutan, the Senkaku Islands with Japan, the Paracel Islands with Vietnam, and the Spratly Islands with numerous states, in addition to the conflict over Taiwan's unification. Japan also maintains disputes with South Korea over the Tokdo/Takeshima Islands and with Russia over the Kurile Islands, in addition to its dispute with China. In addition to those with China, India remains locked in disputes with Pakistan and Nepal.

Moreover, amid the major shifts in national power underway in the region, the presence of disputes involving the major powers injects additional uncertainty. Rising states such as India or China might push to settle disputes on more favorable terms, thereby increasing the odds of escalation and use of force. Declining states might worry about their weakening position and be more resolved to threaten or use force to defend their claims. Of course, these states also have strong incentives to avoid armed conflict with each other, not least of which is the concern that conflict would disrupt economic growth crucial not just to the rising status of these states but also to the legitimacy of their leaders. Nevertheless, shifting power balances inject additional uncertainty into these conflicts.

Second, the remaining disputes in the region have persisted for a long time, which suggests that they are perhaps the most difficult to settle. The average age of remaining disputes is almost forty-nine years, while the median age is fifty-eight. As Hassner has shown, the longer a dispute lasts, the more intractable it becomes. States harden their positions and declaratory policies and sink increasing costs into administering and developing the portion of disputed territory that they control, the public becomes more aware of the disputes, and so forth (Hassner 2006/07). In addition, most of the remaining disputes are those with high levels of salience for the claimants, which suggest that all sides will bargain hard and stand firm to maximize their interests (Fearon 1998). Thus, although many disputes have been settled in the region, those that remain will almost by definition be harder to settle as such disputes take on properties of indivisibility.

Third, many of the active disputes that remain have been militarized significantly in the past. Of the twenty-one remaining territorial disputes, thirteen have been militarized at some point. Some disputes have witnessed multiple militarized episodes. Competition in three of these twelve disputes has resulted in interstate wars. Based on these indicators, the two most dangerous disputes in the region are those between

India and Pakistan over Jammu and Kashmir, and between North Korea and South Korea over the unification of the peninsula. The sinking of the South Korean naval vessel *Cheonan* and North Korean shelling of Yeonpyeong Island in 2010, for example, underscored the danger of unresolved territorial disputes. The legacy of India's defeat in its 1962 war with China continues to shape Indian perceptions of China's future intentions. Similarly, although China and Vietnam have settled the dispute along their land border that played a role in China's decision to invade in 1979, memory of it and the deadly border clashes throughout the 1980s continue to affect decision-making in relation to the disputes over offshore islands in the South China Sea.

27.6. THE MARITIME DIMENSION: OFFSHORE ISLANDS AND MARITIME BOUNDARIES

Disputes over territorial sovereignty are related closely to conflicts over maritime jurisdiction. Under the UN Convention on the Law of the Sea (UNCLOS), a state can only claim maritime rights from land features. The convention institutionalized a set of rights for coastal states in waters adjacent to land territory (Presscott and Schofield 2005). Within twelve nautical miles (nm) of its coast, a state enjoys the equivalent of sovereign jurisdiction with the exception of innocent passage. The area up to 200 nm from a state's coast is an exclusive economic zone (EEZ), where states enjoy the sole right to exploit natural resources and conduct certain other types of activities. States can enjoy additional exclusive rights if their continental shelf extends beyond 200 nm (up to 350 nm from shore).

As a result, in Asia and elsewhere, new disputes have emerged when any of these maritime zones overlap, especially after the ratification of UNCLOS in the early 1990s. Although, strictly speaking, it did not concern resolution of disputes over land, the exclusive rights contained in the treaty created new potential disputes where a state's EEZ or continental shelves overlap. Ironically, a regime designed to manage the oceans created new disputes that are similar to those over territory because they involve areas where competing states can claim exclusive rights. As a result, Asia now has many disputed maritime borders. As table 27.2 indicates, there have been twenty-eight disputes over maritime boundaries in Asia. Only about 14 percent of these disputes have been completely resolved, while another 18 percent have been partially resolved—rates lower than in other regions (Presscott and Schofield 2005). In recent years, these disputes have garnered a great deal of attention because of their relationship to natural resource exploitation, especially fishing stocks and hydrocarbons.

In addition, the passage of UNCLOS increased the salience of disputed offshore islands because they serve as one basis for maritime claims in addition to a state's coast. UNCLOS increased the value of controlling islands by linking them with the ability to claim broader maritime rights. The salience of islands has also arguably increased with the explosion of trade in the region, most of which is transported via the oceans, and

the growing consumption of energy, especially hydrocarbons. In short, the future of territorial conflict in Asia lies in the maritime domain.

Unfortunately, most disputes involving offshore islands in Asia have not been resolved. As table 27.2 shows, only one-third of territorial disputes over offshore islands have been settled, and one-third of existing disputes in the region are over offshore islands. In addition, many of the offshore island disputes include more than two states with claims. China, Taiwan, Vietnam, the Philippines, Malaysia, and Brunei claim some or all of the islands in the Spratly archipelago. China, Taiwan, and Vietnam claim the islands of the Paracels archipelago. China, Taiwan, and Japan claim the Senkaku Islands. All things being equal, disputes with more than two participants are even harder to settle.

Because of their size and proximity to oceans, many of the major powers have unresolved maritime disputes. Japan maintains disputes over three different groups of islands as well as maritime boundaries with Russia, South Korea, China, Taiwan, and the Philippines. China also disputes three groups of islands and has unresolved maritime boundaries with other claimants in the South China Sea, Vietnam over the southern portion of the Gulf of Tonkin, North Korea, South Korea, and Japan. China has only successfully resolved one maritime boundary dispute, when it reached an agreement with Vietnam over demarcating the northern portion of the Gulf of Tonkin in 2000.

Several factors suggest that competition may grow more intense and acute over these disputes in the future. All states, but especially developing economies in Asia, are increasingly dependent on maritime resources, especially fish. Persistent concerns about energy increase the importance of these disputes even when the underlying reserves are unknown. Sovereignty of the islands is a symbol that resonates with domestic audiences, perhaps precisely because few of these features are occupied. The United States itself is not a claimant, but remains incredibly sensitive to threats to freedom of navigation in the maritime zones of other countries because it underpins the ability of the US Navy to operate unhindered throughout the oceans of the world.

Nevertheless, other factors indicate that perhaps increased conflict is not inevitable. As exporting nations in a complex web of supply chains, all states in the region depend on freedom of navigation and secure sea lines of communication. Armed conflict among any one group of states would likely raise region-wide questions about stability. Conflicts over resources can also be more amenable to settlement because the resources can be more easily shared than land. Paul Huth's 1996 study of territorial disputes found that economic resources were significantly associated with the settlement of territorial disputes.

27.7. CONCLUSION

Asia's territorial disputes can help to illuminate existing theories from the international relations literature. Patterns of conflict in Asia's territorial disputes provide

support for various claims from this literature. Violent conflict over territory has usually occurred in the most consequential disputes—especially those over national unification—and often in the context of rivalries where security dilemma dynamics should be especially pernicious. Patterns of cooperation also highlight the importance of the utility and significance of disputed land, as less important disputes have been more likely to become settled than more important ones. The role of regime type appears to have been less relevant, as many nondemocratic states have managed to settle their disputes, especially with each other. International institutions have not played a strong role in the settlement of disputes either, though they may be able to help to moderate the potential for escalation.

Looking forward, the prospects for territorial conflict in the region are mixed. On the one hand, many disputes in the region have been settled, thus removing opportunities for armed conflicts between states that could escalate into armed disputes and even war. On the other hand, many disputes remain in the region. The active disputes include those that have proved difficult to settle in the past and those whose salience has increased, such as offshore islands and maritime boundaries. Moreover, all of the major powers in the region—China, Japan, and India—remain involved in territorial disputes, including disputes with each other (China-India, China-Japan). As power balances shift in the region, the potential for conflict over territory may grow and the odds of these disputes being settled may decline.

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NOTES

1. Information on all disputes in Asia is presented in Table 27.2.
2. In the analysis above, I assume that any missing disputes or instances of militarization are randomly distributed across all regions.
3. India has participated in 29 MIDs, Pakistan 26, South Korea 22, and North Korea 18.
4. This list excludes China's 1979 war with Vietnam, which was sparked by Chinese concerns about Soviet encirclement and Vietnam's 1978 invasion of Cambodia.
5. The number of settlements is higher than reported in Huth for two reasons. Huth's data excludes several conflicts between China and Laos, North Korea and Vietnam (over White Dragon Tail Island). The unit of observation in Huth's data is a dyad, which means that one dyad can include multiple disputes. China and Vietnam, for example, have been involved in four distinct territorial disputes over White Dragon Tail Island, the Paracel Islands, the Spratly Islands, and the land border.
6. Indonesia-Portugal, 1999 and France-India, 1954.
7. This section draws on Fravel 2008.

8. Some of these disputes, such as the Spratly Islands, involve multiple states. Thus, the number of bilateral disputes is significantly higher.

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CHAPTER 28

ENERGY SECURITY IN ASIA

PURNENDRA JAIN

28.1. INTRODUCTION

ASIA is now the center stage of world's energy concerns. Western Asia—comprising the Middle East and the Persian Gulf area—and Central Asia—the Caspian Sea area—possess the world's richest supplies of oil, still the world's primary fuel, as well as natural gas. Elsewhere in Asia are some of the world's top energy consumers—China, Japan, India, and South Korea—whose seemingly insatiable energy appetites drive nationally self-interested competition for continuous supply, largely from external sources. Whereas in the West a cooperative approach to addressing shared energy issues came about through an international institution, the International Energy Agency (IEA), in Asia intense rivalry drives the geopolitics of energy (Chellaney 2006; Emmott 2008; Jain and Mito, forthcoming). China as the lead Asian player sees minimal gain in cooperating with any other top energy consumers, including its neighbors. Chellaney (2006, 88–89) describes a new energy-related “Great Game” with several major players driving the competition for limited resources (see also chapter 25).¹

Adopting a realist perspective, an approach described in greater detail in Mastanduno's contribution, this chapter considers how the national quests for energy security over the past quarter-century are reshaping international relations within Asia and beyond. Nations have choices about types of fuels, sources of supply, and quantities held in reserve, but not about whether to secure their supply of energy fuels. This imperative makes the subject of energy a site of geo-strategic contest rather than one of regional interdependence and cooperation. While Asia is unmistakably a site of supply as well as huge demand, the primary concern of the key players has been with meeting their energy demands; thus, buyer nations form the main topic of discussion here.

This chapter unfolds in four parts. First, it presents a brief survey of the world energy scene, including Asia, broken down by fuel types. Second, it explores the competition created by the rise of Asian nations, and the generally unsuccessful attempts to establish cooperative institutional arrangements on energy matters. The third section

discusses the geopolitics and militarization of energy security arising from this heightened competition, particularly in the cases of China and India, whose geostrategic ascent depends on the importation of energy. The chapter concludes with an assessment of future prospects.

28.2. ASIA AND THE WORLD ENERGY SCENE

Asian states have recently taken places as top buyers and sellers in the international energy market. The rise of China and India as two new energy-hungry Asian giants has increased demand enormously. Other factors, such as concerns about global warming, have begun to shift interest toward non-carbon-based fuels; yet the consumption and behavior of many buyer states has so far moved only marginally toward these alternatives. Nuclear power has also become politically controversial as a result of the March 2011 triple disaster at Japan's Fukushima nuclear power plant (Jain 2013).

These developments have driven consumers to seek out advanced technology and economically viable ways of accessing both new forms of fossil fuels and harnessing alternative sources. As states, state-owned enterprises, private corporations, and other institutional actors pursue their interests, the rules and protocols of the international energy market are shifting. So are power relations among these players and consequently how they behave as buyers and sellers. Energy is indispensable for national economic and military strength, and by extension, the capacity for international influence. As a result, energy security is a complex strategic issue for all governments, depending upon continuously evolving circumstances related to global demand and supply (Jaffe and Soligo 2008, 39–47).² Fossil energy surfaced as an IR security concern around the eve of the First World War when the British Royal Navy switched from domestically sourced Welsh coal to Persian oil, a move intended to give its fleet a major advantage over the Germans, and to diversify supply so as to guard against the strategic danger of dependence on a single supplier (Yergin 2011, 264–65). The imperative for energy buyers to diversify both the types and sources despite the strategic and market costs of international sourcing, fuel transportation, and domestic storage was accentuated by the Middle East oil crises in the early 1970s.

Japan's rise as an Asian giant around the time of the 1970s crises set a precedent for Asia's new rising powers, China and India. Once again, the imperative for both countries to diversify types and sources remains a crucial strand of the energy security narrative.³ China became a net importer of oil in the mid-1990s. By 2011 it was the world's largest energy consumer, while India ranked third and Japan fifth. The United States and Russia were in second and fourth positions (Enerdata 2012). Asia's share in global energy demand will likely increase from an estimated 32 percent in 2008 to above 50 percent by 2035, when Asia will claim half of the world's population and produce 40 percent of global output (IEEJ 2011). The extent of Asia's demand from external suppliers may enhance its vulnerability to the vagaries of a potentially volatile global

energy market, but it may also build Asian countries' strength, independently or cooperatively, as very powerful buyers.

Yet to speak of Asia as a top player is not to suggest that a cluster of Asian nations act as one in its worldwide quest for energy. Rather, either as buyers or sellers or both, Asia's key national players are hardnosed and narrow-minded in their concern to satisfy their national energy requirements. There is much at stake; China and India support the world's largest populations and over the past two decades have also had high economic growth, compelling strenuous energy competition between them, particularly in the Indian Ocean (Malik 2011, 329; Kaplan 2010, 127). The contest over the South China Sea between China and some of the Southeast Asian states is also related to the perceived, but possibly misperceived, abundance of oil and gas in the area (NTS Issues Brief 2013).

Japan, South Korea, and the territory of Taiwan are energy resource poor and as a consequence must rely heavily on imports. Energy-selling Asian nations, such as Brunei and Myanmar, and regionally most of the West Asian states—the Middle East—and Central Asian states produce the bulk of the world's oil and gas supplies. Nations that are both buyers and sellers, such as China and Indonesia, have their own sizable energy sources but due mostly to growth in demand and motivated by the need to save supplies for an uncertain future, they have chosen to become net energy importers.⁴ India's very limited domestic energy resources, especially in oil and gas, make it far more dependent on imports than China and Indonesia. And Malaysia, given its rising energy demand, while still a net fuel exporter, is forecast to shift to becoming an oil importer by 2017 (OECD/IEA 2012, 13).

In this context it is useful to consider the factors driving energy security by energy fuel types,⁵ as Asian nations try to develop or purchase these fuels from various sources across the world.

28.2.1. Fossil Fuels

Oil and gas are the world's most heavily consumed fuels. The world's largest producers and consumers of these fuels are now clustered in Asia. Oil sellers are concentrated in the Middle East; in 2009 Saudi Arabia, Iran, United Arab Emirates, Iraq, and Kuwait were among the world's top ten net oil exporters while Qatar, Indonesia, Malaysia, and Turkmenistan were among the ten net exporters of natural gas (IEA 2011b). As already noted, in 2009 four of the world's top five oil consumer nations were Asian; after the United States came China, Japan, India, and South Korea (IEA 2011b).

Data on energy consumption trends by OECD and non-OECD nations is also suggestive when we take into account that only two Asian nations, Japan and South Korea, are OECD members. Between 1980 and 2010, oil consumption increased 8 percent in the OECD but 90 percent in non-OECD countries, natural gas consumption increased 70 percent in the OECD but 208 percent in non-OECD states, and coal consumption increased 13 percent in OECD but 195 percent in the non-OECD (Blazquez and Martin-Moreno 2012). IEA data predicting future fossil fuel demand through to 2035

foreshadows a continued rise in non-OECD and other major economy (OME) countries, mainly in Asia, and a fall in OECD countries (IEA 2011b; BP 2012a).

Japan is a mature industrialized nation with economic growth now much slower than in the 1970s and 1980s. But given the poverty of its energy resources and shutdown of its nuclear power plants in the aftermath of the March 2011 Fukushima nuclear disaster, Japan's fossil fuel appetite appears set to increase substantially, while the future of its atomic plants is largely unknown, as public resistance to them has mounted.⁶ Japan's LNG demand, for example, shot up substantially in fiscal 2011 when LNG-powered thermal plants produced 39.5 percent of total electricity, 10.2 percent higher than a year earlier (Kyodo 2012). Japan, South Korea, and Taiwan are the most energy-insecure economies in Asia, as all are heavily dependent on imports.

Unlike its Northeast Asian neighbors, China is well endowed with fossil fuels (APEREC 2010, 40). However, parallel with its economic rise, China is drawing increasingly from imported supplies. In 1993 it became a net oil importer and its dependence on imported crude has continued to grow; by 2009 it was importing 53 percent of its oil needs. In 2008 China became a net importer of coal, even while being the world's largest coal producer and retaining what are presumed to be abundant untapped coal supplies. In 2009 it also became a net importer of natural gas, even while domestic gas production is strong and likely to increase through reportedly abundant shale gas supplies. The People's Republic is forecast to remain a net and growing importer of most fossil fuels (BP 2012a, 35–37). The move to import coal and gas rather than draw from and diminish substantial domestic supplies suggests a far-sighted energy security strategy. China is now wisely accessing others' fuels while keeping vast domestic deposits untouched for the time when external sources may no longer be available (Chellaney 2006, 95–100).

Other fossil fuels capable of producing oil and gas may change Asian energy scenarios for energy buyers and sellers. One is shale gas,⁷ which is generating something of a revolution in the United States, China, Canada, and Australia (Wright 2012; Chen 2012). Gas from shale oil burns more cleanly than oil or coal, although its production initially requires more energy and produces more carbon dioxide than the common fossil fuels. Yet if it gains acceptance, shale gas will slowly take a share of the national fuel mix and contribute to the energy production of Asian nations, especially China, and the United States (Ma 2012). The IEA 2012 World Energy Outlook indicates that shale gas production could make the United States a net exporter by 2020 and in net terms self-sufficient by 2035 (IEA 2012). This scenario will be a game-changer in terms of both demand and supply and in the geopolitics of energy, as Asian countries may compete even more fiercely for resources from the Middle East, for example, were US interest in that region to diminish significantly.

Trends over the past quarter-century reveal the relative dependence of Asia's key national energy consumers on fossil fuels to power national economic growth. The expected gravity of global warming is yet to generate sufficient geostrategic concern or national political will to curb consumption seriously, especially while new fossil fuels are still being discovered. China stands out as something of an exception here, with its concurrent adoption of green technologies and binding targets to decrease energy consumption and emissions per unit of GDP, as set out in its Twelfth Five Year Plan (2010–15).⁸

As this discussion reveals, fossil fuels still account for a very large share of Asia's energy mix. These fuels are likely to remain central as long as their largest beneficiaries tend not to treat global warming with the seriousness it deserves. Nuclear energy faces a difficult future, and the development of alternative energies is still expensive and resisted by powerful fossil fuel lobbies. Fossil fuels will remain a vitally important part of the energy security story for all Asian nations, at least for the medium term.

28.2.2. Nuclear Energy

Nuclear fuel has always presented an inherent security dilemma. Today it is ever more prominent in the energy mix of nations across Asia that give higher priority to the virtually assured benefits it provides to national energy production rather than the possible, perhaps unthinkable, fallout from a nuclear disaster. Nuclear fuel represents increased security of national energy supply but increased insecurity of localities close to nuclear plants. Japan's nuclear disaster has reminded Asian neighbors of this security/safety contradiction, but this has not deterred their nuclear push. Moreover, despite question marks over the future of nuclear power in Japan, the disaster may not have even stopped the use of nuclear fuel there. Since Japan turned to nuclear energy in the early 1960s, and especially in recent years, an increasing number of fast-growing Asian nations have installed, imposed, or bought nuclear power plants, often in the face of local resistance.⁹ In 2010, Asia was the site for more than two-thirds of the reactors being built around the world (Ferguson 2010, 145).

Before the 2011 Fukushima disaster, nuclear fuel supplied roughly one third of Japan's energy mix and plans were under way to increase gradually the nuclear component to 53 percent by 2030 through 14 new nuclear reactors. This was considered reasonable given Japan's lack of energy resources and the examples of other industrialized countries such as France, whose nuclear component in electricity generation is close to 80 percent. In the aftermath of Fukushima, nuclear energy seems to be moving toward a new trajectory, creating a new global division. Some Western industrialized nations and Japan are likely to move toward phasing out or at least reducing their reliance on nuclear energy while Asia's emerging economies maintain plans to increase their nuclear share—led most prominently by India, China and South Korea (IEA 2011c, 6).

Nuclear power supplied 3.7 percent of India's electricity in 2011, and plans are under way to increase this to 25 percent by 2050. India is not a signatory to the Nuclear Non-Proliferation Treaty (NPT) and difficulties sourcing uranium, technology and equipment have retarded the growth of its nuclear industry. But with the Nuclear Suppliers Group endorsement in September 2008, barriers were removed, allowing India to source both nuclear technology and fuel supplies from external sources (World Nuclear Association 2012a). Nuclear fuel is seen as vital for India's energy security. In late July 2012, half of the Indian population faced blackouts; thus, demand is rising for stable supplies of electricity, especially from the burgeoning middle class and growth-driven industrial houses. Conventional sources of energy cannot meet India's

rising demand for electricity. Mitra (2012) has noted that both of India's two major political parties have accepted construction of the Kundakulam nuclear power plant, despite NGO and popular protests since Japan's 2011 Fukushima meltdown.

As of 2012, the PRC had 14 nuclear power reactors, some 25 under construction and plans to construct many more. These will be some of the world's most advanced reactors and will give the country a five to six-fold increase in nuclear capacity by 2050. Even after Fukushima, China's National Energy Administration declared in December 2011 that China will make nuclear energy the foundation of its power-generation system over the next two decades, with full-scale construction of nuclear power plants to resume early in 2012 (World Nuclear Association 2012b).¹⁰

Elsewhere in Asia nuclear energy already plays a major role. In South Korea 21 nuclear units generate 31 percent of the nation's electricity. In 2012 six new units were under construction, with plans for another six (Peimani 2012, 11). Seoul has shown no signs of scaling down its nuclear sector even after the Fukushima disaster (Peimani 2012, 17). Taiwan has six nuclear reactors and two under construction, although plans to expand have been suspended due to anti-nuclear protests following Fukushima (Vivoda 2012, 16). Some ASEAN countries have also been developing plans to embark on large-scale nuclear power generation (Symon 2009). Undeterred by the Fukushima experience, Vietnam, Indonesia, Thailand and Malaysia are all moving ahead with plans to build their first nuclear power plants (Tay et al. 2011). Symon (2009) and Tay et al. (2011) argue that even though Southeast Asia is close to self-sufficiency in fossil fuels, especially natural gas, rapid population growth and economic development are pressuring governments to secure further sources of energy. The region is vulnerable to the effects of climate change and renewable energy sources are not yet economically viable, so nuclear power is shaping up as the most feasible option. In other parts of Asia, such as Central Asia, Kazakhstan is moving ahead with its commitment to nuclear energy (Naumenko 2012).

As regional energy observers note, the nuclear meltdown in Fukushima is neither the end of the nuclear age (Ferguson 2011), nor even a "game changer" (Peimani 2012, 23) for Asia's nuclear power sector. Notwithstanding the myriad issues surrounding its safety, in the Asia-Pacific "there is no indication of a serious plan to reverse the regional nuclear power programs or downsize them—even in Japan, despite talks along that line" (Peimani 2012, 15). The IEA's 2011 energy report confirms that nuclear-produced power will grow in absolute terms driven particularly by expanded generation in China, South Korea, and India (IEA 2011c, executive summary). Nuclear energy is powering along, and appears set to take some Asian nations much further toward energy security although not necessarily national security given the safety concerns involved.

28.2.3. Renewables

Imperatives driving and slowing the pursuit of renewable energies on the world energy scene apply in Asia in distinctive ways. As elsewhere, concerns about global warming from fossil fuels and about nuclear safety persuade some nations to develop alternative

sources and provide strategically valuable opportunities to reduce dependence on external sources. But as the earlier discussion about the heavy use of fossil fuels and increasingly of nuclear fuels reveals, the ready availability and familiarity of both help to keep these to the fore of energy production and of understandings about securing national supplies. The priority of maintaining national economic strength rather than long-term sustainability prevails, with the partial exception of China, which is ahead of other Asian states in both investing in and producing renewables as a long-term energy security strategy. Elsewhere in Asia, shortages of new investment for research and development of alternative energies slows both the pace of renewable energy development and its incorporation into any national energy mix.

From 2001 to 2011 the global share of energy produced from renewable sources tripled from 0.7 percent to 2.1 percent (BP 2012b, 5). Petroleum company BP claims the fastest growing fuels are renewables—including biofuels—and these are expected to grow at over 8 percent per annum (BP 2012a, 11), with both the United States and China over time becoming the two largest growth centers. By 2020–30, non-OECD countries are likely to add more renewable power to their supplies than OECD countries, virtually doubling their share from 22 percent today to an expected 43 percent by 2030 (BP 2012a, 39).

However, certain disincentives associated with renewable fuels are also in play. Although much less so than for fossil fuels, production processes for all of the renewable energies also harm the natural environment. They damage ecosystems; pollute air, land, and water; encourage illegal logging, and so forth (Sovacool 2011, 27–28). And it is expected that renewables can play only a minor role in the transport sector, where three-quarters of future growth in energy demand is expected (Jaffe and Soligo 2008, 9–10).

China and India have focused on wind and solar energies. China is the world's number one producer of wind power¹¹ and India is fifth (Denmark second, Spain third, and the United States fourth). The Indian government has established a separate ministry on renewable energy including solar, wind, biomass, geothermal, and other sources. China's 2011–15 five-year plan aims to increase the renewable energy share to 11.4 percent of total energy consumption by the end of 2015, and hydropower will play a more important role in reaching the national renewable energy consumption target. Japan's government confronts a substantial level of public opposition to nuclear power—a contributing factor in driving the shift to renewables. Yet Japan has focused more effort on energy efficiency, clean coal processes, and carbon capture and storage (CCS) even as it has increased its uptake of fossil fuels, thereby undermining its efforts to meet CO₂ reduction goals under the Kyoto Protocol (NBR 2012).

Other Asian nations also appear to recognize the importance of green energy and have embraced renewable energy in their energy discourse, but progress is slow as its high cost remains an obstacle. In Southeast Asia, for example, cost remains a major barrier to creating green energy, and in some countries in the region investment is lagging (Maslog 2012). There seems to be less of an imperative here to take on the expense of developing alternative energies. Governments may be inclined to wait until these

energy sources are operating elsewhere before incorporating them into their own national energy mix.

28.3. COMPETITION AND COOPERATION IN ENERGY

The nature of energy fuel as an essential commodity traded in a highly competitive world market makes energy security a competitive strategic pursuit for Asian states. They generally approach the task from a realist understanding of world politics. Energy security entails a struggle for power and economic competition, sometimes the formation of alliances, and always the pursuit of national interests. In particular, the actions of China and India with their now huge buying power are stiffening the competition and shifting the behavior and power relations among all market players. These circumstances influence the strategic cost of energy fuel alongside its market price in what is now an Asia-centric global energy market.

As is true of all states, Asian nations share interests in the use and production of energy fuels, for example, in minimizing fossil fuel consumption and preventing large-scale nuclear fallout. However, they have little history of collaboration in energy security. Let us first consider cooperation and then explain why a zero-sum game prevails.

28.3.1. Cooperation

The Organization of Petroleum Exporting Countries (OPEC) and the International Energy Agency (IEA) institutionalize the collaborative efforts and interests of energy sellers and buyers respectively. While most of West Asia's oil sellers are members of OPEC, central Asian sellers are not members, and the vast bulk of Asia's net energy buyers are not members of the IEA, as it is limited to OECD members only.

Until the late 1980s the only Asian member of the IEA was Japan, managing its energy quest against major competitors outside Asia primarily through membership in Western-led institutions including the OECD and G7/G8 (Jain 2007). Japan remained largely committed to the market mechanism and to the international rules developed by Western nations. Thus Japan became part of the Western response to the 1973 Middle East oil shock that established the IEA to help member countries coordinate major disruptions in oil supply through releasing their emergency stocks to the market (Scott 1994). The IEA has broadened its mandate to include "energy security, economic development and environmental protection" and outreach to major consumers and producers of energy such as China, India, Russia, and the OPEC countries (IEA 2011a).

Yet Japan is almost a solitary Asian voice. South Korea did join the IEA in 2001, but no other Asian states have, not even those whose energy consumption has since grown dramatically. The IEA has reached out to China and India but in both cases their national institutional frameworks for energy security are not on a par with those of the IEA member states in including sharing of reserves, for example. Hence, at the global level there is in practice no institutional mechanism to coordinate their energy requirements or the shared interests of other Asian nations, in energy security, economic development, or environmental protection.

As Stubbs and Mustapha detail in this volume (chapter 35), at the regional level, international cooperation is driven primarily through the ASEAN-centered institutions. But energy is not seen within the region as an issue that warrants its own organization. ASEAN+3 (APT), the East Asia Summit (EAS), and the Chiang Mai Initiatives (CMI) are concerned primarily with economic matters, while the ASEAN Regional Forum (ARF) is a venue for security dialogue. Energy issues are dealt with tangentially. For example, although the Cebu Declaration on East Asian Energy Security was adopted at the second EAS in January 2007, it appears to be a toothless arrangement built on rhetoric. The statement by the chairman of the Foreign Ministers Informal Consultations Group at the July 2010 EAS presented similarly vague, noncommittal observations about energy security in the region, again focused on economic rather than geostrategic concerns (ASEAN 2010).

Although some of the region's complex lineup of institutions and organizations such as APEC comprise departments concerned with energy, there is no single, effective region-wide institution dedicated seriously to energy: its sourcing, usage, and environmental impact, the key concerns for national energy security.¹² The Shanghai Cooperation Organization (SCO), founded in 2001 and consisting of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, has proposed an "energy club." This idea was first proposed by Russia at the time of the SCO's foundation in 2001 (Matusov 2007, 84) and is now advocated by China (*China Daily* 2012). Yet due to divergence among members' strategic interests, particularly ongoing China-Russia rivalry, no such cooperative intraregional energy framework has eventuated (see chapters 13 and 25).

Some institutional arrangements operate at subregional levels, namely Southeast Asia, South Asia, and Northeast Asia. ASEAN, for example, adopted the Plan of Action for Energy Cooperation (APAEC) 2010–2015 in July 2009, proposing a regional power grid and gas pipeline (Centre for International Law 2010). ASEAN has signed both a Petroleum Security Agreement and an Energy Cooperation Agreement. But progress toward implementation has been slow, with the traditional "ASEAN Way" framework emphasizing process rather than outcome. In South Asia, a regional power grid and a South Asian Development Triangle have been proposed, but although some bilateral agreements are in place, neither proposal has borne results (Raju 2005, 192–93). Northeast Asia, where energy tensions are perhaps strongest, has rarely discussed cooperation on energy. Talk of a Northeast Asian energy community has barely moved

ahead (Sakai 2008, 26) and there is not even suggestion of shared infrastructure such as a power grid or pipelines.

The discussion of fuel types earlier in this chapter points to possibilities for formal or informal arrangements for regional cooperation among energy buyers and sellers. Nuclear energy nations could collaborate to share at least information and knowledge to advance the safety and security of nuclear power plants and of people likely to be affected by an accident. All regional members, nuclear powered or not, have a vested interest in such plant safety given the danger of nuclear fallout from any disaster. However, there are as yet no formal or informal arrangements in place, despite the obvious benefits of regional cooperation in this policy area.

28.3.2. Competition

While the national players discuss cooperation through bilateral, regional, and multilateral frameworks and some soft institutions have been established (Jain and Mito forthcoming), in practice the Asian energy scene is marked prevalingly by competition and geopolitical rivalry, particularly among the biggest national buyers. In the twenty-first century major Asian powers compete vigorously to secure supplies in resource-rich countries throughout the world—in the Middle East, Central Asia, Africa, Latin America, Russia, and elsewhere (Chellaney 2006). Outside the IEA framework India and China have intensified the chase that Japan and South Korea within the IEA framework have pursued for years (Masaki 2006). Even with their shared membership of the SCO, China and Russia follow different paths when it comes to energy cooperation (Matusov 2007).

Sometimes strategic alliances cause diplomatic tensions. This is particularly so for Japan when it deals with its ally, America. This alliance relationship has increased the diplomatic price Japan sometimes pays for energy, a result evident in Tokyo's reluctant 2010 withdrawal from its promised oil purchases from Iran. This decision was made after American pressure resulted in a zero-sum game as Japan saw "its place partially taken by China" (Miyagi 2012, 306–7). Meanwhile, fearing American sanctions, China has also reduced its Iranian crude oil imports, although with its huge investment in Iran, its long-term interest in energy, and the absence of any alliance relationship, it is unlikely that Beijing will fully downgrade its engagement with Teheran. The United States is not the only factor that China considers in its dealings with Iran (Chaulia 2012; Zha 2012). India's growing partnership with the United States and Japan is yet to impede seriously its energy pursuits, and its partnership with Australia has opened up the market for importing Australian uranium much needed for India's nuclear energy production.

Unlike Japan, China roams the world in its energy quest largely unburdened by alliance or ideational considerations. It has been greeted warmly in the world's many politically unstable oil destinations because of its firm disposition not to interfere in the domestic politics of troubled trade partners and because of the opportunities provided

by most other nations' reluctance to sign deals.¹³ In countries like Sudan, Syria, and Colombia, Chinese and Indian companies have cooperated in oil and gas exploration and production (Huchet 2010, 108; Siddiqi 2011, 79). However, despite such isolated examples of cooperation, China and India's competing national interests prevail in most examples of their bilateral relationship (Bajpae 2005; Cheru and Obi 2011, 91).

Tensions from competition in energy pursuits sometimes fuel more complex disputes around issues of territory and national prestige. This consequence is illustrated in escalation of conflict over sovereignty claims on three long-disputed island groups in northeast Asian waters: between Japan and South Korea over the Takeshima/Dokdo Islands, between Japan and China over the Senkaku/Diaoyu Islands in the East China Sea to the point of military standoff in August 2012, and among several claimants to the Paracels and Spratlys in the South China Sea. All three island groups are thought to contain large deposits of oil and gas, thus increasing the strategic importance of sovereign claims.¹⁴

These territorial disputes show how inter-Asian competition rather than collaboration shapes strategic behavior, particularly on the part of large energy buyers seeking reliable energy supplies. Appreciation of shared interests among these states is too weak to sustain formation of an Asian energy organization for any combination of buyers and sellers. Initiatives toward shared infrastructure, such as regional grids, have moved slowly. The mutual trust needed to underpin cooperative arrangements is absent. Strategic alliances, concerns about China's ever stronger diplomatic muscle, and other geostrategic intrusions on international energy trade complicate energy diplomacy to the point of militarization. The energy scene in Asia typically exemplifies the prevalence of distrust, strategic competition, and national self-interest—some of the essential assumptions of the realist school.

28.4. GEOPOLITICS AND THE MILITARIZATION OF ENERGY SECURITY

Realist analysis rightly recognizes energy security as a volatile area of international relations. Moran and Russell (2009, 2) claim that “energy security” today equals “national security,” a threat to the former is a threat to the latter, and “the possibility that access to energy resources may become an object of large-scale armed struggle is almost incontestably the single most alarming prospect facing the international system today.” While large-scale conflict is considered unlikely, in Asia energy security is one area where tensions could increase, with far-reaching consequences for international energy diplomacy and broader political relations.

Chellaney describes the pursuit of energy as a new strategic “Great Game” for Asian powers, played out in the context of the rise of China and India and the economic decline of both Japan and its number one ally across the Pacific, the United States.

China can now wield a level of political clout in its energy fuel procurement strategy that India and Japan cannot match (Chellaney 2006, 95). This intensifying competition has led to greater militarization of energy pursuits in all three countries and stronger alliance relations between Japan and the United States (Miyagi 2012).

Asian powers are focusing on their naval strength since most of their energy—around 75 percent of Gulf crude (“Factbox” 2012)—is still seaborne through the Persian Gulf into the Indian Ocean, and then bound for northeast Asia, through the Malacca Strait into the western Pacific (Green and Shearer 2012; Buszynski 2012). The Gulf area and the Middle East are especially problematic. First, many states in North Africa and the Middle East are politically volatile (Iraq and Iran, for example), especially since the “Arab Spring.” Second, choke points hinder the world’s busiest sea routes through which more than 100,000 commercial vessels transit annually. The Strait of Hormuz in the Persian Gulf and the Strait of Malacca in Southeast Asia are particularly problematic since they are extremely narrow and function as bottlenecks for the global and regional economies.¹⁵

Major energy consumers India and China show a preference for unilateral security measures “to protect their interests against both traditional (the classic security dilemma) and non-traditional threats (terrorism and piracy)” (Malik 2011, 332). As is discussed below, piracy is a crucial concern for all of Asia’s major energy buyers. Some cooperative arrangements aim to secure safe passage of ships, but increasingly the response to protecting against such threats has been military, thus leading to militarization of the region.

28.4.1. Militarization

Japan has used piracy to justify “widening the scope of the Japanese Constitution to permit regular overseas deployments by the Japanese Maritime Self Defense Force (JMSDF)” (Bateman 2013, 201; see also Hughes, chapter 19 in this volume). A June 2009 law to combat piracy legally allows JMSDF ships not only to guard Japanese vessels but also to escort foreign vessels, though weapons still can be used only in self-defense. Japan has deployed long-range maritime patrol aircraft and established a naval base off the Gulf of Djibouti, which enables it to monitor not only the sea lines of communication (SLOC) to the Gulf for energy supplies, but also China’s deployment of warships to antipiracy operations off Somalia (Bateman, 2013, 213). Similarly, while Japan’s dispatch of SDF to South Sudan is primarily for that country’s national reconstruction, since this new nation is oil-rich, Japan gains strategic advantage by giving support. Tokyo simultaneously helps to counter China’s strong resource diplomacy in Africa (Hughes 2012, 133). Japan is still constrained by its postwar constitution, but it has become militarily more active in recent years, partly under pressure from the United States for burden sharing and certainly to secure its national energy interests. In this context Hughes argues that the greatest impact of the 3/11 nuclear disaster as a catalyst for a

more assertive Japanese foreign policy globally has been in its search for secure energy supplies (Hughes 2012, 134).

India too has plans to strengthen its naval presence in the Indian Ocean. In 2009, it constructed an aircraft carrier and a nuclear-powered submarine (*Arihant*), and more such craft are on the way (Frankel 2011, 6). China's naval capacity is far superior to that of India, but India's military modernization will continue to project India's power beyond its shores, in the Indian Ocean and in India's neighborhood—such as Sri Lanka and Pakistan—where China is building ports and other facilities for energy resources (Frankel 2011, 8–10). China has pursued its energy security objectives through what US defense contractor Booz Allen Hamilton has termed a “string of pearls” strategy, establishing footprints in littoral and maritime states around the Indian Ocean and the Indian subcontinent (*Washington Times* 2005; Kaplan 2010, ch. 15).

China is modernizing its armed forces in part to protect its maritime trade routes—for example, in response to its so-called Malacca dilemma—and secure access to offshore energy, mineral, and fisheries resources in nearby seas (Richardson 2012). About 85 percent of China's oil imports and a growing proportion of its gas imports arrive by sea through the Indian Ocean, the Straits of Malacca, and Singapore in Southeast Asia, before traversing the South China Sea. Much of this supply originates in the Persian Gulf. China is therefore highly dependent on safe passage through the shipping channels (Chen 2010). Vulnerability to piracy and other threats does not sit well with Chinese national planners, but like other Asian energy buyers China has no better choice for transporting energy fuels and other resources from the Middle East and Africa. Piracy and the safe passage of sea lanes are also huge considerations for other countries in Northeast Asia such as Taiwan and South Korea, which also depend on the Middle East for energy resources.

28.4.2. Pipeline Geopolitics

Security concerns about transporting energy extend beyond shipping to include pipelines, and while they do not entail militarization they strongly influence the region's geopolitics. Overland and undersea pipelines are used by some trading nations to transport oil and natural gas / liquefied natural gas from supplier to consumer countries. Most gas and oil from Central Asia, for example, is exported via such pipelines.

Like shipping, reliance on pipelines can be fraught and dangerous. Pipelines often have to transit through third countries, but the transit country may seek terms unattractive to supplier and/or buyer, leaving both sides vulnerable, particularly the buyers. Distrust among states may also be an impediment to a successful outcome. Terrorism, sabotage, and deliberate attacks on pipelines can cause enormous economic damage to both supplier and consumer countries through disrupting the flow of fuel and highlighting the vulnerability of the fuel flow (NBR 2010). In Asia there is still no equivalent to a European Energy Charter Treaty.

Japan-China rivalry, Japan's vexed relations with South Korea, and lingering distrust between Japan and Russia in the absence of a peace treaty for more than sixty-five years since the end of World War II have resulted in slow progress on oil and gas pipeline projects from eastern Russia to Northeast Asia. Russia is also wary of China's fast-growing economy and rising political assertiveness in the region, changes that could disadvantage Moscow's relations with eastern Russia and Central Asian states (Matusov 2007). Russia has no desire to become a "resource appendage" of its historical Chinese rival (Itoh 2010, 21). Thus according to one assessment, Russia's gas pipeline projects for energy exports to countries in the Northeast Asian region exist "only on paper" (Itoh 2010, 25).

Similar difficulties have arisen in building pipelines to China from energy-rich Central Asian states with which China has assiduously been building bilateral and multilateral relationships, particularly through the SCO (Chow and Hendrix 2010). China came to Central Asia as a late player but has invested heavily in energy-related infrastructure in its neighbors using its comparative advantages. After many years of negotiations, China now has pipelines transporting fuels from Turkmenistan and Kazakhstan while the China-Central Asia gas pipeline is under construction. While Russia still remains the most influential actor in Central Asia, China-Russia rivalry for influence and control of Central Asian energy resources often hinders pipeline progress (Chow and Hendrix 2010, 30).

India's efforts to bring oil and gas from Iran, Myanmar, and Turkmenistan through overland or undersea pipeline projects have suffered similar setbacks, also because of interstate political distrust and historical rivalries (Ebinger 2011, 160). Relationships of distrust between India and Pakistan, and between India and Bangladesh, have also stalled or halted pipeline projects or caused them to fail (Lall 2010). Both China and India compete fiercely in seeking gas pipelines from Myanmar (Kong 2010, 65). India has a geographical disadvantage in accessing Central Asian resources as pipelines have to pass through Pakistan, India's arch-rival. Another possibility could be via China, but as Chaudhuri and Sethi observe, "for both countries, the possibilities of cooperation are shadowed by the 'threat' potential that each country has with respect to the other" (2010, 129).

Progress on the Trans ASEAN Gas Pipeline project has been extremely slow due to India-China competition in accessing resources from Myanmar as well as a lack of internal cohesion among ASEAN members. Although the Trans ASEAN Pipeline was conceived in 1999 and is still in development, national interests come before ASEAN's collective interest. As one Indonesian source notes, "We will prioritize Indonesia's integrated gas pipeline first before the ASEAN project." The source went on to note that "the Trans-ASEAN pipeline project was still at the level of an MoU [memorandum of understanding] and had as yet unclear targets about when it would be built" (Pramudatama 2012). Where some pipelines have made significant progress as a result of interstate cooperation and convergence of the interests of other actors—such as multinational oil companies, banks, and international agencies—examples of cooperation are relatively rare.

28.5. CONCLUSION

Self-interest drives the geopolitics of Asia's evolving energy landscape. This matters enormously. Asia is now the center stage of energy geopolitics, resulting in ever more intense competition with profound geostrategic consequences for the region and the globe. Asia comprises the world's largest sellers and largest buyers, but the tensions are much less between sellers and buyers than they are among the largest buyers.

China's and India's energy needs have pushed both nations into becoming key buyers in the market, whereas Japan's place in the energy-buyer pecking order has declined. The capacity of all three Asian powers to respond to and influence international outcomes through their energy trade is subject to the strategic priorities that shape relations among players in the energy market across the region and beyond. The purchasing power of China as the world's top energy buyer is instrumental in this normative shift in energy diplomacy, as examples discussed in this chapter show.

The energy Great Game now under way among Asian powers is triggered by their rival plans to access a larger share of limited energy fuels. Apprehension about the predominant fuels—fossil and nuclear—feeds into energy geopolitics by shifting the diplomatic value of all fuels in international diplomacy and thus the behavior of buyers and sellers in the global energy market. Yet the greatest force of all steering this Great Game is the shifting capacity of Asian powers and other Asian players to wield political clout in relation to each other and to energy players beyond Asia.

In the Asian theater the players have little history of, or political will for, pursuing shared interests, such as minimizing CO₂ levels through quantity and type of energy fuel consumed, and maximizing the safety of nuclear energy production, let alone abolishing nuclear power completely. Institutions to oversee energy cooperation in Asia are lacking, and all Asian states, bar Japan and South Korea, are absent from the existing international energy cooperation body, the IEA. Moves toward multilateral cooperation barely reach beyond official rhetoric to produce practical outcomes. Hence, periodic talk about soft institutionalization and cooperation in the region are likely to remain largely rhetorical, and national quests for energy will remain fiercely competitive. In the twenty-first century the political nature of energy has been compounded by factors such as climate change, but in general the security and ethical compulsions to meet CO₂ reduction goals to cope with global warming are largely being ignored. Across Asia dependence on fossil fuels, mainly oil and increasingly gas, remains high despite the gradual increase of other sources including renewables in the energy mix. Japan's reach for fossil fuels in the wake of the Fukushima nuclear disaster created a demand surge for LNG as well as coal and oil, further tightening the already tight Asian energy markets (BP 2012b, 2–4). Plans by many of Asia's rapidly expanding energy fuel consumers to establish or considerably increase the nuclear share of their national energy mix may reduce the rising demand for fossil fuels. However, these

plans are likely to depend on the safety record of nuclear power plants as nuclear energy production further unfolds across Asia.

There are many security threats to energy routes and SLOCs, not least piracy. However, dependence on the protective role of the United States cannot be guaranteed given the enormous cost of patrolling in the Indian Ocean, and the reduced strategic importance that the Middle East may have for the United States as a result of its shale gas revolution. This prospect has already made its allies such as Japan nervous, leading Tokyo to upgrade its own military activities around fuel transport and seek cooperation with other key partners in Asia, such as India, with which it signed a security agreement in 2008 (Jain 2009).

In the meantime some East Asian players have begun to assert themselves militarily in the South China and the East China seas, and India has increased its naval presence in the Indian Ocean and outreach to the South China Sea via Vietnam. These moves create or heighten strategic tensions in the region that feed directly into disputes about sovereignty over island clusters perceived as important in the search for energy. As rising powers, both China and India are strengthening their naval capability to secure maritime passage of fuel, an opportunity also to display their influence in the sea routes and maritime nations around the Indian Ocean (Banyan 2012). Pipeline politics will also remain a concern while energy fuels pass through politically unstable territories and strategic competition among sellers and buyers continues. As Herberg observes, “Rather than seeking ways to cooperate to find common regional solutions... the region’s powers (in Asia) have increasingly embarked on a national competitive approach that intensifies distrust, worsens maritime tensions, and aggravates key strategic rivalries” (Herberg 2012, 3).

Here we see how the geopolitical features of the evolving energy Great Game interlock the global politics of energy with the regional politics of Asia’s lead players as they narrowly pursue the energy supplies vital to their national strength, well-being, and stability. These features make energy a core part of the strategic complexity of interstate relationships in Asia today just as it once was in other parts of the world. This highly competitive energy security landscape and the consequent new Great Game are best explained by a realist theoretical framework: competition, rivalry, and the pursuit of national interest, with only minimal elements of cooperation. As Mastanduno states in chapter 2 of this *Handbook*: “States pursue benefits through cooperation in absolute terms, but are necessarily concerned with relative gains—that is, the extent to which cooperative ventures benefit disproportionately potential adversaries.”

This strident competition and low-level militarization around fuel procurement appear likely to intensify. While some observers have raised the prospect of an “energy cold war” in Asia (Liao 2007, 43), a cold or a hot war on the issue of energy alone is unlikely. More likely are continued brinksmanship, saber-rattling and even small-scale conflicts and skirmishes, leavened by statements about cooperative frameworks and soft institutionalization to manage energy security for most Asian nations. These developments will undoubtedly play a vital role in the power transition now transforming the region and the globe.

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NOTES

1. The term “Great Game” was coined to describe nineteenth-century British-Russian rivalry over Central Asia. Here it signifies the fierce competition for energy, particularly between the rising Asian powers, most notably China and India, which is occurring in the Middle East, Central Asia, Africa, and elsewhere. Chellaney (2006) argues that while demand surges globally for limited supplies of essential natural resources, the strategic dilemmas involved have produced a new Great Game centered on the rival plans to access a larger share. In this developing energy Great Game, Asian nations, particularly China, Japan, India, and South Korea, together with supplier states in the Middle East and Central Asia, are major players. Their interests are set to shape energy geopolitics profoundly in the twenty-first century.
2. Sovacool’s energy security handbook (2011, 3–6) lists forty-five definitions of energy security.
3. The Chinese term for energy security, *nengyuan anquan*, appeared only once in the *People’s Daily* in 2000, but in 2010 this newspaper published 476 articles using the term (Drysdale 2011).
4. Indonesia was the only Asian member of the Organization of the Petroleum Exporting Countries (OPEC) until 2009 when it withdrew its membership after becoming a net oil importer in the mid-2000s.
5. The fuel types are fossil fuels—oil, coal, and natural gas—nuclear, and alternatives, particularly solar, wind, and hydro.
6. Post-Fukushima, Japan’s resource diplomacy has intensified. A Resource Diplomacy Strategy Committee has reportedly been established in the Prime Minister’s Office with the sole aim of ensuring access to energy and rare earth resources. Plans for Economic Partnership Agreements with Saudi Arabia and Mongolia are aimed at securing oil and coal respectively: see Hughes 2012, 133.
7. Shale gas is a synthetic gas mixture (syngas) produced by heating oil shale. It differs from natural gas, which is extracted directly from the ground without heating.
8. See chapter 3 and chapter 11 of the Plan. For the full text of the plan, visit http://cbi.typepad.com/china_direct/2011/05/chinas-twelfth-five-new-plan-the-full-english-version.html.
9. On Japanese experience of struggle to resist construction of nuclear plants see Lesbirel (1998); Aldrich (2008).
10. <http://chinabystander.wordpress.com/2012/10/28/chinas-nuclear-power-program-gets-back-on-track/>.

11. Researchers from Harvard and Beijing's Tsinghua University claim to have found that China could meet all of its electricity demands from wind power by 2030 (Treacy 2009).
12. Uniting Asian energy buyer and seller nations, the AEI (Asian Energy Institute) is a network of sixteen energy institutes from Asian countries, including Bangladesh, China, India, Indonesia, Iran, Japan, Jordan, Korea, Kuwait, Malaysia, the Philippines, Pakistan, Sri Lanka, and Thailand. Fourteen associate members are from outside Asia. The AEI is not directly a government organization and exists to promote knowledge sharing and dissemination, and research and training activities concerning energy.
13. Burma/Myanmar may now be a different playing field as leaders there have reversed political course, and Western nations are lifting sanctions and are engaging with the country.
14. Others point to fishing rights as the main focus of competition. And see Fravel in this volume.
15. The Strait of Hormuz between Oman and Iran, through which about one-third of all seaborne oil passes, is a mere 6.4 kilometers wide ("Factbox" 2012).

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CHAPTER 29

ECONOMIC-SECURITY LINKAGES IN ASIA

HIDETAKA YOSHIMATSU

DESPITE high levels of economic interdependence, most parts of Asia are still preoccupied with security concerns. Historical memories have inhibited the fostering of trust among China, Japan, and South Korea, and the legacy of the Cold War lingers in the Korean peninsula and the Taiwan Strait. Military confrontations over national borders are continuing between India and Pakistan as well as between Thailand and Cambodia. Furthermore, maritime security concerns have emerged as a significant issue in the East China Sea and the South China Sea; the search for energy resources has exacerbated these security tensions.

This chapter explores the theoretical and empirical implications of economic-security linkages in Asian politics. It argues that enhanced economic interdependence has become a catalyst in promoting institutionalization of political relations in Asia, but its influence on alleviating political-security tensions and promoting security cooperation is still limited. Moreover, lingering historical animosity reinforced by growing concerns about energy security encourage Asian states to use economic instruments such as trade, foreign aid, and commercial agreements to pursue their key diplomatic objectives.

This chapter is organized as follows. The initial section examines theoretical debates on the economic-security nexus and explores two of its dimensions: first, the relationship between enhanced economic interdependence and the likelihood of interstate conflict; and second, the use by states of economic instruments to achieve political-security objectives. The second section explores the relationship between economic interdependence and regional stability in Asia. It articulates the complicated relationships in subregions of Southeast Asia, South Asia, and Northeast Asia. The third section highlights states' external policies and relations in terms of economic-security linkages. It illustrates these linkages mainly through a case study of China's policies and relations with other Asian countries.

29.1. THE ECONOMIC-SECURITY NEXUS IN THEORETICAL CONTEXT

For a long time, research on security was primarily concerned with the threat, use, and control of military force among states. However, the end of the Cold War became a catalyst in broadening the scope of security studies, and various risk-related issues such as environmental deterioration, health, human rights, food, and poverty became the target of research (see also the chapter by Reimann in this volume). The multidimensional character of security has attracted growing scholarly interest, an important component of which has been linkages between economics and security.

Past research has mainly highlighted two dimensions of linkages between economics and security. The first is the relationship between economic interdependence and international conflict (see Haggard in this volume). There have been intensive theoretical debates on the question of whether or not economic interdependence dampens the likelihood of political conflict. Liberals have argued since the middle of the nineteenth century that economic interdependence is likely to decrease the possibility of interstate conflict in two ways. First, increasing cross-border personal communication accompanied by economic transactions is expected to reduce misperceptions and misunderstandings among states. Interaction and communication between peoples improve the prospects for international cooperation and peace by increasing each people's knowledge of others and their ways, customs, practices, and concerns (Stein 1993, 249–50). Second, interests created by increasing commercial transactions provide the foundation for stable political relations. Increased economic interdependence makes private actors and government officials recognize that their own wealth and prosperity rely on economic linkages with partners and that military conflict would impose significant costs on their economic benefits and overall wellbeing (Cain 1979; Stein 1993). Commercial exchanges render private traders and consumers dependent on external markets, and the cutting or disruption of commercial ties would bring overwhelming costs for these beneficiaries. Government officials who rely on support from societal groups are forced to attend to interests and demands from these groups.

Increasing economic interdependence accompanying growing economic transactions is frequently supported by multilateral institutions that coordinate the interests of the parties concerned. Subsequently, these multilateral institutions are claimed to create mutual and vested interests among participating states. Once planning and decision-making processes for institution-building begin, some distribution of labor in the expertise and planning capacity is formed with the expectation of continuity of commitment. Such situations can raise the costs of breaking connecting links and may dissuade a state from adopting policy changes in isolation (Ikenberry 2001, 67). Moreover, multilateral institutions can rectify various problems in the anarchical, self-help system—*asymmetric information, moral hazard, and potential dishonesty*—by providing legal liability that establishes stable and mutual expectation about others'

patterns of behavior; by offering relatively symmetrical information to the members, thereby reducing levels of uncertainty and the risks of making agreements; and by reducing the transaction costs of legitimate bargains and increasing them for illegitimate ones (Keohane 1984).

Realists have presented a contrasting view on the relationship between economic interdependence and interstate conflict (see also Mastanduno in this volume). Formulation of the concept of interdependence, they argue, is vague and elusive, and it ranges from symmetrical interdependence and sensitivity interdependence to vulnerability interdependence, relying on the costs that states would bear when relations between them are disrupted (these terms connected with interdependence are explained in Keohane and Nye 2001). Realists hold that interdependence is not a matter of mutual and symmetrical exchanges among states, and the power inherent in asymmetrical economic relationships does matter for the states concerned (McMillan 1997). Asymmetrical economic interdependence can jeopardize the security positions of states. If a state relies on a trading relationship much more heavily than another state, the net costs associated with attenuating or severing the relationship are far higher for the former than the latter state (Mansfield and Pollins 2001, 836; Barbieri 2002, 3). Such unequal relationships inevitably increase the vulnerability of the dependent state. Interdependence can also lead to increasing insecurity and even increase the likelihood of armed conflict because international trade makes some states overly dependent on the world market, producing uncertainty about the continued and stable supply of vital goods (Gilpin 1977; Mearsheimer 1990). Furthermore, realists posit that the state has a significant degree of autonomy from society in its pursuit of its primary goal of maintaining national security (Simmons 2003). Thus, economic interdependence heightens the possibility of political and military conflicts by enhancing inequalities and uncertainties in interstate relations.

Importantly, security externalities and relative gains underpin the difficulty in realizing the potentially positive relationship between economic interdependence and national security. Gowa (1994) argues that international trade creates “security externalities” by increasing the national wealth of any country engaging in it and thereby enhancing its potential military power. Accordingly, a state tends to enhance trade with an ally while it is reluctant to promote trade with an adversary. Gowa’s argument suggests that international trade will be heavily influenced by security concerns. Grieco (1990) holds that states care about relative gains rather than the potential absolute gains from increased economic interactions. This is because states worry that joint gains from economic interaction that advantage a potential adversary in the present might serve as a basis for political-military strength and produce potential danger in the future. The security externalities and relative gain concerns explain states’ reluctance to promote economic transactions with other states even if such transactions have the potential to produce economic benefits.

The second dimension of the economic-security nexus is pertinent to a state’s external policies. Some scholars have explored how states use economic activities such as trade, investment, and foreign aid as instruments to achieve their strategic and security policy

objectives (Hirschman 1980; Baldwin 1985). The state uses economic power as a tool of influence or enforcement to change other states' behavior. In this view, economic interactions are part of the toolkit of statecraft, which Mastanduno (1998, 826) defines as "the use of policy instruments to satisfy the core objectives of nation-states in the international system."

Economic instruments can be used to attain a state's political-security goals in both the short term and the long term. In the long term, a state seeks to improve its security position by creating asymmetries in its economic and strategic relationships with other states. The state takes advantage of its strong economic base and manipulates economic policies in order to enhance political and security advantages and translate them into military power and political influence. Hirschman's (1980) study of how Nazi Germany set out to make its central and southeast European neighbors subordinate to its economy is the seminal work on this topic. To attain these objectives, Germany adopted policies to increase the trading partners' gain from trade and adjust for difficulties in case of trade stoppage. Such policies led the trading partners to rely on the German economy to a significant level. Moreover, strong vested interests to accommodate the source of interdependence with Germany were created in domestic society in the partner countries (Hirschman 1980, 28–29). As Hirschman's research indicates, after the construction of asymmetrical dependent relationships, the core state may be able to exert political influence and control through skillful means such as extraction—the use of the relationship to extract crucial resources and funds—and entrapment—the transformation of interests among firms and government in the dependent state—(Kirshner 1995).

In the short term, states can rely on economic sanctions and economic inducements as tools to exert pressure on their partners in order to obtain concessions on a specific diplomatic issue. In particular, the state uses economic sanctions such as restrictions on trade, a reduction in foreign aid, or the expropriation of foreign assets. Imposing restrictions on trade requires a strategic calculation of potential costs and benefits. Since trade is basically a mutual activity, the interruption of commercial linkages imposes costs on the state that adopts the measure. Accordingly, in assessing the likely impact of sanctions, it is necessary to examine carefully the extent and mode of dependence, the availability of alternative sources, and likely responses from the targeted state.

Baldwin (1985) considers the purposes of economic statecraft broadly. He suggests that these range from changing the target state's behavior to engaging in economic warfare, rallying domestic political support, demonstrating resolve to third-country audiences, to simply inflicting punishment. He then contends that the effectiveness of economic statecraft should be judged with an assessment of the costs and benefits associated with alternative policy instruments, and reaches the conclusion that economic sanctions are often successful in achieving their broad objectives. Mastanduno (1998) highlights the issue of what factors influence how state policymakers treat the relationship between international economics and national security, and suggests three elements: the structure of the international system, the specific features of the international strategic environment, and the competitive position of a state in the international marketplace. Mastanduno then explores the integration of economics and security in US statecraft, and concludes that while US policymakers sought to integrate

economic and security policies in the early Cold War period and the post-Cold War years, they separated the pursuit of economic and security objectives in the later phase of the Cold War within a firm bipolar structure. Mastanduno's research has significant resonance in the development of Northeast Asian economies. Japan, South Korea, and Taiwan could achieve high rates of economic growth largely because preferences for economic and security linkages encouraged the United States to keep its market open while tolerating discrimination from these partners.

29.2. THE LIMITED INFLUENCE OF ECONOMIC INTERDEPENDENCE ON POLITICAL-SECURITY CONFLICT

For a long time, Asia has been an empirical target of research on the implications of growing economic interdependence for the possibility of war or military conflict. In the 1990s, Morrison (1997) observed that not only was the level of economic interdependence in East Asia too low to promote substantial security enhancing effects, but it was also difficult to attribute important improvements in regional security affairs to economic interdependence. Narine (2007) holds that the initiatives in promoting regional economic integration are still too nascent and weak to constitute the building blocks for a security community in East Asia, and a security community characterized by a genuine shift in regional identity is unlikely to develop in the near future.

In contrast, several scholars have argued that a positive relationship exists between economic interdependence and the reduction of political-military hostilities in Asia. Berger (2000) contends that the growth of economic interdependence in the form of intraregional trade and foreign investment has pushed up the costs of military conflict and reinforced the political influence of societal groups that favored a cooperative approach to foreign relations. In a similar vein, Ravenhill (2009) argues that transformations in the character of economic interdependence in the form of production networks, evolving economic institutions, and changes in dominant domestic coalitions have increased the costs of conflict for Asian countries (see also Ravenhill's chapter in this volume). Using a large-sample quantitative method, Goldsmith (2007) examines the correlation of economic interdependence and conflict in Asia. His research found that while the pacific effects of multilateral institutions and democracy were weak, trade dependence was robustly associated with lower levels of conflict in Asia. The effects of economic interdependence on reducing the possibility of conflict may derive from regional states' purposeful strategy. Kahler (2004) holds that South Korea, Taiwan, and Singapore adopted strategies that deployed economic interdependence to advance their security goals with larger or militarily threatening neighbors.

Previous research generally approached the issue of how economic interdependence influences the possibility of interstate conflict in Asia by focusing on a broad

geographical area of Asia or East Asia. However, it seems appropriate to highlight subregions in Asia because economic interdependence and its possible impacts on interstate conflict vary from one subregion to another.

In Southeast Asia, political leaders have pursued steady economic development to legitimize their political power. They have set up regional institutional arrangements that underpin continuous economic dynamism (see also chapter 35). ASEAN leaders launched the idea of the ASEAN Free Trade Area (AFTA) in 1992. After the AFTA was completed in 2002, they envisioned the creation of the ASEAN Economic Community—an FTA-plus economic arrangement—by 2015.¹ These economic arrangements contributed to increases in intraregional trade and investment. The value of intraregional trade within ASEAN increased from US\$52 billion in 1990 to US\$181 billion in 2000 and to US\$493 billion in 2010.

ASEAN's policymakers have held numerous meetings to advance multilateral institutions in trade in goods, services, investment, transport, information technology, and so on. The exchange of information and views through such meetings has deepened understandings about other states' diplomatic stances and interests, and created vested interests in maintaining stable political relations among the members. Importantly, a distinctive normative structure—the ASEAN Way—has facilitated frank diplomatic dialogues and regional institution-building (Kivimäki 2001; Acharya 2001; Haacke 2003). The major norms in the ASEAN Way, such as consultation, nonintervention in internal affairs, and nonuse of force, have created both regulative effects and constitutive effects on diplomatic behavior, and a common identity among ASEAN members (see Acharya's and Leheny's chapters in this volume).²

Since ASEAN members have also expanded trade with extraregional states, the ratio of intraregional trade showed only a modest increase in the new millennium: from 22.8 percent in 2000 and to 24.6 percent in 2010 (see also Dent in this volume). The perceived necessity of increasing intraregional interdependence to avoid high dependence on extraregional economies has created further momentum to promote economic integration. ASEAN members launched the ASEAN Community, and the ASEAN Economic Community became the engine of community building.³ Moreover, ASEAN members advanced formal, rule-based institution-building in economic integration. In August 2007, ASEAN economic ministers agreed to transform the Common Effective Preferential Tariffs for the ASEAN Free Trade Area (CEPT-AFTA) into a more integrated instrument, and the ASEAN Trade in Goods Agreement (ATIGA) was signed in February 2009. With ninety-eight clauses in eleven chapters, the ATIGA covers a wide range of issues including trade facilitation, customs, as well as standards, technical regulations, and conformity assessment procedures. In trends toward formal institutionalization, the ASEAN Charter was signed in November 2007 and came into force in December 2008. The charter has clauses regarding settlement of disputes among member states such as good offices or mediation by the chairman of ASEAN or ASEAN secretary-general (Article 23) and the reference of unresolved disputes to the ASEAN Summit (Article 26). Thus, enhanced economic interdependence stimulated

the formal, rule-based institutionalization of interstate relations, and such moves proliferated in political and security areas.

ASEAN members generally recognize the importance of rules and procedures that the ASEAN Charter and other agreements stipulate. However, they have not necessarily respected them in real interstate conflicts. When the Thailand-Cambodia conflict on national borders escalated in 2010, ASEAN's chair countries proposed mediation to settle the conflict peacefully. Bangkok resisted such proposals, preferring a local, bilateral resolution. In Southeast Asia, institutionalization of interstate relations has been advanced, but the influence of such institutions is still hindered by historically oriented regional politics and domestic political struggles.

In the case of South Asia, states are members of a multilateral organization, the South Asian Association for Regional Cooperation (SAARC). Established in 1985, the SAARC is a comprehensive regional institution that covers cooperation in economic, social, and cultural fields. SAARC members have launched two trade initiatives. The South Asian Preferential Trading Agreement (SAPTA) was launched in 1995 and expired in December 2003. Then, the Agreement on South Asian Free Trade Area (SAFTA) was signed in January 2004 and came into force two years later. Under SAFTA, the member states aimed at lowering tariffs to 20 percent in the first two years, and then to zero in the second phase ending in 2015.

The impact of regional trade arrangements on intraregional trade has been limited in South Asia (see also Dent). The ratio of intraregional trade in the region has remained low: a mere 4–5 percent since the new millennium. Even though member countries adopted preferential trade arrangements, they maintained various protective measures. Trade liberalization within SAFTA has been hindered by long negative lists, safety clauses, restrictive rules of origin, and so forth (Pattanaik 2006). Equally important was that the lack of trade complementarity undermined the growth of economic interdependence. A country in South Asia is unlikely to be a supplier of its neighboring country's leading import products (Sáez 2008). It is unlikely that a trade relationship in the region will produce such significant economic interdependence that it will have an effect on the reduction of interstate conflict. On the other hand, interstate conflict in the region has had negative effects on the development of economic interdependence.

While the SAARC has played a critical role in providing a venue for diplomatic contacts among member states, its presence and activities have not had a strong influence on interstate conflict. This was largely because bilateral issues were excluded from the SAARC's purview in order to avoid a situation in which political conditions would stall regional economic cooperation (Khan 2009). More fundamentally, SAARC members have failed to establish strong political and economic unity. The weak unity has much to do with the fact that politics in South Asia has been dominated by one hegemonic state—India—which has an unresolved conflict with Pakistan over Kashmir. India has not displayed much interest in regional multilateral institutions, preferring a bilateral diplomatic approach. Moreover, this regional hegemon has had weak stakes in deepening economic linkages in South Asia because its neighbors are small countries; rather,

it has pursued closer links with the more dynamic economies of Southeast Asia and Northeast Asia.⁴

Since the early 1990s, China, Japan, and South Korea—the major states in Northeast Asia—have gradually deepened economic interdependence through expanding trade and investment. The share of intraregional trade among the three states increased from 12.3 percent in 1990 to 19.0 percent in 1996 and to 21.9 percent in 2010. In 2010, China was the primary trade partner for South Korea and Japan, and Japan was the second largest trade partner for China and South Korea (see also Dent). South Korea was the third largest trade partner for Japan and China.

Liberals posit that efficiency gains from heightened interdependence encourage private actors to favor stable political relations, as explained further in Haggard's chapter. In the first decade of this century, major business groups in Northeast Asia began to express their interests in closer regional cooperation. In 2009, business associations of the three states—the China Council for the Promotion of International Trade, the Japan Business Federation, and the Federation of Korean Industries—began the China-Japan-Korea Business Summit. The three associations had organized trilateral dialogue meetings even before 2009. The business summit after 2009 became a more institutionalized meeting to be always held on the sidelines of the trilateral summit among political leaders. At every business summit meeting, the three associations have issued a joint statement that encouraged political leaders to promote trilateral economic cooperation and harmonize approaches to address global issues.

Growing economic interdependence induced the three states to coordinate economic interests through various trilateral institutions. In December 2008, the three states adopted the "Action Agenda for Improvement of the Business Environment," which spelled out concrete measures to improve the business environment such as transparency in laws and regulations, the protection of intellectual property rights, a dispute consultation mechanism, and the coherence of national and local administrations (Yoshimatsu 2010). In May 2012 the three states signed a trilateral investment agreement as the first legal framework in the economic field. By 2011, the number of trilateral consultative mechanisms had increased to more than fifty, including seventeen ministerial meetings.

In September 2011, the Trilateral Cooperation Secretariat was established in Seoul. The secretariat is expected to play a valuable role in facilitating communication and talks among policymakers and the sharing of information that is conducive to further cooperation. The three states proclaimed in their 2012 joint statement that they would advance cooperation in nontraditional security issues, such as piracy, energy security, cybersecurity, communicable diseases, terrorism, and proliferation of weapons of mass destruction (WMD).

It is not easy, however, to discern a positive influence of economic interdependence on traditional security areas in trilateral relations. Japan and South Korea hoped to refer to the North Korean security crisis in the summit's official documents. Yet China was cautious about such a commitment because of its concern about the possible impact on the relationship with its traditional ally, North Korea. At the time of writing,

this initiative has further stalled as a result of tensions in relations among the three parties over territorial and other disputes.

The positive influence of economic interdependence on traditional security areas has, though, at times shown its effects in shaping bilateral relations. Current ties between Japan and China are in 2013 fraught, but when Chinese president Hu Jintao made a formal visit to Tokyo in May 2008, Hu and Japanese prime minister Yasuo Fukuda issued the Joint Statement on the Comprehensive Promotion of a Mutually Beneficial Relationship Based on Common Strategic Interests. The statement contained a phrase indicating that the two countries would work “to enhance the exchange of high-level visits in the area of security, promote various forms of dialogue and exchange, and further enhance mutual understanding and trust” (MOFA Japan 2008). Both governments, in the past, have promoted defense cooperation in order to advance the spirit of the statement. For instance, when the Japan-China defense ministers’ meeting was held in November 2009, the ministers organized a joint press statement for the first time, referring to the first implementation of joint exercises related to maritime search and rescue, as well as to the establishment of a maritime communication mechanism between the defense authorities. Although cooperation was relevant to very specific areas, it could be regarded as an important necessary step to deepening security relations. Were relations to improve between these two states, then this groundwork could prove helpful to the further enhancement of their ties.

As I explain later, the Japanese government conceived of security comprehensively to include economic dimensions. The growing importance of economic linkages encourages China, Japan, and South Korea to consider national interests and security broadly, giving due attention to nonmilitary, functional aspects. Practical and realistic benefits that derive from economic linkages can help to sustain economic growth and social stability, the core interests of national policymakers. The development of policy networks involving various state and nonstate actors for expanding such benefits may contribute to mitigating possible political hostility and security tension.

As the above explanation indicates, discernible diversities exist in subregions of Asia in terms of the level of economic interdependence and its effects on political-security relations. Despite such diversities, extensive economic interdependence offered a stimulus to the development of multilateral institutions (see Stubbs and Mustapha in this volume). However, the potential positive effects of such multilateral institutions on political cooperation and security stability have been offset by asymmetrical power relations and complicated regional politics.

29.3. GROWING RELIANCE ON ECONOMIC INSTRUMENTS FOR DIPLOMATIC OBJECTIVES

In Asia, substantial research has been conducted on Japan’s use of economic instruments to pursue political and security objectives. After defeat in the Second World

War, Japan pursued a route to develop as a nonmilitarized trading state. Such a development route derived from the bitter experience of the Pacific War; it was encapsulated in the Yoshida Doctrine.⁵ The social norms of antimilitarism reinforced by Article 9 of the Japanese Constitution also helped to define Japan's security policy (Katzenstein and Okawara 1993).

The pursuit of a nonmilitarized trading state strategy did not imply that Japan was indifferent to national security issues. Japan considered national security with due attention to economic dimensions, and its government formulated the concept of "comprehensive national security" in the late 1970s (Akaha 1991; Hughes 1999). This derived from new international developments in the 1970s such as the collapse of the Bretton Woods system, the energy crises, and global economic recession and resultant trade frictions. In particular, the energy crises resulting from the two oil shocks underlined Japan's resource-scarce vulnerability. The comprehensive national security doctrine considers national security in a broad and integrated manner in terms of objectives and measures. The objective of security maintenance extends from military defense and alliance maintenance to nonmilitary aspects such as the reliable supply of raw materials and foodstuffs as well as stable access to foreign markets for Japanese goods. To pursue this kind of national security, the government placed stress on pursuing diplomatic, economic, and defense measures. The measures include maintaining a strong military alliance with the United States, the creation of stable diplomatic relations with neighboring states, and the establishment of closer ties with resource-rich nations.

Japan's concept of comprehensive national security has two critical implications in terms of economic-security linkages. First, technological and economic capabilities were regarded as crucial instruments to maintain national security and advance the national interest. Heginbotham and Samuels (1999) characterize Japan's foreign policy as "mercantile realism," in which policies designed to enhance technological and economic fortunes are pursued to increase a state's political leverage and independence even in the absence of military-security considerations. Japan did not take advantage of its economic prowess to increase military power, but regarded declining techno-economic power as a threat to its national security. Second, Japan came to link a stable international economic order to the maintenance of national security. In the 1960s and 1970s the Japanese government used foreign aid to pursue neomercantilist objectives: especially the creation of trade opportunities and investment expansion of Japanese firms in overseas markets (Hatch and Yamamura 1996). After the 1980s, it gradually reformulated its external policies including those on foreign aid, with the objective of sustaining a favorable international environment for its national security (Chan 1992; Kato 1998). While the liberal international economic order was regarded as a factor contributing to Japan's comprehensive national security, growing economic capabilities allowed Japan to make substantial commitments to sustaining the liberal economic system that gradually eroded after the 1970s.

In the new millennium, China became a main target of research on the relationship between economic policy and political-security objectives. China's emergence as

the world's second largest economy encouraged researchers to focus on two aspects of linkages between economic instruments and security concerns in Chinese external relations. The first concerns the importance of the stable supply of natural resources as the basis of national security. As in the case of Japan in the 1980s, China regarded the security of supply of energy resources as a factor directly linked to its national security, as Jain discusses in this volume. Such considerations became particularly salient as rapid economic growth sharply increased domestic energy consumption.⁶

In pursuit of these strategic objectives, China intensified its commitments to the exploitation of energy resources in Central Asia. China negotiated contracts to build pipelines to carry gas from Central Asia to China, such as an agreement with Turkmenistan in 2008, which would carry four-fifths of the country's gas production and supply nearly half of Chinese consumption. The contract represented an intrusion into what Russia perceived as its sphere of influence and broke Russia's control over the flow of Central Asian natural gas (Jakobson and Knox 2010). Moreover, Chinese state-owned oil companies—the China National Petroleum Company (CNPC), China Petroleum & Chemical Corporation (Sinopec), and the China National Offshore Oil Corporation (CNOOC)—reached various agreements to purchase oil and gas fields in Central Asia. These agreements were among the largest of those that the Central Asian governments concluded regarding oil and gas development, and indicated China's determination to gain access to energy resources in the region (Swanström 2005). The Chinese government undertook summit diplomacy in order to strengthen linkages with Central Asian states over energy resources. Over half of Chinese president Hu Jintao's foreign visits between January 2005 and July 2010 were to countries in which at least one of the three Chinese state-owned companies had business operations for the supply, joint exploration, or asset transfer of oil or natural gas. The top political leader's commitments provided the opportunity for senior corporate managers to interact with political leaders and their foreign policy advisors (Jakobson and Knox 2010).

In addition to summit diplomacy, China used economic instruments in order to secure natural resources in Central Asia. China provided Central Asian states with loans to expand oil and gas businesses and to assist the development of relevant infrastructure. In 2009, for instance, China concluded an agreement to provide a loan of \$10 billion for Kazakhstan. While the Chinese Export-Import Bank provided \$5 billion to the Development Bank of Kazakhstan, the CNPC offered another \$5 billion to KazMunaiGas, a state-owned national oil and gas company, as a partnership to develop oil and gas in Kazakhstan. As shown in this case, loans typically were arranged with large state-owned companies in Central Asia with significant political involvement. Moreover, some of the loans were directed toward securing the purchase of Chinese goods and services. For instance, China granted Kyrgyzstan a loan of \$5.7 million and Tajikistan a loan of \$5 million to buy Chinese commercial goods (Swanström 2005, 579).

China has a huge capital base and is willing to grant better loan conditions than its Western rivals. This economic power has been used to make China a significant buyer of natural resources from Central Asia, gradually reducing the relative influence of

Russia and other Western states. The economic aid intensified the reliance of weak Central Asian economies on China as the destination of their exports of resources and as the source of supply of capital and consumer goods. China enhanced its security environments by strengthening diplomatic and economic linkages with neighboring states in general, and enhanced energy security by implementing measures to improve the stable supply of natural resources in particular.

Other Asian countries have also adopted similar policies. For instance, the Korean president made formal visits to Mongolia, Uzbekistan, and Kazakhstan in August 2011. The main objective of the visits was to strengthen linkages in the resource and energy fields. In Uzbekistan, for instance, two presidents reached an agreement to promote the development of gas fields and construction of a related plant. The two leaders also pledged to expand the scope of economic cooperation in the field of information technology, health care, medicine, and the fiber industry.

As free trade agreements (FTAs) have emerged as a crucial arrangement to strengthen economic and political linkages between contracting parties, they have become instruments through which states have attempted to secure access to raw materials and energy resources. The use of FTAs to improve resource security was particularly the case for Northeast Asian countries whose governments pursued FTAs with resource-rich partners such as Australia, the Gulf Cooperation Council (GCC), and Canada. South Korea and Japan insert “resource clauses” aimed at securing energy and mineral supply into their FTAs with Asian trade partners such as Indonesia, India, and Brunei (Wilson 2012).

In Asia, resource-poor states such as Japan and South Korea continuously require a stable supply of energy resources and raw materials for industrialization. The newly emerging countries such as China and India have also increased their demands for energy. Energy security has become an increasingly crucial pillar of national security. In particular, steady economic growth has provided the newly emerging countries with more resources to employ economic instruments to gain access to energy and mineral resources. These developments offer the prospect that competition and rivalry for securing energy resources will intensify and economic activities as a tool of statecraft will become more important in Asia.

The second aspect is China’s use of its economic capabilities to attain specific security objectives. This was seen in disputes with Japan over the Senkaku/Diaoyu Islands in the East China Sea.⁷ In September 2010, for instance, the Chinese government allegedly used trade policy instruments to exert pressure on Tokyo after the Japanese Coast Guard arrested the crew of a Chinese fishing boat suspected of operating in Japanese territorial waters. The Chinese customs office suspended exports of rare earth elements necessary for the production of many high-technology goods such as hybrid cars, mobile phones, and solar cells as well as for many advanced military technologies and defense applications such as precision-guided bombs and missiles.⁸

The Chinese government maintained that the export restraint measure was adopted in order to protect domestic reserves and to provide better protection to the environment. Moreover, the government denied that it had ceased exports of rare earth

elements to Japan, and that the stoppage stemmed from a spontaneous and simultaneous decision of the licensed exporting companies. However, the Chinese government's policies toward other trade partners revealed its strategic intent. China also stopped exports of rare earth elements to the European Union. This export restraint superficially aimed to justify the embargo on Japan by showing that virtually all shipments were delayed because of customs authorities' detailed examination of the products. However, the measure was clearly intended to prevent Japanese companies from bypassing the embargo through purchase from European companies' stockpiles (Lackner and McEwen-Fial 2011).

The rare earth element case demonstrates how the Chinese government has manipulated economic policy instruments to attain security objectives. China pursued policies that encouraged Japan and other industrial states to rely on it for the supply of strategic resources, which led to their becoming vulnerable to China's monopolistic power. China proved willing to use asymmetrical trade dependence as a lever to attempt to persuade Japan to change its policy in a maritime security dispute.

China's trade policy has acted as a catalyst in the formulation of new strategic relations in Asia. The Chinese policy led Japanese policymakers to recognize the risk of dependence for the supply of strategic resources on a trading partner that takes advantage of asymmetrical trade relations to attain foreign policy objectives. Accordingly, Japan began to diversify its sources of rare earth elements, and approached Vietnam and India in an attempt to secure a stable supply. Given that India and Vietnam are two countries that have had security tensions with China, a search for closer links to them could be seen as a purposeful strategy to balance against China (Khuo 2011, 111). In fact, closer economic linkages have been accompanied by reinforced defense cooperation. In October 2011, defense ministers of Japan and Vietnam signed a memorandum on defense cooperation, and agreed to promote high-level exchanges and regular dialogue at the vice-ministerial level. Japan also advanced security cooperation with India, reaching a ministerial agreement in November 2011 to carry out the first bilateral exercise between the Japan Maritime Self-Defense Force and the Indian navy. China's strategic manipulation of economic linkages to attain security objectives encouraged its neighboring states to pursue strategies that combine economic and security means to balance against it.

Although the Sino-Japanese conflict has attracted most attention, the use of economic instruments to attain political and strategic objectives is seen in other conflicts in Asia. For instance, the supply of water from Malaysia's Johor state to Singapore has often in the past been a source of diplomatic dispute, and the Malaysian government has tried to change Singapore's policies by threatening to cut off water or drastically increase its pricing. In another linkage of economic instruments with security objectives, in August 2012 political confrontation between Japan and South Korea over the Dokdo/Takeshima Islands escalated as Korean president Lee Myung-bak made an unprecedented visit to the islands. In response to this visit, the Japanese government announced that it would freeze the planned purchase of Korean government bonds and delayed the extension of a bilateral currency swap agreement with South Korea.

In Asia, unsettled historical disputes including those driven by territorial issues often provoke political confrontation. Such confrontation has encouraged governments to use economic linkages as a tool of influence or pressure to obtain concessions from and change the behavior of the other party in a dispute.

29.4. CONCLUSION

This chapter has explored the implications of the economic-security nexus in Asian international relations by focusing on two aspects: how heightened economic interdependence influences the possibility of interstate conflict; and how states have wielded economic instruments to attain key political-security objectives. The examination of linkages between economic interdependence and possible interstate conflict in subregions of Asia reveal that enhanced economic interdependence has stimulated the creation of new institutions or the formalization of existing institutions. However, the influence of economic interdependence on alleviating political-security tensions and advancing security cooperation remains limited. As for a state's instrumental use of economic statecraft, states in Asia have taken advantage of economic instruments such as trade, foreign aid, and commercial agreements for attaining their political-security goals. Lingering historical distrust and growing concern about energy security intensified the state's aspirations to use economic statecraft for strategic purposes.

As this chapter indicates, the development of regional institutions and the effective use of them for creating regional stability are different matters. For the most part, Asian states have not used regional institutions effectively for the purpose of alleviating political and security disputes. The positive effects of economic interdependence that liberals posit have remained weak in Asia, where governments still attach primary importance to the maintenance of national interests and to resolving domestic political challenges. Besides, economic instruments have become critical tools of diplomatic manipulation in Asia. In addition to traditional security disputes over national borders, issues relating to maritime security and to energy security expand the likelihood that states will resort to economic instruments of statecraft to pursue strategic goals. In turn, this leads to the deterioration of mutual trust among government officials.

Asian states are often confronted with common nontraditional security threats such as natural disasters, infectious diseases, and environmental deterioration (see chapter 33). The reduction of these threats would help secure national interests and promote security. Effective responses to transboundary threats require joint initiatives and action by regional states. Perceiving such threats as part of a new comprehensive security agenda would necessitate that the measures to meet security challenges are considered broadly. These would include various economic dimensions that are critical to sustaining economic development, social stability, and the preservation of the environment. The effective use of economic measures in conjunction with other diplomatic

means in pursuit of comprehensive security might help to mitigate political and security tensions.

NOTES

1. The ASEAN Economic Community would be a single market and production base with a free flow of goods, services, investment, and skilled labor. Unlike a normal common market, the AEC would have no plan to establish a common tariff rate applied to non-members and would restrict the flow of labor to skilled laborers.
2. While the regulative effects specify standards of proper behavior, the constitutive effects specify what actions will cause relevant others to recognize a particular identity (Katzenstein 1996, 5).
3. The ASEAN leaders declared the creation of the ASEAN Community in the Bali Concord II, agreed at the ninth summit in October 2003. The ASEAN Community comprises three pillars, the ASEAN Economic Community, the ASEAN Security Community—later changed into the ASEAN Political-Security Community—and the ASEAN Socio-Cultural Community. The Bali Concord II was a new ASEAN vision, twenty-seven years after the first Bali Concord signed by the original ASEAN members.
4. Engagements in the BIMSTEC (the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) or the East Asia Community have become far more policy relevant and meaningful for India (Pattanaik 2006).
5. The Yoshida Doctrine, which was named after Prime Minister Shigeru Yoshida, asserted that Japan should concentrate on economic development while relying on the United States for its security (see also chapters by Solís and by Hughes in this volume).
6. China's primary energy consumption increased from 1,038 million toe (tonne of oil equivalent) in 2000 to 2,432 million toe in 2010, accounting for 20.3 percent of the world total consumption.
7. The islands have been a source of conflict between Japan and China because both governments claim the sovereign right to the islands and surrounding waters. For details of historical conflicts over the islands, see Koo (2009).
8. Rare earth elements are a group of seventeen chemical elements comprising part of the family of lanthanides on the periodic table, with atomic numbers 57–71. They include neodymium, lanthanum, and cerium. Scandium and yttrium are grouped with the lanthanide family due to their similar properties. For one analysis that shows how complex it is to measure any suspension of these exports see Johnston (2013).

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PART V

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**TRANSNATIONAL
HUMAN SECURITY**
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CHAPTER 30

HUMAN RIGHTS DEVELOPMENTS IN ASIA

IAN NEARY

30.1. INTRODUCTION

ALTHOUGH definitions of human rights continue to be vigorously contested, the second half of the twentieth century saw steady progress toward a broad acceptance of their core importance. One manifestation of this was the creation of an international framework within which a state's assessment of its own rights record can be evaluated by a third party. This international regime has given human rights an operational substance such that their protection is regarded as evidence of and a guarantee for the presence of democracy and freedom in a given state or society. However, the concept of human rights and the relevance of the international regime has nowhere been resisted more strongly than in Asia.

The engagement of international relations theorists with human rights broadly reflects the positions taken by social theorists in general. At one extreme there are the rational choice realists who, rather like the Benthamite utilitarians, regard human rights as not exactly “nonsense on stilts” but as a “mostly unfortunate and sentimental intrusion into the real stuff of international relations—interstate power calculations” (a realist position noted in Forsythe 2000, 48). Then there are the liberals of various stripes who argue that attention to the personal rights of individuals should be a core concern of the state and suggest that over the last two hundred to three hundred years it increasingly has been. They can also demonstrate how a concern for human rights has become a routine part of international relations through the operation of the international regime, even if they are prepared to concede that there are and will be moments when pursuit of state power takes precedence over human rights considerations (Donnelly 1998; Forsythe 2000). Finally, there are those who take a constructivist approach and are interested in the way that norms such as human rights affect

the identities, preferences, and behavior of actors in international politics (Risse, Ropp, and Sikkink, 1999).

In what follows I will begin by sketching out a standard history of human rights ideas before suggesting some philosophical or religious difficulties that the absorption of such ideas might encounter within an Asian context. Then I will briefly summarize the process that saw the emergence of an international human rights regime and how these structures were replicated in different parts of the world. How Asia has responded to this forms my next section. However, Asia is a vast geographical area, so in order to make my remarks on human rights developments in the twenty-first century more coherent I will divide my more detailed comments into four sections to address East Asia, Southeast Asia, South Asia, and Central Asia. I will return in the conclusion to the role of human rights in the relations between states in Asia.

30.2. HUMAN RIGHTS THEORY AND ASIA

At the core of the concept of human rights is a concern with protecting people—certainly as individuals, possibly as groups—from abuse of power. The liberal account of the emergence of human rights traces it back to the natural rights tradition as encapsulated by Locke in his *Second Treatise on Government* (1688). In terms of political and legal practice this account focuses on the relation between citizens and the state and their attempts to resist it as shown in the Magna Carta, the Glorious Revolution (1689), the revolutions in America and France, up to the Warren Court decisions of the 1950s (two contrasting accounts of this process can be found in Woodiwiss 2005; and Freeman 2011).

However, to twenty-first-century eyes Locke's focus on life, liberty and estates seems too narrow, and despite his apparent universalism he really only envisaged his theory protecting the rights of propertied European males: women, "savages," servants, and wage laborers were not recognized as rights holders. Over the next three hundred years struggles for human rights in Europe and North America expanded the category of recognized rights holders to eliminate gender, race, property, and religion as legitimate grounds for denying their enjoyment. The demands for full political participation for all—at first male—citizens in the nineteenth century in Europe evolved into campaigns for social rights that were supported by the labor movement. Although rights understanding developed somewhat differently in the United States, the symbolic success of these campaigns was signaled by the incorporation of social rights into the 1919 constitution of the German Weimar Republic. Most constitutions written after 1945 routinely include guarantees of civil and political as well as social and economic rights. If the former can be considered first-generation "liberty" rights, the latter are second-generation "equality" rights. In the 1980s some began to argue the case for a third generation of "solidarity" rights that would include the rights to development, peace, a healthy environment, and self-determination.

It is not obvious however, that the concepts and conceptions of human rights that derive clearly from European political theory and practice should seamlessly apply within Asian societies. Buddhism and Confucianism can be regarded as role-based moralities wherein an individual is defined by the roles she plays within the communities of which she is a member—family, school, soccer team. Once you have described all those roles—mother, daughter, teacher, goalkeeper—you exhaust the descriptions of her. There is no person that exists independent of or prior to those roles. Her actions can be assessed in terms of her competence in carrying out those roles. If she injures her children, neglects her aged parents, or lets in a goal, she has failed to carry out her role properly. We do not need to ask if she has infringed the rights of her parents, children, or team members. Furthermore, the classical Buddhist tradition takes a holistic view of life and regards “rights talk” as placing unnecessary emphasis on the self, at best an illusory concept the assertion of which is bound to cause disharmony. There is a good case for saying that the Buddhist concept of compassion or the Confucian notion of benevolence can provide the basis for a rich social ethic based on the performance of role responsibilities such that the notion of rights is redundant.

There are still more difficulties in incorporating human rights values into Islamic societies. Some question whether Islam can recognize the equal human rights of Muslims and non-Muslims. When in 1990 the Organization of the Islamic Conference adopted a Declaration on Human Rights in Islam it permitted or required discrimination against women and offered little protection to the freedom of religion. When Islamic states have ratified major UN instruments, they often do so in ways that raise doubts about their support for universal standards (Freeman 2011, 129–32).

This is not the place to develop the Islamic, Buddhist, or Confucian case against human rights, or to discuss the attempts that have been made to reconcile rights ideas with these belief systems. However, one way in which there may be some convergence or common territory emerges when we think about rights as means rather than ends. For example, in providing rules for living together in communities that are otherwise beset with mistrust and contentious feeling, they may contribute to improving harmony. Thus one can show that human rights have, at least under current circumstances, some utility. Their merits outweigh any demerits, although it is conceivable that at some later stage they may become obstacles to more important goals or need to be supplanted by different standards.

30.3. THE UN AND THE FORMATION OF AN INTERNATIONAL HUMAN RIGHTS REGIME

Before 1945 international law hardly trespassed on the relationship between a state and its citizens. As Jack Donnelly starkly observed, the German government “in gassing German nationals . . . was simply exercising its sovereign rights” (Donnelly 1999,

72). Two things changed this. First, the Nuremberg Trials (November 1945–October 1946) drew attention to the extent of the horror of the Holocaust and also convicted German soldiers and state officials for crimes against humanity that included offenses committed against German citizens. A tribunal conducted by the Allied powers in Tokyo similarly tried military and civil leaders for offenses against peace, the laws of war and humanity (see, e.g., Takemae 2002, 243–60). Second, there were demands for the inclusion of the principles of nondiscrimination and human rights in the founding documents of the United Nations. There is consensus that the Soviet Union and United Kingdom were opposed to this. There is less agreement regarding where the inspiration came from. Many point to the “Four Freedoms” speech¹ by US president Franklin D. Roosevelt in 1941 as being the main source of inspiration, while others show how, at much the same time, the “Free French” based in London were developing declarations of rights in preparation for the creation of a postfascist Europe (Flood 1998, 12). As for the most effective advocates of rights at these meetings, some would give most credit to US representatives, others to those from Latin America, and still others would emphasize the role played by the representative of the Chinese nationalists (Svensson 1996, 43). It is not necessary to choose between these rival accounts. The fact that several different actors could later claim credit demonstrates the emergence of a transnational consensus about the need for a positive assertion for human rights protections. As a result, the UN committed itself to ensuring rights and basic freedoms irrespective of race, sex, language, or religion while at the same time also affirming the principle of national sovereignty that forbade interference in another country’s affairs. This is the central contradiction that can still inhibit UN activity.

On December 9, 1948, the United Nations General Assembly (UNGA) adopted the Convention on the Prevention and Punishment of the Crime of Genocide, and the following day it approved the Universal Declaration of Human Rights (UDHR) that elaborated on the meaning of the human rights that had been incorporated into the organization’s charter. However, it remained only a declaration, little more than a statement of good intentions that the UN had no power to enforce. For the next forty years of Cold War neither superpower showed an interest in developing a system to promote or protect human rights. Their dominance of the UN was only eroded by the admission of newly independent states in the late 1950s and 1960s that refocused the organization’s attention on human rights. Racism, particularly apartheid, was a concern of many countries in Asia and Africa. This explains the adoption of the Convention on the Elimination of Racial Discrimination (CERD) in 1965. The following year the International Covenants on Civil and Political Rights (ICCPR) and Economic, Social and Cultural Rights (ICESCR) were approved by the UNGA, but it was ten years before they came into effect. Over the succeeding decades work proceeded in developing the principles set out in these two covenants to human beings in particular circumstances. The most important of these were conventions on the rights of women (Convention on the Elimination of Discrimination Against Women: CEDAW, 1979), on torture (Convention Against Torture: CAT, 1984), on the rights of children (Convention on the

Rights of the Child: CRC, 1989) and the disabled (Convention on the Rights of Persons with Disabilities: CRPD, 2006).

Meanwhile, during the 1960s there was an upsurge in the size and number of human rights groups active both within states and internationally. Amnesty International (AI) was founded in 1961 and awarded the Nobel Peace Prize in 1977, symbolizing the growth in importance and the acceptance of these groups as important players within the international human rights framework. Human Rights Watch (HRW) began work in 1978 designed to support the citizens groups formed throughout the Soviet bloc to monitor government compliance with the 1975 Helsinki Accords. It soon expanded its horizons to the Americas (1981), Asia (1985), Africa (1988), and the Middle East (1989) (Freeman 2011, 167–74).

The 1993 Vienna World Conference on Human Rights was held to celebrate the forty-five years since the creation of the UDHR and declared that “All human rights are universal, indivisible and interdependent and inter-related,” indicating an international consensus on human rights that has accompanied a normative deepening at the national level in many states (UNGA 1993). On entering the twenty-first century the international human rights regime further developed on two levels: First, the creation of the International Criminal Court in 2002, with jurisdiction over the crimes of genocide; crimes against humanity; war crimes; and, with activation from 2017, the crime of aggression. It issued its first judgment in 2012. Second, the Human Rights Council was created in 2006 as part of a reform of the UN human rights administrative framework. It replaced the UN Commission on Human Rights. Linked to this new structure, the Universal Periodic Review (UPR) was adopted as a process by which the Human Rights Council reviews the whole range of human rights commitments entered into by every UN member state and makes recommendations.

Regimes also developed at the regional level. A European Convention of Human Rights entered into force in 1953 and through the European Court it now reviews applications for judgments from citizens in forty-seven European countries. An Inter-American Court of Human Rights hears cases submitted to it by members of the Organization for American States (OAS) or the Inter-American Human Rights Commission. The remit of the court is restricted by the fact that of the thirty-five OAS states, only twenty-four have acknowledged the Convention and only twenty-one accepted the compulsory jurisdiction of the court, not including either the United States or Canada. The African Charter on Human and People’s Rights was adopted in 1981 at Banjul (Forsythe 2000, 110–35). A reformed court came into being in 2004 with an agreement that it should merge with the African Court of Justice once fifteen states had ratified the protocol, something that has not happened at the time of writing. In 2008 an Arab Charter on Human Rights was nominally accepted by ten Arab states,² but it was criticized for setting regional standards below those of the international regime (Rishmawi 2010; Petersen 2011, 196). There is no regional charter or court that covers any part of Asia.

Regimes, or frameworks for human rights, can be seen as working on a number of levels: they may have a *declaratory* purpose, to describe or define norms with no

decision-making structure; they can be *promotional* and seek to disseminate those norms urging that they be implemented at a regional, national, or even subnational level; they may be devised to *implement* the norms, monitoring the procedures in order to prevent rights violations while subject to the veto power of actors; or they can *enforce* norms between state parties who have entered into binding agreements. The postwar human rights regime has its origins in the UDHR, which was little more than a declaration, but in Europe promotional and implementing structures were established that by the 1990s had developed into a court system enforcing agreements that bound the state parties. No other region of the world has developed such a strong system. The African and American structures are committed to promotion and implementation, and may use the language of enforcement, but they have been unable to win support for strong forms of monitoring compliance despite the existence of courts. The Arab human rights system is stuck at the declaratory stage.³

Well before the 1990s some states had established institutions at the national level to promote and protect rights. However, there was little consistency across nations in their effectiveness, and there was a concern that some lacked independence from the state. In 1993 the “Paris Principles” were adopted by the UNGA identifying six criteria for National Human Rights Institutions (NHRI).⁴ An International Coordinating Committee for NHRIs (ICC) was also established in Geneva to provide accreditation.

Thus, the second half of the twentieth century saw the evolution of an elaborate human rights regime within the United Nations with an incomplete complexity of structures at state, regional, and international levels. It embraces all states, even those deeply distrustful of it such as—and for different reasons—North Korea and the United States. It devised not only general standards of human rights protection, but elaborated on them in numerous conventions. This framework embedded human rights in regular policy thinking to the extent that by the 1990s most states had ceased to be concerned with the question of *whether* or not protecting human rights should be a matter of international concern and were turning their attention to *how* to include them in their policies.

30.4. ASIA AND THE INTERNATIONAL HUMAN RIGHTS REGIME

Apart from Japan, Thailand, and arguably Mongolia, all of Asia was under the formal or informal control of one of the imperialist powers before 1940, and the Western powers tried to reassert their colonial control after the defeat of Japan in 1945. Thereafter their removal from Asia was not a smooth process, as shown by the wars in Indo-China, but by the time China resumed sovereignty over Hong Kong in 1997 it was complete. Some of these countries when formally independent were closely allied with one or other of the Cold War blocs, but many sought to join or to create a nonaligned alternative (see

in particular the chapter by Ganguly in this volume). Although these states were not able to exert much influence on world politics, through their activities in the UN they were able to undermine the deadlock that had prevented the progress of a human rights agenda.

In the immediate postcolonial period most state energy went into political and economic development. There was apparently no appetite for building a human rights apparatus at either national or regional levels. The first mention of the possibility of an Asian framework for human rights was made at a UN-sponsored seminar on human rights in developing countries held in Kabul in 1964. Three years later an ad hoc study group noted the valuable role being played by the European and Inter-American structures, but concluded that any such initiative would have to come from within the region. States in the region were asked to comment on the proposal. Singapore supported the proposal as “practical and realistic,” but without support from either China or Japan no action was taken and the matter remained dormant until the 1980s.

A UN seminar in Colombo, Sri Lanka, in 1982 convened to discuss the creation of an Asian regional mechanism concluded that “the necessary political will, a pre-requisite for evolving inter-governmental collaboration for the protection of human rights does not at present exist in the region” (Leary 1990, 16–17). Moreover, the view of activists was that, given the predominance of authoritarian governments in the region, any resulting rights regime was likely to be overwhelmed by government representatives with no enhancement of human rights protection or promotion. Instead they preferred to see NGOs develop nationally and regionally and work within global institutions. Nothing further was done in the 1980s, but throughout the 1990s the UN convened a series of human rights workshops in cities across Asia: Manila 1990, Jakarta 1993, Seoul 1994, Kathmandu 1996, Amman 1997. This did nothing to promote a regional framework, but it does appear to have encouraged the formation of national human rights institutions. Even limited attempts to create subregional frameworks such as within the Pacific basin proved unworkable.

A regional meeting of government representatives from Iran to Japan gathered in Bangkok in March 1993 to finalize a statement on the position of Asian governments on human rights prior to the Vienna conference.⁵ This declaration, though broadly supportive of human rights, nevertheless emphasized “the significance of national and regional particularities and various historical, cultural and religious backgrounds” (UNGA 1993b). Representatives from local human rights NGOs also met there at more or less the same time and they issued their own declaration that noted how human rights are rooted in many cultures, that “cultural practices which derogate from universally accepted rights... must not be tolerated,” and that “the advocacy of human rights cannot be considered to be an encroachment upon national sovereignty” (Asian Cultural Forum on Development 1993, 249).

This was the point when the “Asian values” argument was attracting its widest attention, mainly because of its vociferous support from senior members of the Malaysian and Singaporean governments such as Dr. Mahathir bin Mohammad and Lee Kuan Yew. Asian values were said to be comprised of respect for social order, hierarchy,

benevolence, duty, and loyalty as sources of virtue and thus of rights and wrongs (Woodiwiss 2005, 126). These statements prompted the realization within the Chinese government that there were others in Asia who supported a strict interpretation of sovereignty and a relativist view of human rights. The Chinese version of the Asian values position can be found in the White Paper on Human Rights published in 1991 (IOSC 1991).

There is no definitive statement of the Asian values argument as expounded by prime ministers Mahathir and Lee, and the Chinese government, but it contains some or all of the following elements:

Development: the suspension of some civil and political rights may be required in order to secure economic and social development. Rights are not a primary concern of those who are hungry and homeless.

Social harmony: Asians willingly subordinate individual wishes to the desires of the family or wider community, and a stress on rights will destroy this social harmony and lead to an increase in violent crime and family breakdown, as can be seen in the United States.

Culture: Asians do not notice or do not mind restrictions on their rights because of their particular cultural heritage. As the Chinese white paper of 1991 puts it, "owing to tremendous differences in historical background, social system, cultural tradition and economic development, countries differ in their understanding and practice of human rights." This is the view that was endorsed at the Bangkok conference.

Imperialism: in the 1990s in particular it was argued that Western advocacy of human rights that were alien to local traditions was at worst a deliberate attempt to disrupt economic development or, even if not, amounted to a clear breach of sovereignty.

Social turmoil: authoritative governance that is intolerant of the unrestrained exercise of civil and political rights may still be necessary, even after substantial economic development has taken place in order to maintain national stability.

However, many of these features were called into question by the Asian financial crisis of 1997–98 (see the chapter by Grimes in this volume). Attachment to family was revealed as nepotism, preference for informal relations became cronyism, and respect for authority was seen as inhibiting critical perspectives. There has been less talk about Asian values since the end of the 1990s. At the level of ideology it is looking ever more like a politically driven project sponsored by state elites that has now served its function. It survives within the intellectual critique of the international human rights discourse, and the fact remains that Asian states have been noticeably more reluctant to become involved in the international human rights regime than, for example, their European counterparts, which makes one wonder if Asian values do indeed inform these policy choices.

Part of the rebuttal of the Asian values argument was to point out that Asia stretches from the Urals to the Pacific, and from the Arctic to the Maldives, not only embracing

all the world's major religions but also countless minor religious traditions. It was not clear which Asians the claimed values belonged to or if it was credible to maintain that they formed an ethical common denominator. Sidestepping that, I want to move on to discuss Asian states' relations with the international human rights regime, arranging them into four groups.

30.4.1. East Asia

The six countries of East Asia were split evenly by the Cold War. Of them only the Japanese government had any record of taking human rights seriously before the 1980s, and that was largely as a result of lobbying led by the legal profession. From the late 1940s a semiautonomous body, the Civil Liberties Commissioners, had existed to promote human rights and to deal with cases of their alleged violation, but they were always kept under the control of the Ministry of Justice and would not have been judged even partially compliant with the Paris Principles. In the 1990s, however, Japan overcame its reluctance to engage with the human rights framework, calculating that to do so was essential if its ambition to gain a permanent seat on the Security Council were to have any chance of success. Not only did Japan ratify three major conventions (CRC, CERD, CAT), but it also began to produce fuller reports and engage more positively than it had done previously with the various United Nations human rights committees. In South Korea the civil society groups that had driven the democratization process in the 1980s diversified in the 1990s, with one wing turning its attention to human rights issues, insisting that the state implement the standards it had committed itself to over the previous decade. In 2001 a Korean Human Rights Committee was established with sufficient autonomy and resources for it to win ICC accreditation. With a dynamic NGO community and an accredited NHRI, South Korea became the East Asian state most positive about human rights. Nothing positive can be said about the human rights record of the DPRK, despite its ratification of some UN conventions. Although not a member of the UN, Taiwan has followed a trajectory similar to that of South Korea, with the government becoming more open to societal influences and civil society groups becoming more insistent on the promotion and protection of human rights standards. Since 1995 human rights practices have become embedded, albeit erratically, across government. In 2009 the National Assembly resolved to incorporate the two major human rights covenants into the legal system, and the following year a Human Rights Committee was established in the Presidential Office. How committed the president is to the rapid implementation of these plans remains to be seen. Mongolia has had an active Human Rights Commission since 2001, and public hearings on rights issues are broadcast in full on television (ANNI 2011, 182–94).

However, China is the key actor within this region. The most recent round of international enthusiasm for human rights promotion coincided with the violent suppression of protest in Tiananmen Square in June 1989, so it is not surprising that the PRC's initial response was to reject human rights advocacy as unjustified interference

in its national sovereignty. Then, as already mentioned, the debate about Asian values showed that in Southeast Asia there were others critical of Western assertions about the universality of human rights. Nevertheless, in the second half of the 1990s China began to accept the need for engagement with the international regime, partly because taking human rights seriously became included in the practice of a legitimate state and partly because its criticisms of the Indonesian government in May 1998 for its failure to protect Chinese nationals suggested the inappropriateness of a strict noninterference approach (Foot 2000). In June 2012 the Chinese government issued a National Human Rights Action Plan. However, it contained no guidelines, concrete measures for enforcement, or benchmarks by which to measure progress. Respect for human rights was made conditional on what it calls the “principle of practicality,” described as “proceeding from China’s national conditions and new realities” (Kine 2012). It seems that China’s normative enmeshment in the international system has not gone far and that further progress is likely to be slow. China has still not ratified the ICCPR and it is difficult to imagine a time when an NHRI compliant with Paris Principles is established in Beijing.

30.4.2. Southeast Asia

Promotion of human rights by the United States after the Cold War was interpreted by many among the elites within Southeast Asia as a reflection of the power disparities within the international system, and resented as such (Kausikan 1993). This set the context for the emergence of the Asian values argument, which combined aspects of cultural relativism, communitarianism, and developmentalism. Together these came to represent an ASEAN human rights position. Despite the very diverse cultural background of its members—Islamic Malaysia and Indonesia, Catholic Philippines, Buddhist Thailand—there developed the notion of a shared regional identity and an ASEAN approach to issues based on respect for consensus and a strict interpretation of sovereignty. There was some evidence of this even within the civil society sector in the region, for example in the “Declaration of the Basic Duties of ASEAN Peoples and Governments,” produced in 1983, which, by formulating an approach starting with the duties of governments, not the rights of citizens, claimed to be adopting an Asian approach. A meeting of foreign ministers held in June in Singapore following the 1993 Vienna conference affirmed ASEAN’s respect for human rights and fundamental freedoms and declared that “ASEAN should also consider the establishment of an appropriate regional mechanism on human rights” (quoted by Acharya 1995, 173). However, progress was slow and many doubted the sincerity of their commitment.

NHRIs were formed at the national level: in the Philippines in 1987, Indonesia in 1993, and Malaysia and Thailand in 1999, all with ICC endorsement that they conformed to the Paris Principles. They became members of the Asia Pacific Forum (APF) that had been formed in 1996, bringing together representatives of the national human rights commissions of Australia, India, Indonesia, and New Zealand. The APF aimed to

encourage governments in the region to establish and develop national human rights institutions, and to expand mutual support, cooperation, and joint activity among them. It helped with the creation of NHRIs in Afghanistan, Fiji, Jordan, Malaysia, Mongolia, Nepal, Republic of Korea, Thailand, and Timor-Leste. In 2007 the four Southeast Asian NHRIs signed a declaration of cooperation within an ASEAN framework. It appeared that even if there was no progress in the creation of an intergovernmental regional or subregional human rights framework, an alliance of NHRIs might form the basis of one.

ASEAN states meanwhile began to play a prominent role in the newly reconstructed UN Human Rights Council. Thirteen of the forty-seven places on the council are allocated to Asian nations. Indonesia, Malaysia, and the Philippines were elected members in 2006. Indonesia and the Philippines gained a second term in 2010. The Philippines provided the vice president in 2008 and Thailand its president in 2010.

Civil society groups across the Southeast and East Asian regions had been invigorated following their meetings in Bangkok in 1993, and one of them, the Asian Human Rights Commission, set about drafting a Charter for Asian Human Rights based on consultations held across the region. The charter was adopted by a conference held in Kwangju, South Korea, in 1998. Meanwhile, a “Working Group for an ASEAN Human Rights Mechanism” was formed by the Human Rights Committee of Law Asia to pressure ASEAN states to deliver on the commitment made by the foreign ministers in June 1993. This group acquired semiformal status, and in 2001 it organized the first of a series of annual workshops attended by members of the Working Group, state officials, and representatives of local NHRIs. Meetings were held in cities across Southeast Asia and from 2005 included workshops on specific issues such as women’s and children’s rights, human rights education, migrant workers, and networking between NHRIs.

In a parallel development ASEAN set about devising itself a new charter, a process that was completed in 2007. The charter re-established the alliance as a legal entity with a secretariat in Jakarta and a commitment for Southeast Asia to become a European-style economic community by 2015. How much difference, if any, this has made to how ASEAN functions is unclear, but the new document makes a commitment to the protection and promotion of human rights in four separate places and mandates the establishment of an ASEAN human rights body “in conformity with the principles of the ASEAN charter.”

The ASEAN Intergovernmental Commission on Human Rights (AICHR) was established in 2009 and works within a set of Terms of Reference (TOR) that have been extensively criticized by the civil society sector for making the body too state-centric and insufficiently people-empowered. In the process of formulating the charter the countries most sympathetic to rights ideas—Indonesia, Malaysia, Thailand, and the Philippines—were unable to convince the others of the value of creating a subregional human rights organization with a degree of monitoring and enforcement ability. The result is a body that, at best, has a broad promotional capacity. Compared to the annual budget of the African commission—US\$3 million—or the American commission—US\$8 million—its budget of US\$200k is small (Drummond 2011, 11). On the other

hand, we should perhaps be impressed by the fact that it exists at all, given the skepticism that state elites showed to the human rights project in the early 1990s and the resistance they had to overcome from governments in Indo-China who had wanted to veto any mention of human rights in the ASEAN charter. The TOR will be reviewed in 2014, a process that could open the way for reforms that will make it a more effective body.

30.4.3. South Asia

Culturally the eight countries of the Indian subcontinent have more in common with each other than those in Southeast Asia, and yet they are much farther away from an even nominal commitment to a regional rights mechanism of the AIHRC kind. These countries are members of an organization, the South Asian Association for Regional Cooperation (SAARC), which in its aspirations is not unlike ASEAN. In 2011 it celebrated its twenty-fifth anniversary and now boasts a website that lists sixteen areas of cooperation, from biotechnology to the environment and tourism, but one looks in vain for any mention of human rights.⁶

Five of these countries have NHRIs, although only two of them, India and Nepal, were given a positive assessment by the ICC and both of these have been at risk of losing their status (ANNI 2011, 58, 196). They are active members of the APF and meet to share information on key human rights issues, for example in Dhaka in November 2011, where they were joined by representatives from NHRIs in Indonesia, Malaysia, and New Zealand.

Human rights advocates based in the subcontinent met in Neemrana Fort, Rajasthan, in July 2000 to create the organization South Asians for Human Rights (SAHR) to discuss and lobby for a South Asian initiative on human rights. This conference adopted a declaration that calls for a campaign for the creation of regional instruments.⁷ It meets annually but so far has achieved little. The SAHR did successfully support a resolution discussed at the SAARC meeting in Thimpu in 2010 regarding the creation of a regional human rights mechanism similar to that within ASEAN. It is not clear at the time of writing whether this proposal has any realistic prospect of being implemented.

30.4.4. Central Asia

The EU is currently the most significant institution promoting human rights in these countries, and whatever support that rights-based NGOs have had in this region have derived from the Helsinki-based OSCE structures devised in the final years of the Cold War. The formal record of these states in terms of their ratification of UN conventions is as good as any so far discussed, and three of them even have NHRIs, although none with ICC recognition. However, a recent report concerning the human rights

situation in the region concluded, “Despite promises of gradual reform . . . the human rights situation in Turkmenistan and Uzbekistan has not improved in any meaningful way . . . while the situation in Kazakhstan has deteriorated” (Cote 2012, 2). Human Rights Watch reports suggest that the situation is not much better in the neighboring states. Political structures in Kyrgyzstan are slightly less authoritarian and they report that freedom of the media is improving, but arbitrary arrest and police torture is rampant (see also Cummings’s chapter in this volume). Meanwhile in Tajikistan, “torture is practiced with impunity,” the media are kept under strict control, and the ombudsman is criticized “for lacking the political will to respond to human rights violations” (HRW country reports 2012). Central Asia is almost entirely cut off from developments in this sphere visible elsewhere in Asia, and indeed the world.

30.5. CURRENT ISSUES AND FUTURE PROSPECTS

Asian resistance to human rights discourses and practices was based in the 1990s on concepts of state sovereignty that in the twenty-first century are looking increasingly anachronistic. The international UN-supported human rights regime that is buttressed by the influence of national and transnational human rights NGOs makes it difficult to sustain a strict line on noninterference, as even the PRC has had to concede.

The establishment of the AIHRC and various NHRIs across East and Southeast Asia as demanded by human rights NGOs at national and regional levels has gone a long way to disprove the assertions of the Asian values theorists that human rights have difficulty being understood in the region because of their alien nature. Indeed, more progress has been made than seemed likely in the 1990s, but there are a number of reasons to think that the foundations of this progress might be weak. It is only quite recently that a liberal democratic, plural political culture has been established anywhere in Asia. In most states there is still a degree of experimentation in the activities of the human rights activists and NGOs that are not so much reminding their governments of their liberal democratic heritage—as in many Western states—as taking part in the construction of such a political economy. This has meant that the societal foundations of such organizations as the NHRIs are fragile. Neither at the regional nor the national level can we assume that there is an ongoing, ratchet-like progress to deeper and broader human rights promotion and protection. For a long time, possibly always, human rights advocates within national organizations and international NGOs will need to be alert to prevent the erosion of hard-won victories.

Some have argued that the process of establishing regional structures in Europe, the Americas and Africa was facilitated by the existence of a cultural consensus upon which a human rights infrastructure might be constructed. This seemed plausible and explained to a degree why no such structure had been created that would span Asia.

However, it turned out that when it came to the creation of subregional systems it was ASEAN—culturally the most diverse region—that took the lead, not the states on the Indian subcontinent nor those with a common Confucian heritage.

There is still no overarching Asian human rights framework of any kind. The AIHCR has no more than promotional functions, encouraging the member states to take their international commitments seriously without possessing the ability to monitor, still less enforce, their compliance with international norms. Political elites in Singapore no longer repeat the empty rhetoric about Asian values, but that does not mean that they endorse a rights agenda, as is clear from their failure to ratify several of the major UN covenants and their rejection of most of the recommendations made during the UPR process in May 2011. Given the ASEAN preference for decision-making by consensus, it is unlikely that the AICHR will move beyond a promotional role for the foreseeable future. However in none of the other three subregions does anything similar exist. Moreover, it is hard to imagine how such a system could arise in East Asia without fundamental political change taking place in China—a development that is equally difficult to imagine. In South Asia the topic has been placed on the agenda, but it is impossible to say how long it will take before anything effective could be created.

At the start of the twenty-first century it seemed that there might be a pathway to a regional rights regime that could emerge independent of state structures. Had the APF grown in membership it might have developed into a transnational body with both a promotional role and an ability to support the monitoring/enforcement functions of the NHRI within each state. This could have become the skeleton of a regional framework. However, this vision is less credible now. The only two NHRIs in South Asia have been threatened with demotion to “B” status. India only escaped this because it would have been politically difficult for the ICC to insist on such a move. In South Korea unsympathetic presidents, such as Lee, can sometimes weaken the hitherto robust human rights committee. Even if his successor, President Park, proves more supportive, the fragility of the system has been exposed. NHRIs can only ever be imperfect building blocks for a regional system, incapable of supporting a structure seeking to enforce binding agreements.

In the 1980s human rights advocates were skeptical about the ability of a regional or subregional framework to defend or promote rights, fearing that it could be a vehicle through which states would control the rights agenda in order to suppress the assertion of rights claims. Clearly this is something that rights advocates must continue to attend to. The AIHRC is significantly weaker than similar organizations elsewhere in the world. The Chinese “Action Plan” is full of impressive words, but it is weak even as a promotional instrument, given the inclusion of the “principle of practicality.” Perhaps the greatest danger is that their existence creates the impression that action is being taken that is supportive of human rights when almost nothing is being done. Transparency, accountability, and benchmarking are crucial to ensure the effectiveness of these commitments.

How then are we to assess the competing theoretical approaches to the role of human rights in Asia? Can they help to explain why there is no Asian regional or subregional

regime? First, it is clear from this brief survey that there can be no plausible single explanation for human rights across Asia as a whole. The Soviet-style, authoritarian states of central Asia and their Islamic societies have nothing in common with even the most authoritarian states of Southeast Asia, still less with the liberal democracies of East Asia.

Within central Asia, the DPRK, and possibly also in China, there is evidence that human rights “are manipulated for reasons other than advancing human dignity and justice” (Forsythe 2000, vii). However, a realist dismissal of the relevance of such norms to the internal or external policies of Asian states generally cannot be sustained as we move further into the twenty-first century and human rights embed themselves into the discourse of states, the advocacy of regional and national NGOs, and even the practices of many of the central and local governments in the rest of Asia. To understand this we need to use the insights of those writing in the (neo)liberal and constructivist traditions that have much in common (for further details on the three main IR explanatory traditions, see chapters 2–4). Liberals stress the need to consider the role of both black-letter law and soft law. The models of constructivists focus more explicitly on human rights as norms.⁸ These explain, for example, how states change from being repressive to accepting and promoting human rights domestically and in their international relations. Within this process they point out how the international human rights regime is likely to be more effective to the extent that there is domestic “norm resonance”; that is, they fit with collective understandings embedded in domestic institutions. We could also argue that the flawed AIHRC owes its existence to a similar process within which national and transnational NGOs plus NHRIs have forced governments to create the beginnings of a subregional system while East Asia, for example, where no such NGO exists, has not done so. It may still be true that, as the realist will argue, even the most rights-promoting state will act ruthlessly when it perceives its core institutions to be under threat. However, most states are not in those extreme circumstances and have now been drawn into a structure and set of discourses in which human rights are taken seriously.

A rights regime that encompasses the whole of Asia is unlikely, probably impossible, but the formation of a subregional structure is already occurring in Southeast Asia. Driven by NGO actors, one could emerge in South Asia and would be conceivable in East Asia if it were not for the strong veto wielded by China and the complete lack of interest in North Korea, both of which are hostile to domestic human rights NGOs as well as to the presence of transnational NGOs in their territories. In the twenty-first century China remains a reluctant participant within the UN human rights regime and is unwilling to play a role within any regional arrangement. But if at some point this were to change, would China try to influence the Asian discourse through its human rights white papers and action plans so that the future structures of any localized human rights regime would serve Chinese ends? A realist or even skeptical liberal might anticipate this.

On the other hand, where there are human-rights-supporting NGOs, they are linked both to transnational organizations and local NHRIs and serve to remind local

politicians of the commitments they have made to human rights standards when they ratified parts of the international framework. The APF, though poorly funded, may be able to contribute by competing with the AIHCR, making the latter unable to monopolize the diffusion of human rights ideas within ASEAN countries and providing informed criticism of SAARC and countries in East Asia in cooperation with domestic NGOs. This would ensure that these states will resist illiberal pressure, as liberal and constructivist analysts would suggest.

NOTES

1. Freedom of speech and expression; freedom to worship God in your own way; freedom from want; freedom from fear: Woodiwiss 2005, 87–8.
2. Algeria, Bahrain, Jordan, Libya, Palestine, Qatar, Saudi Arabia, Syria, UAE, Yemen.
3. This schema is adapted from Donnelly 1989, 224.
4. A clearly defined mandate based on universal human rights standards, autonomy from government, independence guaranteed by legislation or constitution, a membership that broadly reflects the society served, adequate resources, and adequate powers of investigation.
5. Similar regional conferences were held in San Jose and Tunis.
6. South Asian Association for Regional Cooperation: www.saarc-sec.org.
7. South Asians for Human Rights: www.southasianrights.org/?page_id=22.
8. Defined as “collective expectations about proper behaviour.” See Risse, Ropp, and Sikkink 1999, 236.

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CHAPTER 31

HEALTH RISKS AND RESPONSES IN ASIA

KERSTIN LUKNER

DESPITE Asia's high level of vulnerability to a wide range of health threats— for example provoked by diseases resulting from poor sanitary conditions in some developing countries and life-threatening viruses rampant in the region—health-related issues did not play a significant role in the international relations of the continent for most of the period following the Second World War. When we consider that successful containment strategies to limit the spread of often incurable infectious diseases prevalent across the Asian region (e.g., HIV/AIDS, malaria, tuberculosis, dengue fever) require coordinated cross-national action due to the transboundary character of such disease challenges, the long period of little or no state cooperation comes as a surprise and runs counter to predictions made by neoliberal institutionalism.

However, the successive eruptions of the severe acute respiratory syndrome (SARS) and highly pathogenic avian influenza (HPAI) subtype H5N1 in East and Southeast Asia in the beginning of the 2000s appeared at first to change earlier, less coordinated approaches. Together, they pushed governments to initiate a range of high-level consultations, action plans, and programs to counter the challenges posed by newly emerging infectious diseases at the regional level. But while some scholars see the outbreaks of SARS and HPAI H5N1 as a potential turning point in the context of Asia's response to common health challenges (Caballero-Anthony 2008; Lamy and Phua 2012), a closer look reveals that regional collaborative efforts to tackle infectious disease threats still lack depth in terms of scope of action and the degree of state commitment. Against this backdrop, the objective of this chapter is twofold: First, to identify the major incentives prompting regional cooperation on selected contagious diseases in Asia since the early 2000s; and second, to shed light on the main rationales still limiting the degree of cross-national collaboration (see chapters 34 and 35 for further discussions of regional cooperation in other issue areas). Given that states are perceived as key providers of public health capacity (Curley and Herington 2011, 141–42; Enemark 2007, 59) and thus “indispensable actors” (Long 2011, 8), it concentrates on state actions in particular.

This chapter argues that the move by states to securitize infectious diseases with a dangerous pandemic potential—that is, the framing of these particular health-related issues in the language of security, driven especially by industrialized Western states and international organizations—resulted in high-level government attention to the outbreaks of SARS and avian influenza H5N1. In turn, this attention has prompted not only national, but also cross-national responses throughout the Asian region. Both disease eruptions revealed the mutual dependence prevalent in the field of infectious disease prevention and control, subsequently initiating cross-border collaboration. Significant obstacles to the evolution of full-fledged, in-depth cooperation continue to exist, though. Most importantly, while the securitization of certain communicable disease outbreaks contributes to the quick mobilization of resources to prevent and control their spread (Enemark 2009a, 200), such initiatives may only be short-lived due to the crisis character inherent to temporary disease eruptions (Davies 2010, 1178). Yet, long-term cooperative efforts to build up regional disease surveillance and control mechanisms require firm state commitments and long-term resource allocation choices. In Asia, where many states face numerous challenges to the health of their population, but have only a severely limited pool of financial, personnel, and medical resources at their disposal, this constitutes an important hurdle to their developing a sustainable regional infectious disease prevention and control machinery. Moreover, the high level of uncertainty regarding future infectious disease developments—time and location of outbreak; specific pathogenic cause; trajectory of disease development; severity of health impact; usefulness of pandemic prevention and control mechanisms, and so on cannot be known in advance—seems to reinforce the hesitation of many Asian states to commit themselves intensively to joint regional collaboration. In addition, strong sovereignty concerns hamper the advancement of profound cooperation.

This chapter proceeds as follows: The first part discusses the theoretical considerations, highlighted above, in more detail. It shows that the framing of certain infectious disease developments in terms of threats to national security notwithstanding, transboundary cooperation on fast-spreading, life-threatening infectious diseases appears of paramount importance when it comes to their mitigation, prevention, and control.¹ The second part applies this approach to Asia and also provides an overview of the resulting collaborative efforts throughout the region, focusing on their main characteristics. It demonstrates that to date, the most expansive cooperation occurs in Southeast Asia—where HPAI H5N1 originated and spread extensively—under the aegis of the Association of Southeast Asian Nations (ASEAN), but also points to other subregional initiatives. The third part scrutinizes the hurdles to more full-fledged regional cooperation, that is, a combination of resource shortages at the level of Asian states and uncertainty about the many details attached to future outbreaks of communicable diseases on the one hand, and the strong adherence of most Asian states to the principles of sovereignty and nonintervention in each other's internal affairs on the other. Finally, the fourth section summarizes the main findings, adding an assessment of prospects for deeper Asian health cooperation in the future.²

31.1. HOW DOES SECURITIZATION OF HEALTH TOPICS LEAD TO COOPERATION?

31.1.1. Infectious Diseases as Existential Threat

After the United Nations Security Council's groundbreaking resolution on HIV/AIDS of January 2000, which for the first time acknowledged the spread of an infectious disease as a threat to international peace and security (Elbe 2006, 121; Enemark 2009a, 195), SARS and HPAI H5N1 were among the next communicable diseases of global reach to be conceptualized within a security context. While the impact of both disease outbreaks was most sweepingly felt on the Asian continent, this securitization move was advocated particularly by Western governments and international organizations (Curley and Herrington 2011, 147, 149–50), as for example reflected in the World Health Report's reference to pandemic influenza as "the most feared security threat" (WHO 2007, 45). According to the securitization model of the Copenhagen School, actors frame a particular issue in the language of security to convince their audience of its posing an existential threat to a shared value (Buzan, Wæver, and de Wilde 1998). Framing the discourse about potential health risks such as SARS and avian influenza H5N1 in security terms, rather than in neutral medical language, has several important consequences, because "all states value security, whether or not they value the health of their citizens" (Curley and Herrington 2011, 142). It stimulates political attention, initiates the mobilization of resources for public health matters, and leads to the relatively quick and smooth formulation and implementation of exceptional countermeasures (Enemark 2009a, 200).

At the international level, the securitization of SARS and HPAI H5N1 appears to have proceeded rather smoothly. Notably, this can be attributed to the distinct outbreak character of both diseases. Outbreak events are said to generate high levels of anxiety and fear among the population, as they are beset with a large degree of uncertainty about transmission routes of the respective disease, speed of spread, and the resulting health burden in terms of morbidity and fatality rates. This distinguishes them from gradual attrition diseases, exemplified by the etiopathology of HIV/AIDS, to which communities are said to respond with far lower levels of dread (Price-Smith 2002, 15–16; Price-Smith and Huang 2009, 30–31), despite the many devastating impacts such diseases may cause in the long run.³ With regards to avian influenza H5N1 in particular, which is already endemic among wild birds in Southeast Asia, the major fear has been that genetically mutated forms of the virus could become capable of sustained human-to-human transmission, resulting in a major outbreak that causes large-scale illness and death within a short period of time (Caballero-Anthony 2006, 108–9; Enemark 2009a, 192–94).

31.1.2. The Impact on the State

Within the securitization discourse on health issues, it is not necessarily the health and well-being of the individual that is primarily considered at risk, as would be normatively argued for in a human security context, but rather also the security of the state. This is because, in a worst-case scenario at least, the outbreak and spread of a highly pathogenic, hardly curable, fatal infectious disease does not only provoke a high number of patients and ultimately deaths, but also results in devastating consequences for the economic, social, political, and security spheres of a state. It thus “presents a direct threat to the power of the state, as it erodes prosperity, destabilizing the relations between state and society, renders institutions sclerotic, foments intra-state violence, and ultimately diminishes the power and cohesion of the state” (Price-Smith 2009, 2).

31.1.3. Cross-Border Cooperation

While the trend to securitize certain (re)emerging infectious diseases has set the focus of attention on the state and on securing its material interests in particular, self-help efforts that would be associated with the realist theoretical paradigm (see chapter 2 in this volume) have not proven successful in overcoming their outbreak and spread. To the contrary, due to the cross-border character of infectious diseases and the essentially transboundary nature of the pathogenic agents that act as their cause, isolated policies at the national level intended to overcome the resulting health challenges are likely to fail (Enemark 2009a, 203–4; Price-Smith and Huang 2009, 25–26). What is more, one country’s ability to cope with the challenges posed by infectious diseases, or its lack thereof, has important consequences for the state of health of other countries, regions, or even the globe, as past experience demonstrates. For instance, when SARS erupted in China in 2002, its state authorities initially tried to contain its spread single-handedly while concealing the outbreak, but did not succeed. The SARS corona virus spread to Hong Kong and later to thirty-seven countries worldwide in less than a year, infecting 8,442 people of whom 916 died (WHO 2003).⁴ This demonstrates that states are mutually dependent on each other’s courses of action in terms of disease prevention, containment, and control, or in other words, “[My] country’s ability to protect its population can directly depend on whether your country can detect and respond to mobile pathogens, and vice versa” (Fidler 2009, 29). In line with the paradigm of neoliberal institutionalism (see chapter 3) we should predict this interdependence to create strong incentives for collective action responses across state boundaries, because cooperation is expected to deliver absolute gains for all nations (Keohane and Nye 1977). Embellishing these neoliberal institutionalist assumptions, one author argues,

because of their physical interdependence, the mutual benefit arising from infectious disease control is rapidly apparent and the consequences of failing to cooperate are equally clear to all. In this sense, vulnerability to infectious disease outbreak

and spread is a classic and compelling superordinate problem because infectious disease affects each member, is shared by all, and cannot be resolved without joint action. (Long 2011, 49)

In sum, the securitization of SARS and avian influenza H5N1 is able to explain the elevation of both health issues from the level of nonpoliticized, medical issues to the realm of high politics concerned with questions warranting immediate political attention. It is due to the transnational character of highly virulent contagious diseases and the sheer inability of states to cope with them individually and on the domestic level alone, that cross-border cooperation appears crucial in mitigating and controlling their spread. The following section addresses the extent to which securitization prompted Asian cooperation on health issues across state boundaries and illustrates the extent to which regional collaboration on health matters has emerged since the early 2000s.

31.2. ASSESSING SECURITIZATION AND COOPERATION ON (RE)EMERGING INFECTIOUS DISEASES IN ASIA

31.2.1. Securitization

In Asia, health topics had not yet been securitized at the beginning of the new millennium (Caballero-Anthony 2003, 239–40). As a result, even in the field of infectious disease prevention and control—for example, with regards to HIV/AIDS, malaria, and tuberculosis, all of which had been claiming tens of thousands of human lives across the continent over the years—the level of bilateral and multilateral consultation and cooperation was low. However, in contrast to the attrition diseases just mentioned, SARS in particular and HPAI H5N1 to a lesser extent were swiftly securitized, most likely due to their inherent character as outbreak diseases. Official statements and press briefings in SARS-affected countries of Southeast Asia highlighted the national security dimension of the disease eruption (Caballero-Anthony 2006, 112); across this Asian subregion “the response of governments... was to treat SARS as a first order issue of national concern; one which attracted extraordinary interventions against an unforeseen and largely mysterious threat” (Enemark 2007, 185). Examples of states’ reactions at the national level, based on the securitization of the disease, included strict border control and immigration procedures as well as mandatory quarantine measures (Caballero-Anthony 2006, 112). SARS also “created a strong sense of urgency for regional cooperation” (Price-Smith and Huang 2009, 38), prompting a range of “hastily convened” (Caballero-Anthony 2006, 113) emergency meetings of ASEAN+1 (ASEAN plus China) and ASEAN+3 (ASEAN plus China, Japan, and South Korea) at the highest government level, as well as various ASEAN and ASEAN+3 senior officials

meetings during the first half of 2003 (Curley and Thomas 2004, 26–28; Enemark 2007, 29–30). These gatherings resulted in agreements on several immediate response measures to counter jointly the further spread of SARS, such as implementing common protocols for travel (ASEAN 2003). Several analysts point to the way those regional meetings and their outcomes were different from the usual ASEAN gatherings, emphasizing the unprecedented speed with which meetings were scheduled and decisions reached (Curley and Thomas 2004, 28), the essentially problem-solving character of ASEAN's approach (Caballero-Anthony 2008, 517), and the exceptionally high level of coordination (Caballero-Anthony 2005, 486), all of which contributed to “a frenzy of multilateral, substantive decision-making” (Enemark 2007, 30). Across Asia, this extraordinarily cooperative behavior was most pronounced in the Southeastern part, where the SARS crisis unfolded most severely, prompting strong threat perceptions and a high sense of emergency.

By contrast, the existing literature suggests that the securitization process of highly pathogenic avian influenza, which reemerged in Southeast Asia in late 2003 after its initial appearance in the late 1990s, did not set in as smoothly—mainly due to economic considerations. Since poultry is a major branch of business in many Asian countries and there also exists a tradition of animal husbandry in many rural areas, several governments—for example, of Indonesia, Thailand, Vietnam—were initially rather reluctant to publicly recognize the avian influenza H5N1 outbreaks occurring on their territory. This is because admitting to the problem of sick livestock was—rightly—assumed to result in declining consumer demand at home and abroad, while taking action against infected poultry would require initiating costly mass culling and/or vaccination programs. Both were—correctly—expected to result in economic damage to the poultry sector and to many smallholders alike, most of whom did not perceive a bird's disease as a risk to their well-being (Forster 2010, 156). Given these particular political-economic and cultural contexts, a securitization process only started after the governments of affected states had to acknowledge their inability to master domestic H5N1 outbreak situations on their own. Interestingly, their securitizing speech acts were aimed at the international rather than at the national level (Curley and Herrington 2011).⁵ While this targeting policy was meant to draw the attention of international organizations and the donor community to the situation of specific countries in need, it might also have helped to activate cooperation on the issue at the regional level, which took shape from late April 2004 onward and for instance included the quick succession of meetings of the health ministers of ASEAN and ASEAN+3, thus “reflect[ing] the growing seriousness of the threat posed by infectious diseases” throughout the region (Thomas 2006, 928). However, considering that the H5N1 virus is regarded as endemic among wild birds in Southeast Asia and has the potential to mutate into a more menacing form capable of spreading easily among humans, regional cooperation to eradicate HPAI H5N1 requires mid- to long-term state commitments rather than short-term efforts, as they were successful in the case of SARS. The following section turns toward tracing existing and emerging cooperative arrangements for pandemic prevention and control across the Asian region and highlights their main characteristics.

31.2.2. Cooperation

Due to the absence of firmly established mechanisms for regional public health cooperation across Asia that could be reverted to in the face of severe health crises, many states of Southeast Asia turned toward ASEAN and its extended forums as well as to APEC when SARS and avian influenza H5N1 broke out in quick succession in the beginning of the 2000s (Caballero-Anthony 2008, 514; Thomas 2006, 919). As a consequence, most health-related initiatives and arrangements that have emerged since are institutionally located under the umbrella of these two larger organizations. In Southeast Asia, two further intergovernmental organizations stand out: First, the Mekong Basin Disease Surveillance (MBDS) network is another, relatively loose consortium of selected states⁶ “seek[ing] to reduce morbidity and mortality caused by outbreak-prone diseases in the sub-region” (MBDS 2007) since 1999.⁷ Second, the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS),⁸ established in 2003 at the height of the SARS crisis, also runs an initiative on animal and human influenza (UNSIC 2011). Within the southern part of Asia, the South Asian Association for Regional Cooperation (SAARC)⁹ has intensified its cooperation on particular health-related issues such as “deadly communicable diseases” since 2003, after the very first gathering of its health ministers ever had been conducted as an emergency meeting on SARS early in the same year (SAARC 2009). In other Asian subregions health-related topics are hard to find on the agendas of the respective subregional groupings, indicating their neglect as subjects of common concern. Comparatively speaking, cooperation on infectious disease-related health matters has thus been developing most extensively in Southeast Asia,¹⁰ which the World Health Organization (WHO) considers to be the “epicenter” of newly emerging disease threats (WHO 2005). ASEAN and its extended ASEAN+3 framework now operate a significant number of expert groups, working groups, task forces, programs, and projects on the prevention and control of highly contagious infectious diseases (UNSIC 2011), the sheer number of which outstrip those in other subregional institutions.

All regional efforts emphasize either the sharing of information or the building of capacity for pandemic preparedness and response. In the context of the first aspect, one important focus is on disease surveillance measures, demonstrated by the founding of the three information pooling and exchange networks, the “Information Centre on Emerging Infectious Diseases in the ASEAN+3 Countries,” the “APEC Emerging Infectious Disease Network,” and MBDS. With respect to the second aspect, emphasis is placed on issuing guidelines, toolkits, and standard operating procedures as well as on the organization of rapid reaction and response measures (UNSIC 2011), as shown, for example, by the “ASEAN-Japan Project on Stockpiling of Antiviral Drugs and Personal Protective Equipment against Potential Pandemic Influenza” and the execution of pandemic simulation exercises (PanStop). *Prima facie*, these moves toward regional cooperation to tackle the challenges posed by pandemic diseases seem to confirm the assumptions held by neoliberal institutionalism, according to which transnational issues of mutual concern instigate cross-border cooperation. Yet what are the key characteristics of the collaborative efforts just mentioned?

On closer examination, Asian cooperation on health is informed by the following features: First of all, since the bulk of cooperative arrangements was launched ad hoc in times of acute health crises and did not evolve in any systematic fashion, the resulting structures comprise duplication and fragmentation tendencies at the same time. For instance, today three disease surveillance networks exist, with several Southeast Asian states being members of them all. Most likely, resources could be saved and information more effectively concentrated and distributed by merging them into one. Moreover, it is impossible to pinpoint one regional body or arrangement that acts as a main authority on health-related matters able to encourage a high level of coordination and coherency. This also holds true with regards to ASEAN's plethora of health-related cooperative endeavors (Lamy and Phua 2012, 12; Maier-Knapp 2011, 544). Second, when it comes to the institutional structures of existing mechanisms, collaboration across the region appears weak. Almost all of Asia's emerging institutions relating to pandemic prevention and control operate without formal, legally binding agreements, and it is at the discretion of single sovereign states to comply with the principles and policies regionally agreed upon. This has given rise to the criticism that existing arrangements are "little more than declarations of intent" (Kimball 2007, 383). Third, this lack of binding force appears related to strong notions of state-centrism and preferences for state-based action prevalent in the field of pandemic risk governance across the Asian region. Despite the impressive range of regional mechanisms dealing with pandemic preparedness now existing, "efforts in Asia have revolved around governments and [only] to a lesser extent... regional intergovernmental organizations" (Tan, Lee, and Pang 2012, 329).¹¹ This state centrality of health-related action across Asia also explains why ASEAN and APEC, which both have appeared keen to tackle pandemic challenges in the face of acute health crises, were still described as limited and passive (Curley and Thomas 2004, 26; Thomas 2006, 928) and criticized for being neither efficient nor effective (Tan, Lee, and Pang 2012, 330). Both regional entities, it seems, only complimented the action of single sovereign states when and where national governments deemed such moves indispensable. In short, regional cooperation on (re)emerging infectious diseases is diverse, yet piecemeal and uncoordinated, while state commitments appear shallow, as evidenced by the lack of legal obligations. Against this backdrop, the next section considers the major obstacles to more dedicated, in-depth cooperation.

31.3. MAJOR OBSTACLES TO EXTENSIVE REGIONAL COOPERATION ON INFECTIOUS DISEASES

Two major reasons stand out as accounting for the sluggish progress in building up regional capacity for pandemic prevention and control in particular. First, many Asian states face severe resource shortages and difficult allocation choices when it comes to

building and expanding the many facets of pandemic prevention and control capacity. What is more, their investment in prevention, containment, and control measures, both at the national and at the regional levels, appears to be obstructed by the high level of uncertainty surrounding possible future pandemic outbreaks—an aspect that is absent in many other health areas. Second, most Asian states are still strongly committed to the paradigm of state sovereignty and the principle of nonintervention in each other's internal affairs, both of which cannot be upheld if regional cooperation to fight dangerous pathogens is to work effectively. Thus, in addition to severe resource shortages, sovereignty concerns stand in the way of more solid regional cooperation to tackle transboundary health threats such as highly virulent and fatal infectious diseases.

31.3.1. Resources, Capacity, and Uncertainty

A major pandemic outbreak would be a severe challenge for the public health capacity of any country, putting its health system to the test. Noticeably, in Asia a particularly wide disparity in health resource capacity exists, as illustrated in table 31.1. While high-income countries like Japan, Singapore, and South Korea respectively had health expenses per capita of US\$2,696, US\$1,643, and US\$1,688 in 2007, in contrast, low- and lower-middle-income countries like Indonesia, Laos, and Cambodia invested US\$81, US\$84, and US\$108 the same year. As table 31.1 shows, the number of physicians and hospital beds per 10,000 people in these states also turned out to be comparatively low, especially when contrasted to that of Singapore, South Korea, and Japan. In other words, due to low budget allocations to the health sector, as exemplified by the

Table 31.1 Human Health Resources in Selected Asian Countries, 2007–2009

State	Health expenses per capita (USD) (2007)	Physicians per 10,000 people (2007–2009)	Hospital beds per 10,000 people (2007–2009)	Public health expenditure (% of GDP) (2009–11)
Cambodia	108	2		2.1
China	233	14	30	2.7
India	109	6	9	1.2
Indonesia	81	1	6	1.3
Japan	2,696	21	139	7.8
Laos	84	3	12	1.5
Malaysia	604	7	18	2.4
Philippines	130	12	5	1.3
Singapore	1,643	15	32	1.4
South Korea	1,688	17	86	4.1
Thailand	286	3	22	2.9
Vietnam	183	6	28	2.6

Source: UNDP 2010, 197–99; World Bank 2012.

annual public health expenditure measured in percentage of gross domestic product (GDP) (see table 31.1), many low- or lower-income countries of the region fall short of well-functioning healthcare systems comprising an adequate number of health professionals, healthcare facilities and sufficient access to antiviral drugs. In the face of a pandemic crisis, such states would thus lack the capacity to offer a full health service response (Coker et al. 2011, 606). The stark difference in the public health infrastructure of different Asian countries, whose state of development ranges from poor developing to rich industrialized countries, appears to hamper regional public health cooperation, simply because Asian states face difficulties in finding common ground to work on. While agreeing on the lowest common denominator would obviously not promote tackling pressing pandemic challenges, Asian cooperation does not operate on a principle of solidarity, according to which the wealthier countries would assist those in need, as is prevalent across most of Europe.

Similar resource-related problems exist with regards to domestic surveillance systems and veterinary capacity, both of which are closely connected. Coker and coauthors (2011, 604) call the capacity for animal health surveillance in Southeast Asia—the very region regarded to be the hotspot for newly emerging infectious diseases—“underdeveloped,” pointing to a lack of specific policy provisions and legal structures as well as to weaknesses in laboratory facilities and reporting systems. In fact, many of the less developed Asian countries are in need of laboratory access and epidemiological expertise. For instance, due to a shortage of its own facilities, Indonesian authorities have had to send virus samples to Hong Kong (Caballero-Anthony 2006, 116). Moreover, containing the spread of virulent pathogens with a zoonotic potential among animals as early as possible is key to any outbreak response. Yet many Asian states also lack expertise in reacting to such outbreaks, which usually includes organizing the mass culling of animals. So far, the state authorities of most Asian countries have also only offered insufficient financial compensation for culled poultry, hence providing clear economic incentives to livestock owners to refrain from reporting disease outbreaks (Sims 2007, 175).

The capacity deficits in public and animal health as well as in disease surveillance just identified are, by and large, the result of a shortfall in resources. Given that many countries of the Asian region are still struggling to overcome poverty, they set priorities on building up basic day-to-day healthcare services first, before turning toward the refinement of their pandemic preparedness and response capabilities at the national level, let alone the regional one. In a similar vein, one scholar working on the security dimension of infectious diseases argues that “[developing] countries are . . . reluctant to divert national resources away from clear and present health challenges and towards a pandemic threat that may or may not materialize soon” (Enemark 2009b, 293).

The hesitation of various Asian states to commit themselves more fully to pandemic prevention and control strategies seems to be reinforced by the high level of uncertainty attached to pandemic developments. To be more precise, there is a large degree of uncertainty regarding the time and location of a future communicable disease outbreak, the specific pathogen that will initiate it, the trajectory of disease

development, and the severity of the resulting health impact (Lee and Fidler 2007, 219). At worst, attempts to mitigate one particular disease eruption could prove ineffective in combating the occurrence of another unexpected disease. This was exemplified by the outbreak and spread of the H1N1 influenza virus (better known as swine flu) in 2009, which behaved quite differently from the highly pathogenic H5N1 avian influenza virus. Yet the latter had served as a major benchmark for national, regional, and global pandemic preparation efforts. In the face of potential pandemics, states are therefore confronted with vague risks, as opposed to concrete threats.¹² Notwithstanding the diffuse character of risks—for which looming pandemics are only one example—theories on risk emphasize the need to prepare for their materialization based on the notion of precaution (Beck 1992). However, operating according to a precautionary principle, that is, taking up measures to minimize the level of risk, causes severe difficulties in the Asian region, where many states only have scarce resources at their disposal and therefore face difficult allocation decisions. Ultimately, they seem to prefer investing their limited resources in solving acute problems, instead of devoting them to inclusive prevention and control strategies pertaining to the possible outbreak of a yet unknown dangerous infectious disease that may or may not occur in the future. This posture also explains why Asian states smoothly collaborated in face of the outbreaks of SARS and HPAI H5N1, but are still reluctant to commit themselves to long-term regional cooperation to face pandemic challenges effectively.

31.3.2. Sovereignty

If the combination of resource/capacity deficits and uncertainty constitutes one key obstacle to boosting regional cooperation to deal with transnational health threats, strong notions of national sovereignty and nonintervention in each other's internal affairs add yet another major hurdle. For instance, when SARS broke out in China in late 2002, Beijing's initial response was markedly influenced by these noninterventionist norms. Rather than admitting to the existence of a novel respiratory disease and requesting international support to contain the outbreak, Chinese officials initially refused to recognize the problem and declined the assistance offered by the WHO (Enemark 2009a, 206). Beijing first considered the outbreak a public health matter of solely internal concern, rather than an issue of global public health¹³ that would require transnational cooperation. Besides, even ASEAN's numerous initiatives to contain and eradicate emerging infectious diseases are based on declarations that emphasize state centrality (Maier-Knapp 2011, 545), pointing to the notion that health is first and foremost "a national concern that is related to domestic issues" (Lamy and Phua 2012, 6). The paradigm of sovereignty as a state's right to handle its own affairs is still crucial to the thinking of most Asian states, as reflected in the "ASEAN Way,"¹⁴ China's foreign policy-related "Five Principles of Peaceful Coexistence,"¹⁵ and the principles governing SAARC.

However, the focus on the nonintrusion in each other's domestic affairs poses a significant impediment to achieving regional health cooperation. First, several global health problems seem to derive from distinctly local or domestic traditions. For instance, SARS is speculated to have originated from practices at Chinese wet markets (Fidler 2004, 73), while the occurrence of HPAI H5N1 in humans is assumed to have derived from the close cohabitation of people and animal husbandry in the rural areas of Southeast Asian countries (FAO nd). Joint problem-solving and solution-finding pertaining to (re)emerging infectious diseases could therefore require states to interfere directly in domestic ways of life by addressing such traditions and practices and contemplating their change (Fidler 2010, 280). Transnational issues of mutual concern are often *not* discussed within Asia's regional forums, however, as states avoid these forms of infringement (Tan, Lee, and Pang 2012, 328). Second, regional cooperation to prevent and contain dangerous pathogens across state boundaries necessitates the sharing of sensitive information that exposes the vulnerabilities of populations and the weaknesses of state institutions (Long 2011, 15). For joint action on issues that are considered highly sensitive to the national security and welfare of states (Long 2011, 47), mutual trust is a requisite. Yet observers lament the very "absence of trust" (Tan, Lee, and Pang 2012, 328) between most Asian states, which are not only economically, but also politically and culturally, diverse and often share a difficult and troubled history. In short, the primacy of national sovereignty does not circumvent regional action to counter pandemic diseases altogether, but it still poses an important impediment to the advancement of profound cooperation to tackle pandemic threats mutually in a sustainable fashion.

31.4. CONCLUSION

In the beginning of the 2000s, the securitization of SARS and HPAI H5N1 not only elevated the question as to how to handle fast-spreading, life-threatening contagious diseases to the realm of high-level national politics in most Asian states, but, due to the transboundary character of both disease threats, also exposed the mutual dependence prevalent in the field of infectious disease prevention and control of the states of the region. The above analysis shows how common threat perceptions led to relatively smooth short-term collaboration to organize an immediate regional crisis response—in Southeast Asia at least. However, it also illustrates how the creation of substantive, long-term regional pandemic prevention and control mechanisms still faces serious impediments. First, the lack of financial, human, and knowledge-based resources, prevalent at the national level of many Asian states, hampers investing in regional capacity-building in order to counter pandemic threats that might not even materialize in the future. Second, the strong paradigm of national sovereignty prevents Asian states from interfering in each other's internal health affairs and severely limits collective action responses. While the pandemic crises induced by the outbreaks

of SARS and highly pathogenic avian influenza H5N1 certainly triggered regional integrative dynamics to cooperate, as for instance illustrated by the subsequent emergence of ASEAN's large variety of cooperative arrangements to tackle pandemic disease threats, it is "the mode of regional cooperation . . . [that] matter[s] in the long run" (Maier-Knapp 2011, 514). As this analysis shows, transboundary cooperation on (re) emerging infectious diseases across the Asian continent is diverse, yet piecemeal and uncoordinated, while state commitments appear shallow due to—and evidenced by—the lack of legal obligations. Consequently, collaborative arrangements as agreed upon by Asia's main regional bodies do not appear to exert sufficient influence on the pandemic counterstrategies at the level of Asian nation states.

In contrast, it is international institutions working exclusively on health-related matters, such as the WHO or the World Organization for Animal Health, that inform national and Asia-wide policies. The WHO in particular serves as the key agency in the realm of global public health matters. One of its primary instruments for the prevention of and response to life-threatening infectious diseases is the set of *legally binding* International Health Regulations (IHR). The IHR's revised version of 2005 (in effect since 2007) obliges member states to improve their public health surveillance and response capacities in order to be better prepared to prevent and contain the outbreak and spread of contagious diseases in the future (WHO 2009). Thus, it seems that both the existence of international organizations specializing in health issues, and binding international treaties on infectious disease control, add another extraregional hurdle to dedicated and in-depth regional cooperation to deal with pandemic pathogens. As one observer points out, the "WHO in particular has greater scientific authority and a clearer public health mission than [regional] groupings like ASEAN and APEC" (Enemark 2009b, 292). Thus, in Asia the prospects for deeper and more effective regional cooperation to counter pandemic challenges in the future do not appear to be too bright.

NOTES

1. Thus, securitization is first and foremost useful to position health-related topics on national, regional, and global agendas.
2. The WHO's traditional and very broad definition of health as a "state of complete physical, mental and social well-being, and not merely the absence of disease and infirmity" notwithstanding, this chapter focuses exclusively on Asia's response to the occurrence and existence of certain securitized infectious diseases as they have provided the strongest impetus for action on health-related matters across Asian national borders so far. While the social determinants of health, for instance, play an important role with regards to the attainment of complete human well-being, we cannot concern ourselves with them due to space limitations, nor are they crucial to regional health-related debates in Asia.
3. For a similar argument see Enemark 2007, 8–11.
4. For a full account of the SARS case see Fidler (2004).
5. The study of Curly and Herrington exclusively focuses on Vietnam and Indonesia.

6. MBDS comprises Cambodia, China (Yunnan and Guanxi provinces), Laos, Myanmar, Thailand, and Vietnam.
7. For details see Long 2011, 24–30.
8. Member countries are Cambodia, Laos, Myanmar, Thailand, and Vietnam.
9. SAARC's seven member states are Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.
10. This is also reflected by UNSIC's overview of avian and pandemic influenza-related programs and projects (UNSIIC 2011).
11. Likewise, Asian civil society organizations do only play a minor role in tackling pandemic health issues.
12. In an international relations context, Daase (2002, 14–16) distinguishes between threats and risks by pointing to three core differences: While threats are characterized by specific adversarial actors, a hostile intention and a potential to realize the threat, risks are indirect and unintended and their realization is uncertain. Risks are thus diffuse.
13. Lee, Fustukian, and Buse (2002, 5) hold that global public health matters exist if “the causes or consequences of a health issue circumvent, undermine or are oblivious to the territorial boundaries of states and, thus, beyond the capacity of states to address effectively through state institutions alone.”
14. The “ASEAN Way” is a normative consensus calling for the peaceful resolution of conflicts and nonintervention in each other's internal affairs.
15. The “Five Principles of Peaceful Coexistence” include the following normative ideas: mutual respect for territorial integrity and sovereignty; mutual nonaggression; mutual noninterference in internal affairs; equality and mutual benefit; and peaceful coexistence.

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CHAPTER 32

FORCED MIGRATION IN CONTEMPORARY ASIA

MICHAEL STRAUZ

IN contemporary Asia, the wide variety of political systems, combined with the enormous gaps in economic size and capacity between countries and regions, have made large-scale forced migrations nearly inevitable. Beginning in the 1970s, refugees fled en masse from Southeast Asia after Communist takeovers in Vietnam, Laos, and Cambodia. As many as three million people fled from these countries in what was “the largest mass departure of asylum seekers by sea in modern history” (Kneebone and Rawlings-Sanaei 2007a, 12). This problem was ultimately addressed through an unprecedented international institutional solution: the Comprehensive Plan of Action for Indochinese Refugees. Beginning with defeat of the Liberation Tigers of Tamil Eelam in 2009, Sri Lanka has seen large numbers of internally displaced persons returned home at the conclusion of its lengthy civil war. Refugees have also fled brutal regimes in Myanmar and Afghanistan. In these latter two cases, the presence of diaspora communities in neighboring countries has had a major impact on transnational human security in Asia.

Scholars of international relations have increasingly turned their attention toward forced migration, and in this chapter I will examine this scholarship in order to determine both how international relations theory might help us to understand forced migration in Asia and how developments in Asian forced migration might help us to sharpen international relations theory. I will begin with an overview of scholarship on forced migration in international relations, focusing in particular on institutions, conflict, and development. Second, I will outline broad trends in forced migration in Asia, paying particular attention to the last ten years or so. Third, I will examine several situations in more detail—the Indochinese refugee crisis that began in the 1970s; the Burmese refugee crises that began in the 1990s; and the shadow of a North Korean refugee crisis that many fear in the event of regime collapse in the Democratic People’s Republic of Korea (DPRK). Finally, I will make tentative predictions regarding trends

in forced migration in Asia, and identify gaps in our current understanding of that phenomenon that scholars of international relations should address.

32.1. INTERNATIONAL RELATIONS THEORY AND FORCED MIGRATION

32.1.1. A Note on Terminology

Beginning in the 1990s, scholars interested in displaced persons began to use the phrase “forced migrants” rather than “refugees” to discuss their population of interest (Chimni 2009, 17). This term cast a much broader net than the term “refugee.” In addition to those that the Office of the United Nations High Commissioner for Refugees (UNHCR) and state governments formally recognize as refugees, the term “forced migrants” includes “internally displaced people” (IDPs); those in “refugee-like situations” but without formal refugee status; and the victims of human trafficking. This shift in terminology has had its detractors (see, e.g., Hathaway 2007). This chapter will generally use the phrase “forced migrant” because it is more inclusive than the formal term “refugee.” The term “forced migrant” covers those not formally recognized as refugees by the 1951 Convention Relating to the Status of Refugees (Refugee Convention), but who nonetheless have very similar experiences in fleeing their homes. As Roberta Cohen argues, “one of the reasons internally displaced persons are so often intermingled with refugees is that both are often fleeing, not individualized persecution, but armed conflict, generalized violence or human rights violations, and operationally the international community must deal with both groups” (Cohen 2007, 370). Because the social and political forces that cause people to seek asylum internationally often also cause people to become internally displaced, the category “forced migrants” is useful for scholars because it brings these similarities to the foreground.¹

32.1.2. Forced Migrants and Institutions

In this section I will consider IR scholarship that has focused on the relationship between institutions and forced migration, in particular that of state sovereignty and the UNHCR.² The way that forced migration has shaped these institutions helps us to think critically about the ways in which institutions function more broadly.

While forced migrants have existed throughout history, the first international institutional responses to issues in forced migration have focused on refugees. Refugees are a relatively new phenomenon; as Emma Haddad (2008) notes, the existence of refugees presupposes the existence of sovereign states. In medieval Europe, refugees could

not exist because “the refugee depends on exclusion from a political community which depends on well-defined borders. As a concept the refugee could not exist in the *universitas*³ because she is only created when boundaries are erected” (Haddad 2008, 51). However, with the Peace of Augsburg of 1555 and the Treaty of Westphalia of 1648, “the horizontal feudal society of the medieval world was superseded by the modern vertical society of sovereign territorial states” (Haddad 2008, 49).

The term “refugee” was first used to describe those French Huguenots who were forced out of Catholic France in 1685 (Haddad 2008, 51), but in several European countries, the expulsion of communities of refugees was a consequence of the movement from empire to sovereign state. In addition to the Huguenot exile, the expulsion of Jews and Muslims from Spain and Portugal and the expulsion of Puritans, Quakers, and Irish Catholics from England also coincided with the formation of modern states in those respective areas (Zolberg 1983, 31–34).

These kinds of population flows are directly related to the formation of sovereign states in two ways. First, these forced migrations occurred because the population of concern defined itself in a way that was contrary to the identity that the new state was trying to build for itself. Haddad argues that the Huguenot exile was a consequence of the desire of the French authorities to “attach certain people to a state on a given territory” (2008, 52). The Huguenots were exiled because their presence was a challenge to the conception of France as a Catholic nation-state, and new states forcing populations that challenge key elements of national identity into exile have been observed all over the world. Second, states sometimes decide to grant protection to refugees in order to strengthen their own claims about national identity. Thus, Haddad argues that England decided to extend protection and eventually citizenship rights to exiled Huguenots from France in a way that “contributed to the nationalisation of the [English] state” (2008, 53). More recently, states sometimes used the presence of refugees from Nazi Germany and the Communist world to demonstrate the superiority of capitalist nation-states to Communist ones (Benz and Hasenclaver 2011, 215).⁴

After the partition of India in 1947 and the collapse of the Soviet Union in 1991, newly formed states attempted to establish new national identities in ways that had major implications for forced migration in Asia. The partition of India resulted in massive movements of peoples across borders as India and Pakistan established identities that were tied to Hinduism and Islam, respectively. A recent demographic study of the impact of the partition on the Punjab notes a remarkable increase in religious homogenization at the local level after the partition, and estimates that the population of the Punjab in 1951 was between 2.3 and 3.2 million people fewer than it “should have been” in typical conditions, and the authors conclude that the bulk of these missing people fled and/or were killed in intercommunity violence (Hill et al. 2008).

In the years since the Korean War, more than 20,000 North Koreans have fled to South Korea (Ministry of Unification 2011). However, because the Republic of Korea recognizes itself as the only legitimate government of the Korean peninsula, those individuals are not treated as refugees, but rather as citizens. Indeed, the South Korean citizenship status of North Koreans is formally recognized by the South Korean

constitution, and thus “every North Korean refugee has the right to resettle in South Korea” (Greenhill 2010, 253). The South Korean state’s view of itself as the only legitimate government for the whole Korean peninsula has major implications for the way that potential forced migrants weigh the costs and benefits of leaving and for the way that those forced migrants are treated when they arrive in South Korea (see also chapters 22 and 23 in this volume).

In addition to their constitutive relationship with the most fundamental domestic institution—the sovereign state—a variety of international institutions have also been constructed to deal with issues relating to forced migrants. A formal international refugee regime first emerged after World War I. Fridtjof Nansen became the first League of Nations high commissioner for refugees in 1921. While his office was originally established to assist those fleeing Russia in the wake of the Soviet takeover, it eventually expanded its mission. On the direction of the League of Nations, the Office of the High Commissioner for Refugees began to offer “Nansen Passports” to Russians in 1922, and eventually the office extended such passports to a variety of other groups. Members of the League agreed to recognize Nansen Passports as valid identification but not necessarily to permit refugees with such papers to enter their countries (Barnett 2002, 242–43).

After World War II, Europe was faced with a massive crisis of displaced people; in 1950 there were still 1.25 million refugees in Europe (Barnett 2002, 245). In response, in 1951 the UN created the UNHCR and the Refugee Convention entered into force. The Refugee Convention initially defined “refugee” narrowly and limited it to those fleeing persecution “as a result of events occurring before 1 January 1951.” Parties to the convention also had “the option to limit the Convention refugees it accepted to those from Europe” (Barnett 2002, 246). However, both the temporal and geographic limitation of the Refugee Convention’s definition of the term “refugee” were removed by the 1967 Protocol Relating to the Status of Refugees.

The UNHCR was charged with finding “permanent solutions” to refugee crises, and the solutions specifically mentioned in its founding document are “asylum, third-country resettlement, and repatriation” (Barnett and Finnemore 2004, 74). While ratifying the Refugee Convention does not require states to permit refugee resettlement in their own territory, ratification does commit states to the principle of *non-refoulement*; parties to the convention are not permitted to return refugees “to the frontiers of territories where his life or freedom shall be threatened” (Barnett and Finnemore 2004, 74). Because states are not legally required to allow refugee resettlement, the international refugee regime has been faced with a challenge of convincing states to accept the norm of “burden sharing” in refugee admissions despite its absence from international legal instruments. As Alexander Betts argues, the UNHCR “has needed to play a . . . proactive role of political facilitation, convening a range of ad hoc appeals, conferences, and other initiatives in order to persuade predominantly Northern donor and resettlement states to voluntarily contribute to supporting refugees’ access to protection and durable solutions” (Betts 2011, 57).

Scholars of international relations have used an examination of the UNHCR to make three different and non-mutually exclusive arguments about institutions in

international politics. First, in his study of the origins of “international protection regimes,” or “multilateral institutions designed to protect clearly defined categories of people within sovereign states,” Bruce Cronin argues that such regimes emerge when there exists “a shared normative and political vision of political order” (2003, 3). Cronin goes on to argue that both the Office of the League of Nations High Commissioner for Refugees and the UNHCR emerged out of a shared belief that refugees represented “the by-products of a transformation from an old political order into a new one” (2003, 32).

Second, in their examination of the way in which the organizational culture can shape the rhetoric and behavior of international institutions, Michael Barnett and Martha Finnemore argue that international organizations (IOs) can sometimes develop “pathologies” that “lead the IO to act in a manner that subverts its self-professed goals” (2004, 8). They argue that the UNHCR has moved away from “an exilic bias, rarely considering repatriation as a permanent solution” (2004, 74) to focus on promoting repatriation to the point where it has “led to the violation of refugee rights,” in direct contradiction of the organization’s declared objectives (2004, 12; also see Loescher 2001, 16–17). Because their main case study to support this argument occurs in Asia—they discuss the Rohingya refugees from Myanmar that had fled to Bangladesh in the 1990s—this argument will be discussed in depth below.

Third, Alexander Betts (2009, 2011) has addressed variation in the response of wealthy states to requests for assistance from the UNHCR. He argues that the UNHCR has been most effective when it has succeeded in linking refugee issues to issues of “security, migration, and trade” (2011, 53). Perhaps for this reason, the UNHCR has increasingly adopted the language of security. Howard Adelman (2001) suggests that the UNHCR has increasingly treated its mission as one of guaranteeing the security of forced migrants rather than asylum for refugees.⁵

32.1.3. Forced Migrants and Conflict

The relationship between forced migration and conflict is complex. Two aspects of that relationship are crucial: forced migrants as a consequence of conflict, and forced migrants as cause or accelerant of conflict. Quantitative studies by Susanne Schmeidl (1997) and by Christian Davenport and colleagues (Davenport, Moore, and Poe 2003) both find empirical support for an intuitively plausible claim: people flee armed conflict. Schmeidl found strong support for the argument that, controlling for a range of other factors, civil wars and genocides have been very strong predictors of outflows of forced migrants, and she found moderate support for the argument that ethnic rebellion and interstate wars have been strong predictors of outflows of forced migrants (1997, 300).

Similarly, Davenport, Moore, and Poe found that genocide and civil war are effective predictors of outflows of forced migrants (2003, 42). Indeed, these mass departures in the face of conflict and genocide are often not an accident, but rather “a deliberate consequence of military action” (Roberts 2011, 216). Moreover, leaders have sometimes

used actual or threatened large-scale outflows of forced migrants as a bargaining chip in international negotiations. Kelly Greenhill refers to this tactic as “coercive engineered migration” and argues that it appears to be successful more than half the time, which is particularly impressive when considering that American coercive diplomacy backed by conventional military threats only succeeds between 19 and 37.5 percent of the time (2010, 2). We will return to Greenhill’s argument below, as one of her case studies focuses on the way in which both activists and the North Korean state have used coercive engineered diplomacy.

In addition to demonstrating that forced migrants flee violence, quantitative and qualitative studies of forced migration flows have suggested that, counterintuitively, flows of forced migrants can cause conflicts or cause conflicts to become more intense. This is counterintuitive because, as Idean Salehyan and Kristian Skrede Gleditsch note, “the vast majority of the world’s refugees never directly engage in political violence but are rather the unfortunate victims of it. Furthermore, most refugee hosts never experience armed violence” (2006). Nevertheless, quantitative scholarship has suggested that refugee flows make militarized interstate disputes (Salehyan 2008) and civil wars (Salehyan and Gleditsch 2006) more likely in both refugee sending and refugee receiving states. In her qualitative study of the militarization of refugee camps, Sarah Kenyon Lischer argues that refugee camps are most likely to become militarized when the exiled community is organized as a “state in exile” that refuses to return home except in the event of victory (2005, 10).

32.1.4. Forced Migrants and Development

Forced migrants have been both a consequence of economic development projects and, through remittances, an economic development resource in their own right. Large-scale, centrally planned economic development projects tend to produce forced migrants almost by definition. When a government decides that it will build a bridge, or a factory, or a dam, people are generally displaced. Samir Das and colleagues have outlined the way that development projects have led to forced migration in South Asia (Das et al. 2000), and Florence Padovani (2005) has written about the displacement of people caused by the Three Gorges Dam project in China. However, while there are numerous examples of forced migrants fleeing development projects, large-*N* studies do not appear to support the suggestion that forced migrants tend to flee economic hardship. Schmeidl (1997) did not find support for the claim that per capita energy consumption predicts the likelihood that refugees will flee, while Davenport, Moore, and Poe (2003) did not find support for the notion that economic strength—measured by gross national product (GNP)—predicts the number of forced migrants fleeing a given country. Will Moore and Stephen Shellman (2007) find that GNP per capita is only effective in predicting refugee flow between two states that share a border. When states do not share a border, “greater levels of GNP per capita in the (potential) country of asylum are associated with a slight decrease in the expected number of refugees. Further,

the slope becomes more negative as the average wage rises. This finding is consistent with our hypothesis and directly challenges the popular Western image of refugees as economic opportunists” (2007, 828).

Forced migrants who do end up in stronger economies than those they left often have a large influence on their countries of origin through remittances. Betts and Loescher note that remittance sending, “especially for countries under stress such as Somalia, represents one of the biggest sources of overseas incomes” (2011, 17). However, it is difficult to measure remittances from forced migrants: first, because available data sets do not seem to distinguish remittances from forced migrants from remittances sent by other migrants; and second, remittances are often sent in secret or through informal networks; one study shows that such networks account for 40 percent of remittances in Bangladesh (cited in Hugo 2005, 107).

Remittances can have an extremely large economic impact. As Graeme Hugo notes, “It was estimated in 1995 that remittances were equivalent to one quarter of total national government expenditure in the Philippines” (2005, 106). However, a development policy based on remittances from overseas migrants is problematic because money transferred through remittances is often controlled by traditional family structures that discourage education and employment for women and do not necessarily promote economic growth. As Dominik Zaum argues, “Rather than kick starting entrepreneurial activity and growth, remittances have served as a safety blanket” (Zaum 2011, 295).

32.2. WHO ARE THE FORCED MIGRANTS IN CONTEMPORARY ASIA?

32.2.1. An Overview of Forced Migration in Contemporary Asia

In 2010, the UNHCR recognized 33,924,476 “people of concern” around the world.⁶ 26.3 percent of that population had originated in Asian countries, and 28.5 percent had fled to Asian countries. The Asian country that produced the largest number of forced migrants—including IDPs, those in “IDP-like situations,” refugees, those in “refugee-like situations,” and asylum seekers—was Afghanistan: in 2010, 3.4 million forced migrants could trace their origins to that country. After Afghanistan, the next largest population of forced migrants could trace its origins to Pakistan, followed by Myanmar, Sri Lanka, Vietnam, and China.

Of this group of forced migrants who had fled their homes in Asian countries, 29.4 percent did not leave their countries. That is, they were either IDPs or people in IDP-like situations. The Asian countries with the largest numbers of IDPs and people in IDP-like situations in 2010 were Pakistan, with 952,035, followed by Afghanistan, Sri Lanka, the

Philippines, Kyrgyzstan, and Myanmar. It is interesting to note the absence of Vietnam and China on this list, despite their presence as countries that produced some of the largest numbers of forced migrants in Asia. This could be related to the limitations of the UNCHR as a data-collecting agency, and perhaps points to a more general difficulty in collecting data on forced migration.⁷ The UNHCR has to be granted some degree of access to begin classifying individuals as IDPs; without such access, groups of people such as those displaced by the Three Gorges Dam in China, noted above, are not counted.

In 2010, 2,943,945 forced migrants were residing in Asian countries as asylum seekers, refugees, or those in “refugee-like situations.” Of those individuals, 1,902,716 were in Pakistan, followed by China, Bangladesh, India, Thailand, and Malaysia. What is noteworthy about that list is the absence of Asia’s two most prosperous democracies: Japan and the Republic of Korea. Japan was home to only 5,664 of these forced migrants, and South Korea was home to only 1,070.⁸ Indeed, the absence of those two countries is even more striking given that they have among the lowest birthrates in the world, and thus population decline is a widespread topic of concern in each country. Part of the explanation for South Korea and Japan’s small refugee populations might be geographic. Unlike India, a democracy that shares borders with several countries that have produced large numbers of forced migrants, Japan is an island nation and South Korea shares a border only with North Korea. Moreover, as noted above, South Korea does not consider North Korean citizens to be foreign residents. However, this explanation does not tell us why countries such as the United Kingdom, Australia, and Canada have become major destinations for forced migrants. This is a promising area for future research that I will return to in section 32.3.

32.2.2. The Boat People and the Comprehensive Plan of Action

The rhetoric of forced migration is analytically useful, but it sometimes runs the risk of obscuring the real human struggles and tragedies that forced migrants face. However, it is difficult to avoid these struggles and tragedies when discussing the millions of people who were so desperate that they took to the ocean, often on the most rickety of boats, risking the elements and pirate attacks, in order to evade regimes in Laos, Cambodia, and Vietnam during the Cold War years. This massive movement of people is a vivid illustration of the way in which forced migrants flee conflict, or at least flee in the aftermath of conflict. This case also reminds us of the central relationship between state sovereignty and forced migration. As the new government in Vietnam constructed a single unified sovereign state with a Communist identity, non-Communists often felt that they had no choice but to flee. Finally, the Comprehensive Plan of Action illustrates the way that the states and international institutions have interacted to address issues of forced migration in Asia.

Beginning with the fall of Saigon in 1975, forced migrants began to flee Vietnam, and later Laos and Cambodia, in boats. Eventually, as many as three million people would

flee from these countries in what was, as noted earlier, “the largest mass departure of asylum seekers by sea in modern history” (Kneebone and Rawlings-Sanaei 2007a, 12). Initially, most of these “boat people” ended up in neighboring countries such as Hong Kong, Thailand, Malaysia, Indonesia, and the Philippines, where they were granted temporary asylum. They were eventually resettled in the wealthy countries of the West. However, the economic stagnation of the 1970s eventually made Western states less willing to accept Indochinese refugees for resettlement (Barnett 2002, 248), and this, combined with the rapid increase in departures of boats from Vietnam in the spring of 1979, proved challenging to the neighboring states. In response, the member states of the Association of Southeast Asian Nations (ASEAN) indicated through a formal statement that they had “reached the limits of their endurance and decided that they would not accept new arrivals,” and they began to push boats that arrived on their shores back out to sea (Kneebone and Rawlings-Sanaei 2007a, 12).⁹

Shortly after the ASEAN countries made this statement, representatives from sixty-five nations met in Geneva in July 1979 for the International Conference on Refugees and Displaced Persons in Southeast Asia. This conference resulted in an informal quid pro quo between Southeast Asian states and Western democracies, which was sometimes summarized as “an open shore for an open door” (Robinson 2004, 320). That is, Southeast Asian nations agreed to stop pushing boats back to sea in exchange for a commitment from Western nations that the boat people would be permitted to resettle elsewhere. Moreover, in May 1979, before this conference had even begun, Vietnam and the UNHCR signed a Memorandum of Understanding that established the Orderly Departure Program (ODP). Vietnam would allow those who might flee in boats for “family reunion and other humanitarian” reasons to leave the country (Robinson 1998, 56). The list of those permitted to leave would be determined “on the basis of lists prepared by the Vietnamese government and . . . the receiving countries” (Robinson 1998, 56).

The agreements of 1979 initially appeared to satisfy all concerned parties. However, it gradually became clear that the United States and Vietnam had different priorities regarding the ODP; the United States favored “family members of US citizens, former employees, Amerasian children, and . . . current and former prisoners from re-education camps,” while “the Vietnamese had other priorities, among them, the continued exodus of Sino-Vietnamese” (Robinson 2004, 325). Vietnam’s priorities here are particularly telling; the Vietnamese state appeared to be attempting to use the ODP to strengthen its national identity and thus its claim to state sovereignty, in a manner reminiscent of the European states discussed in section 31.1.2.

In addition to these problems with the implementation of the ODP, the numbers of boat people departing Southeast Asian countries began to increase rapidly in the late 1980s, and by 1989 Thailand and Malaysia were again pushing boat people back out to sea (Robinson 2004, 322). Because of this situation, there was a second international conference in Geneva that produced a Comprehensive Plan of Action for Indochinese Refugees (CPA). The CPA went a step further than the 1979 agreement, in that it introduced individual refugee screening. That is, Vietnamese arriving in other Southeast

Asian countries on boats would no longer be automatically treated as refugees. Instead, they would be screened in the country where they had arrived, and those unable to prove that they were genuine refugees would be returned to Vietnam (Robinson 2004, 320).

There is significant debate about whether the CPA was successful. James Hathaway is critical, particularly of the impact of the ODP. He argues that “the formalization of immigration-based resettlement schemes from Vietnam as the ‘primary’ and ultimately ‘sole’ mode of departure is, of course, fundamentally at odds with the concept of a refugee, because the essence of refugee status is the autonomous right to disengage from an abusive society and to seek protection abroad” (1993, 687). Courtland Robinson offers measured praise, calling the CPA a “qualified success” because “it maintained commitments to international resettlement for those determined to be refugees . . . but, in doing so, it undermined support for third country resettlement within UNHCR and on the part of at least some governments” (2004, 321). I share Robinson’s view here because, in the absence of the CPA, it is easy to imagine the immediate neighbors of Vietnam, Laos, and Cambodia being much more aggressive in pushing boat people back out to sea. Even if the CPA was far from ideal, the relationship that it created between Southeast Asian countries and the rest of the world likely saved many lives.

Putting aside the question of the CPA’s ultimate success or failure, the CPA and the 1979 agreement are interesting for scholars of international relations for three reasons. First, the CPA and the 1979 agreement introduced a number of legal and institutional innovations to the way the international community deals with refugees, including “the idea of regional screening and repatriation (including forced return of the screened-out)” (Robinson 2004, 321), and the concept of “‘orderly departures’ or ‘queues’ which persists in the policies of some Western countries today” (Kneebone and Rawlings-Sanaei 2007a, 14). Moreover, while according to its statute the UNHCR is charged with finding “permanent solutions” to refugee crises, it was in response to the Indochinese refugee crises that High Commissioner Poul Hartling first used the phrase “durable solutions” to describe the ultimate goal (Barnett and Finnemore 2004, 99). Barnett and Finnemore suggest that this rhetorical shift from “permanent solutions” to “durable solutions” was related to the UNHCR’s shift in emphasis from encouraging resettlement to encouraging repatriation (2004, 99).

Second, of the original members of ASEAN (Indonesia, Malaysia, the Philippines, Singapore, and Thailand), only the Philippines has ratified the Refugee Convention. This raises a number of provocative questions about the role and meaning of international treaties in dealing with forced migrants, and these issues will be discussed in section 32.3. Third, through the CPA and the 1979 agreement the UNCHR managed to persuade Western states, and particularly the United States, to permit large numbers of refugees to resettle permanently in their territory. Alexander Betts argues that the UNHCR succeeded at this by effective negotiation and, more specifically, by creating a “substantive link” between refugee resettlement and “broader concerns with regional security in the aftermath of the Vietnam War” (2011, 73).

32.2.3. The Rohingya Refugee Crisis

The case of Rohingya refugees fleeing Myanmar for Bangladesh illustrates the complexities of the relationship between state sovereignty, ethnicity, religion, and forced migration. Although the Rohingya refugees who have fled Myanmar are Muslims, as are the vast majority of Bangladeshis, the government of Bangladesh has actively acted to discourage Rohingya migration. Moreover, the UNHCR's policy vis-à-vis Rohingya refugees illustrates the way that the international institution's way of thinking about forced migration has changed over time. Finally, it is useful to consider the Rohingya flight from Myanmar because, although both the Rohingya and Vietnamese refugees were fleeing conflict, the nature of that flight was quite different in each case. Unlike Vietnam, whose refugee crisis occurred in the aftermath of its civil war, many of those fleeing Myanmar are co-ethnic individuals that are participating in armed resistance against the state.

Burmese from a variety of ethnic groups have fled their homes in response to the abuses of the current regime, which took power in 1988.¹⁰ In Thailand, there are currently 92,000 registered refugees from Myanmar and an additional 54,000 asylum applicants (UNHCR 2012a), but Carl Grundy-Warr notes that “there are tens of thousands of Shan refugees inside Thailand who have no official status as registered displaced persons because of the Thai government's position that these people are mostly ‘economic migrants’” (2004, 234). In addition to the Rohingya Muslims who fled to Bangladesh—a population that will be discussed in more depth below—others from that community fled to Malaysia. Members of the Chin and Naga ethnic groups have also fled Burma in large numbers, bound for India (Grundy-Warr 2004, 236).

The Rohingya are a Muslim ethnic group who reside in Rakhine State in western Myanmar. Rakhine has an extensive coastline along the Bay of Bengal and shares a border with Bangladesh. The Rohingyas fought against the Japanese occupation during World War II, and in exchange for that the British promised them an autonomous state, which they were never granted. In 1947, “the Rohingya political elite asked the new president of Pakistan to integrate the northern Arakan¹¹ into East Pakistan (now Bangladesh)” (Barnett and Finnemore 2004, 106). After the 1962 coup, the regime “attempted to encourage [Rohingyan] migration by withdrawing its recognition of the group's status as citizens and by replacing their national registration certificates demonstrating Burmese citizenship with foreign registration cards” (Barnett and Finnemore 2004, 107).

Partially in response to this kind of mistreatment, there have been several major flights of Rohingyas from Myanmar since 1942 (Barnett and Finnemore 2004, 196 n. 130). Between May 1991 and March 1992, 270,000 Rohingyas fled to Bangladesh in “one of the largest refugee flights in recent history” (Barnett and Finnemore 2004, 107). By the fall of 1992, Bangladesh was forcibly returning thousands of Rohingyas to Myanmar, and at first refused to allow the UNHCR access to Rohingya refugee camps. In the face of international criticism, Bangladesh did finally allow UNHCR access to

the camps, as well as a role in the crisis, beginning in 1993 (Barnett and Finnemore 2004, 108–9).

In December 1993, almost immediately after the UNHCR and Bangladesh reached an agreement, Bangladesh began to pressure the UNHCR to pursue a repatriation plan, which would have returned 190,000 Rohingyas to Myanmar in under one year, and the UNHCR began to cooperate in promoting repatriation. Despite the efforts of the the UNHCR and Bangladesh to persuade Rohingyas that the situation in Myanmar had improved, few Rohingyas volunteered for the repatriation plan. In the wake of this, in 1994 the UNHCR undertook surveys in a number of refugee camps about Rohingya attitudes toward repatriation to Myanmar, the majority of which were negative. In one refugee camp only 27 percent wanted to return. However, in another survey taken three days later, the UNHCR found that 97 percent of Rohingya refugees wanted to return to Myanmar (Barnett and Finnemore 2004, 110–12).

This discrepancy was alarming to NGOs, who noted that “between the first and second surveys several refugees were beaten by Bangladeshi officials for ‘antirepatriation’ activities” (Barnett and Finnemore 2004, 112). Nevertheless, the UNHCR would not administer any more surveys, and began to encourage Rohingyas to return to Myanmar. They offered the refugees incentives to return, including US\$20, which, for many Rohingyas, was “more money than they had ever seen in their lives” (Barnett and Finnemore 2004, 115). Moreover, the UNHCR began to reassure Rohingyas that the situation in Myanmar had improved. However, it is not clear that they had the expertise to make that assurance. At the beginning of their repatriation exercise, the UNHCR had one only officer in Rakhine State (Barnett and Finnemore 2004, 118), and when the UNHCR asked the Burmese government about allegations that Muslim women were being forcibly sterilized in military-run schools, “it accepted the denial of the government without independent verification” (Barnett and Finnemore 2003, 115).

The UNHCR’s repatriation program for the Rohingyas is particularly puzzling because the organization seemed to be acting against the best interests of the people that the agency was charged with protecting. The operation was not brought about by financial difficulties, as the Bangladesh refugee camps operation cited a \$600,000 surplus in 1995. Moreover, while Bangladesh wanted the UNHCR to promote repatriation, UNHCR officials believed that “Bangladesh was not about to repatriate the refugees forcibly” (Barnett and Finnemore 2004, 106). Instead, Barnett and Finnemore (2004) argue that the Rohingya repatriation program is an example of a larger phenomenon within the UNHCR—a change in emphasis from resettlement to repatriation.

This change, according to Barnett and Finnemore, had two causes. The first is a result of the context of the Cold War; by the later stages of the Cold War most refugees were leaving the Third World, rather than fleeing the Communist world. That, combined with the end of the Cold War in 1989, meant that the capitalist world was no longer willing to resettle refugees as living evidence of the superiority of capitalism. Second, the UNHCR noticed that large numbers of refugees were returning home voluntarily, and “the belief that asylum was the most humane solution was gradually replaced by

the view that individuals had the legal and moral right to return home” (Barnett and Finnemore 2004, 96).

One can see this change of emphasis in looking at the way the UNHCR responded to the Indochinese boat people crisis (discussed in section 32.2.2). The main difference between the 1979 agreement and the 1989 CPA was that, with the CPA, ASEAN states individually began to screen refugees and forcibly to repatriate those determined to lack sufficient documentation of their asylum claims. In 1995, the UNHCR cooperated with the government of Bangladesh to strongly encourage the Rohingyas to return to Myanmar, rather than seeking out a third country for resettlement.

Following sectarian violence in Rakhine that began in June 2012, Rohingyas again began to flee to Bangladesh; Human Rights Watch (2012) estimates that 100,000 people have fled in response to the violence. In July, the government of Bangladesh prohibited three NGOs from aiding the Rohingyas. Bill Frelick, director of the Refugees Program at Human Rights Watch, argues that this policy is explicitly aimed at discouraging Rohingyas from considering fleeing to Bangladesh (Human Rights Watch 2012).

32.2.4. Weapons of Mass Migration in the DPRK

The phrase “weapons of mass migration” is borrowed from the title of Kelly Greenhill’s 2010 book. Greenhill argues that regimes have used real or threatened flows of forced migrants as a bargaining chip in international politics. In the case of North Korea, she notes that this kind of weapon has been used by two different actors: the Kim Jong-il regime, which has used threats of massive outflows to secure aid, and North Korean antiregime activists, who have attempted to create massive refugee flows in order to destabilize the regime. The famines of the 1990s in North Korea led to the deaths of anywhere from hundreds of thousands to millions in North Korea and also caused hundreds of thousands of North Korean forced migrants to enter China (Greenhill 2010, 227). Kim Jong-il successfully used this crisis, and the fears that it would produce significantly larger numbers of forced migrants, to pressure North Korea’s neighbors into providing food and other economic aid (Greenhill 2010, 321). During a similar crisis in the early 2000s, Kim was again able to use threats of massive outflows of forced migrants to obtain promises of foreign aid and to convince China to oppose America’s stance against North Korea’s nuclear weapons program. Greenhill notes that this was a dangerous game for Kim to play, as massive emigration could have spelled the end of his regime: “to paraphrase Otto von Bismarck, Kim Jong Il had essentially been threatening to commit suicide in order to avoid death” (Greenhill 2010, 328).

Kim Jong-Il was not the only party attempting to use emigration from North Korea as a political weapon. Beginning in early 2002, a network of international human rights NGOs and Christian religious organizations attempted to create a crisis of emigration from North Korea that was explicitly aimed at bringing about collapse of the Kim regime. The group initially helped North Korean refugees to break into a number of high-profile embassies and consulates in China in a strategy that was modeled after

the refugee flights in Hungary and East Germany, which helped to bring about the end of Communist regimes. In response, China cracked down on the North Korean community that it had tacitly supported up until these efforts, and forcibly returned around 80,000 of the North Koreans who had fled to China in the 1990s (Greenhill 2010, 249). The network changed its strategy in the summer of 2002. Instead of aiming at high-profile embassy crashings, through which “only a few hundred North Koreans successfully ‘escaped,’” the network aimed to create a regional crisis on the scale of the Vietnamese boat people crisis by smuggling thousands of North Korean refugees from Chinese ports into international waters, where they would seek protection in Korea or Japan (Greenhill 2010, 242). As of yet, the network has not been successful with this strategy.

The fears of a North Korean exodus have been very influential in shaping international relations in Northeast Asia. Indeed, Greenhill suggests that China and South Korea have been “more concerned about the short-term consequences of destabilization and an influx of refugees than the long-term prospect of a nuclear (and possibly proliferating) North Korea” (2010, 231; see also chapters 23 and 26 in this volume). This is interesting for scholars of international politics for two reasons. First, it is a clear demonstration that, even in the absence of large-scale movements of people, fears about forced migration can serve as influential contextual factors in international negotiations. Second, it underscores the difficult choices that face the neighbors of failed or failing states. Jooyoung Song (2011) argues that a massive flight of North Koreans in the event of regime collapse would have a major impact on both social stability in northeast China and the economic resources of the Chinese government, and that these fears have, at times, served to moderate Chinese criticism of North Korea’s nuclear ambitions. Kyung-Ae Park (2010, 271–73) notes that South Korea has similar concerns about the economic and social costs of the North Korean migration that would follow a regime collapse, and these concerns have caused the South Korean state to criticize and threaten to jail activists who attempt to distribute anti-Kim Jong-il leaflets in North Korea.

32.3. FORCED MIGRATION IN ASIA: WHERE FROM HERE?

In this section I will first discuss two areas where observers of forced migration in Asia might expect to see changes in the near future. Next, I will return to the three themes that I identified in scholarship on forced migration—institutions, conflict, and development—and discuss several ways in which scholars of international relations and forced migration in Asia might mutually advance our understanding of these themes.

The first area where we might expect to see changes in the composition of Asia’s forced migration is in the Afghanistan/Pakistan region. The withdrawal of US troops

scheduled for 2014 has the potential to change the balance of power between the government and the Taliban in Afghanistan (Erlanger and Nordland 2012; Shanker 2011). That, combined with continued American drone strikes in Pakistan, could alter the calculus among forced migrants about where they are safest, and thus lead to significant changes in the size of forced migrant populations in both Afghanistan and Pakistan.

The second area where observers of forced migration in Asia might expect to see changes in the near future is Myanmar. Myanmar saw a steady outflow of refugees and people in refugee-like situations in the 2000s, from 145,856 in 2001 to 415,670 in 2010 (UNHCR 2012b). In 2010 there were also 797,388 stateless people in Myanmar, and the UNHCR recognized 62,015 IDPs, although others have suggested that there are many more IDPs than this (Grundy-Warr 2004, 234). However, Myanmar could be undergoing a democratic transition. In 2011 and 2012, the regime freed a number of political prisoners including Daw Aung San Suu Kyi, and in April 2012 her political party, the National League for Democracy, won seats in forty-three of the forty-five electoral districts that were up for a vote in a recent parliamentary by-election (Fuller 2012a, 2012b). This democratization has been accompanied by the increasing conflict in Rakhine State that was discussed above, from which Rohingyas have been fleeing, and by renewed fighting between the central government and the Kachin ethnic group. Between 7,000 and 10,000 Kachins fled to China, but the Chinese government began to repatriate them forcibly in August 2012 (Wong 2012). These recent and unfortunate trends are consistent with Davenport, Moore, and Poe's finding that increases in levels of democracy are positively associated with outflows of forced migrants (2003, 43). However, in the long term, if Myanmar becomes a stable democracy that is able to include ethnic minorities peacefully in the political process, then we should expect many of these forced migrants to return.

There is much that scholars of international relations and scholars of forced migration in Asia could teach one another. For example, regarding institutions, scholars might examine the role of international law, norms, and institutions in addressing the Indochinese boat people crisis. As I noted above, of the original members of ASEAN (Indonesia, Malaysia, the Philippines, Singapore, and Thailand), only the Philippines has ratified the Refugee Convention. Nevertheless, these countries cooperated with the UNHCR and the international community in addressing the crisis. This suggests that international institutions and the international community have a kind of moral authority that can be useful in establishing cooperation even in the absence of formal treaty ratifications.

Scholars with an interest in the politics of sovereignty and national identity might examine South Korea's and Japan's reluctance to admit refugees despite their economic incentive to do so in an era of low birthrates. Is the issue here the way that Japan and South Korea define their national identities and, if so, why have ethnic conceptions of national identity been particularly influential in Japan and South Korea? The question of the relationship between national identity and the admission of forced migrants is particularly interesting in the South Korean case, because, as noted above, the South

Korean constitution defines all residents of North Korea as South Korean citizens. A combination of this institutional legacy with feelings of ethnic solidarity will make it much more difficult for South Korea to ignore the plight of North Koreans in the event of a North Korean regime collapse than it would be for China to ignore that plight.

Scholars with an interest in conflict might consider examining the way that a relatively new phenomenon in international politics—sustained American drone attacks in Pakistan—might influence forced migration in both Afghanistan and Pakistan. Such scholars might also look at the way that issues of transitional justice are handled in the wake of the Sri Lankan civil war and Burmese democratization, and the way in which this influences forced migration in these two countries and regions.

Finally, scholars of development might examine variation within and between Asian countries in the number of IDPs produced by particular kinds of development projects. Which projects tend to have the largest impact in terms of IDPs, and whether leaders are aware of these discrepancies and plan for them? In an era when overt ethnic cleansing often draws international criticism, it is certainly possible to imagine states designing major development projects with a view toward IDPs fleeing in directions that the state finds desirable. Thinking more broadly, as Asian states try to assert their sovereign identity in an era of globalization, and as that identity is often wrapped up with a particular kind of ethnic and religious vision, we might unfortunately see increasing numbers of forced migrants accompanying modernizing and globalizing economies in Asia.

NOTES

1. A variety of others have contributed to this “refugee / forced migrant” debate as well. Lee (1996) makes a normative argument for including IDPs in the legal category “refugee.” Castles (2007, 26–27) and Collison (2011, 316–21) both argue for use of the phrase “forced migration” by pointing out the difficulty in differentiating between refugees and many other kinds of migrants. Chimni (2009) is agnostic on the question of terminology, but argues that the new discipline of forced migration studies needs to become more reflexive.
2. For discussion of other international institutions that have dealt with issues relating to forced migrants, see Benz and Hasenclaver (2011); Thielemann (2003); and Kneebone and Rawlings-Sanaei (2007b).
3. Haddad uses this word to describe “Latin Christendom,” which dominated Europe before sovereign states (2008, 49).
4. Communist countries have also used the presence of refugees from the capitalist world to strengthen their foundational identity claims. Here the case of Robert Jenkins, the American soldier who defected to North Korea in 1965, is particularly instructive (Frederick 2004).
5. For another perspective on the UNHCR’s security discourse, see Hammerstad (2011).
6. All of the data used in this section derives from UNHCR (2012b). For the UNHCR, “people of concern” include IDPs, people in “IDP-like situations,” returned IDPs, asylum

- seekers, refugees, people in “refugee-like conditions,” stateless people, and “others of concern.”
7. To be clear, the UNHCR represents China’s and Vietnam’s IDP population as missing data rather than zeros.
 8. The South Korean numbers do not include the 20,407 North Koreans that have sought refuge in South Korea since the end of the Korean War—a trend that has significantly accelerated since 2002 (Ministry of Unification 2011). This is because, as noted above, the constitution of the Republic of Korea considers these individuals to be citizens rather than foreign nationals.
 9. When this statement was made, the ASEAN members were Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
 10. At the time of writing this country seems to be transitioning to a civilian-led democratic government. This will be discussed in section 32.3.
 11. This is another name for Rakhine State.

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CHAPTER 33

ENVIRONMENT, HUMAN SECURITY, AND COOPERATION IN ASIA

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33.1. INTRODUCTION

ASIA is a region rich in natural beauty and biodiversity. As the region has rapidly developed and its large population has also rapidly grown, challenges related to the environment have become an integral part of transnational and international relations in the region. Rising levels of pollution and exploitation of natural resources have brought about social ills and conflicts that traverse borders. The search for solutions to environmental problems has also often involved international actors and norms, which also in turn has influenced politics at the local, national, and regional levels throughout Asia. There are now countless environment-related interstate activities in the region, ranging from cooperative initiatives such as the Asia-Pacific Partnership on Clean Development and Climate to more conflict ridden interactions such as transboundary water use in South Asia and transnational protests targeting the Asian Development Bank.

Directly affecting the human security and welfare of those living in Asia, the issue-area of the environment has become an increasingly pressing one in recent decades. This chapter examines environmental issues in Asia as an arena of transnational, regional, and global politics and considers theoretical approaches that shed light on environmental politics in the region. Highlighting some of the region's main environmental challenges and trends, I analyze how environmental issues play out in a region with diverse economic, political, and social conditions. There are many examples of cooperation and conflict, and the region is ripe for both rivalry and collaboration regarding the environment. After reviewing these trends, the chapter examines theories that explain them and explores how factors such as domestic politics, institutional design, actor asymmetries, scientific knowledge, and normative frames influence outcomes. I end the chapter by considering prospects for future conflict and

cooperation on the environment in the region, given the past record and what theories might lead us to expect to find.

33.2. TRENDS

Over the course of the past two decades, the environment has emerged as an important human security area of transnational and international politics in Asia. While environmental problems are not new to the region, since the 1990s the environment has become a more prominent part of Asian regional politics and international relations due to a combination of factors including increased global attention on environmental issues, higher levels of pollution, conflict over natural resources, and the rise of protest movements. This section looks at some of the important patterns and themes in environmental politics in the region, while also noting subregional trends. As the various themes reveal, there are a large variety of actors involved in Asian environmental politics including not only states and their governmental units, but also intergovernmental organizations (IGOs), nongovernmental organizations (NGOs), businesses and multinational corporations, scientists, and a wide range of civil society actors.

33.2.1. The Emergence of the Environment as a Human Security Issue

Since the 1980s, the environment and environmental change have been considered human security issues that affect both the physical security of citizens and the national security of nation-states (Barnett 2003; Matthews 1989; Myers 1993; Ullman 1983). Asia is no exception to this trend. As countries in Asia have rapidly developed and as their populations have grown, pollution and resource exploitation have created potential for conflict and human security issues both within and across borders (see also chapters 28 and 29 in this volume). The region's rising environmental challenges are products of rapidly growing urban and industrial areas, high levels of agricultural production, and the overuse and contamination of natural resources. Here I briefly look at the human security dilemmas for individuals and states that emerge from environmental change.

One negative product of rapid economic development in the region is historically high levels of pollution. Decades of industrial, urban, and rural development in many countries in Asia have transformed the landscape. In addition to containing more than half of the total global population, Asian countries have the fastest rate of urbanization and the highest number of global megacities in the world, accounting for eleven out of the nineteen world megacities with urban populations of more than ten million inhabitants by the mid-2000s (Zhao et al. 2006; UNESCAP 2005; Hillstrom and Hillstrom 2003). Rapid industrialization in urban and suburban areas, coupled with lax enforcement of environmental regulations, has caused high levels of atmospheric, terrestrial,

and water pollution in many countries in Asia, leading to human health problems (detailed in chapter 31) and degradation of the surrounding environment (UNESCAP 2005; Hillstrom and Hillstrom 2003). Finally, enormous expansion of agricultural cultivation in many parts of Asia—in South Asia, 73 percent of total land area is under agriculture and in Southeast Asia almost half of land area is in agricultural use—has also led to widespread environmental problems such as soil degradation, lack of freshwater, salinization of land due to extensive water irrigation systems, pesticide pollution of groundwater, and loss of wetlands, forest areas and biodiversity (Zhao et al. 2006; UNESCAP 2005; Hillstrom and Hillstrom 2003). Overall, there is less land per person in Asia than other parts of the world, and land-use patterns have changed more quickly there than they have globally (Elliott 2003, 34; UNEP 2000, 76).

In addition to pollution, the overuse and unchecked exploitation of the region's natural resources have been another source of environmental degradation and decline. Although Asia contains many of the world's tropical forests and biodiversity of plants and animals, extensive deforestation over the past several decades now threatens that biodiversity and contributes to further deterioration of the environment, especially in Southeast Asia, where less than half of the original forests are now standing and the annual deforestation rate of 1.35 percent is the highest in the world (Zhao et al. 2006; ASEAN 2005, 56; UNESCAP 2005; Hillstrom and Hillstrom 2003). While efforts at reforestation have made progress in increasing forest areas in Northeast Asia over the past decade, forests in most countries in Southeast and South Asia and parts of Central Asia have continued to decline (Zhao et al. 2006; UNESCAP 2005; Hillstrom and Hillstrom 2003). Damming of rivers, overfishing in oceans, and illegal trade in endangered species and old-growth timber have led in many parts of Asia to loss of biodiversity and threats to human security as natural resources that provide livelihoods and nutrition for local communities have been depleted or have declined (Elliott 2007; Zhao et al. 2006; UNESCAP 2005; Hillstrom and Hillstrom 2003). In Central Asia, overuse and mismanagement of water resources since the Cold War era has resulted in the tragic depletion of the Aral Sea, one of the world's largest inland water reservoirs, which has shrunk by half in surface area and by three-quarters in volume since 1970 (McKay 2009). Salinization of the Aral Sea and its surrounding landscapes has led to extinction of native fish species, the decline of a once-thriving fishing industry in the area, and transboundary toxic dust storms (McKay 2009; Weinthal 2002; Spoor 1998).

These problems of pollution and natural resource exploitation have brought about new political dynamics and interactions at the national, transnational, regional, and global levels. As the effects of environmental degradation go beyond national borders and the purview of local or national political actors, the environment has become the focus of interstate relations. Regionally, for example, transboundary air pollution has become a political issue in Northeast and Southeast Asia, and regional bodies and programs are now devoted to acid rain and dust storms originating in China and regional haze problems originating in Indonesia (Schreurs 2011; Brettell 2007; Tacconi, Jotzo, and Grafton 2007; Elliott 2003). Countries in Central Asia have also created new institutions to manage water resources and are part of several environment-related regional

institutions that include Eastern Europe, Russia, Western Europe, and the Caucasus countries (McKay 2009; Tookey 2007; Weinthal 2002).

The rest of this section examines various patterns of environmental politics in the region that have emerged from these many environmental challenges.

33.2.2. The Rise of Environmental Regionalism: Informal and Nonbinding

First, one important pattern found in Asia in recent years is the substantial growth of regional and subregional institutions for environmental cooperation (Reimann 2012; Elliott 2011, 2003; Swain 2011). There are now countless regional bodies and programs in Asia, ranging from subregional intergovernmental bodies devoted to official-level environmental cooperation—for example, Northeast Asia's Tripartite Environment Ministers Meeting; the Association of Southeast Asian Nations (ASEAN) Ministerial Meeting on the Environment; the Greater Mekong Sub-region Working Group on the Environment; the South Asia Cooperative Environment Program; the Regional Environmental Center for Central Asia—to a variety of subregional and cross-regional institutions set up to tackle specific environmental problems and resource management issues—for example, the Asia Pacific Fishery Commission; the ASEAN Wildlife Enforcement Network; the ASEAN Center for Biodiversity; the East Asia Acid Deposition Monitoring Network; and the Interstate Fund for the Aral Sea. Finally, there are also numerous donor-sponsored and public-private regional environmental initiatives involving states, IGOs, industry, NGOs, and the scientific community—for example, East Asia Forest Law Enforcement and Governance; the Clean Air Initiative for Asian Cities; the Coral Triangle Initiative; Partnerships in Environmental Management for the Seas of East Asia; the Partnership for the East Asia-Australasian Flyway; the Environmental Security Initiative in Central Asia; and the Regional Environmental Center for Central and Eastern Europe. Many of these regional bodies and programs were set up in the past two decades and they represent a new wave of regional environmental politics in Asia.

This wave of environmental regionalism is similar in nature to other types of regionalism found in Asia: it is a consensus-driven, informal, and nonbinding form of cooperation that relies on voluntary actions taken by each state. Compared with the more formal, binding, and target-oriented environmental agreements found in Europe, most environmental programs and agreements in Asia are soft forms of cooperation that emphasize information exchange, joint research and projects, and technical assistance (Reimann 2012; Elliott 2011, 2003; Swain 2011; Economy 2007; Campbell 2005). Within Asia, environmental regionalism is most visible in Southeast Asia, where such efforts have a longer history dating to the 1970s and have built on ASEAN efforts to create a shared identity (Elliott 2011). Northeast Asia has a shorter history of environmental cooperation, dating only to the 1990s, and its subregional environmental initiatives, while numerous, have remained limited in terms of financial and policy commitments,

involvement of local actors. and implementation (TEMM 2009; Komori 2010). South Asia suffers similar problems and limitations, especially those related to implementation. Although South Asian regional organizations have discussed issues and set up programs related to the environment since the 1980s, they have made relatively little progress in transforming these discussions and paper agreements to real cooperation on the ground (Swain 2011; Tripathi 2007). Central Asia's environmental initiatives are also comparatively recent, dating to the end of the Cold War and the rise of independent states. While several Central Asian agreements and institutions appear to be more formalized—especially those that include the European Union such as the Aarhus Convention—in practice, implementation problems are not uncommon due to lack of clarity in mandates, the absence of provisions for dispute resolution, monitoring, and enforcement, and the failure of states to contribute financial resources (McKay 2009, 22–23; Bohr 2004, 487; Zaharchenko and Goldenman 2004; Spoor and Krutov 2003, 606–8). Throughout the region, therefore, the pattern of soft or weak institutions is the predominant one, and environmental regionalism remains weak when compared to the more formal institutions and regimes found in Europe and North America (Schreurs 2011; Komori 2010).

33.2.3. Cooperation, Conflict, and Governance

Interrelated with environmental regionalism are regional patterns of environmental conflict and cooperation, which in turn have spurred a variety of public and private mechanisms for environmental governance (Najam et al. 2004). The natural topography of Asia makes natural resource management a potentially troublesome area for international relations, with numerous shared ecosystems that cross borders and create dilemmas of the commons (Hardin 1968). Here I examine conflict, cooperation, and various forms of transnational governance that have emerged in response to natural resource use and degradation.

Transboundary sharing of water and marine resources presents a universal problem and one that is particularly pronounced in Asia. On the Asian continent, rivers and freshwater sources are plentiful and often shared, but invariably polluted and unevenly distributed. China has the largest number of rivers in the world, many of which flow into or out of one of the fourteen countries that share a border with it (Marsden 2010). For example, one set of rivers in the western and southwestern portions of China, which includes the famous Mekong River, flows to the Southeast Asian downstream peninsular states of Myanmar, Thailand, Laos, Cambodia, and Vietnam. Rivers shared by all of these countries have become the focus of both cooperation and conflict as new hydroelectric dam projects in China, Laos, and Myanmar have been constructed or proposed that have ecological and economic effects on downstream countries and all local communities living along the rivers (Hensengerth 2009; Badenoch 2002). In South Asia, the elaborate network of rivers of the Ganges-Brahmaputra-Meghna river basin provides freshwater for India, Nepal, Bhutan, western China, and Bangladesh

and is the second largest river basin in the world, with a total drainage area of 1.75 million square miles, serving a combined population of about six hundred million people (Faisal 2002). India has been at the center of many water-related disputes in this subregion. While some disputes have led to successful agreements such as the Indus Water Treaty between India and Pakistan (Zawahri 2009; Ali 2008; Sahni 2006), others have resulted in unbalanced agreements that have indirectly caused ethnic border conflicts, such as the case of India and Bangladesh's water disputes regarding the Ganges River (Swain 1996). For the most part, these have been governmental agreements, although the disputes have often involved a variety of domestic political players. In the case of the Mekong River, in recent years the intergovernmental Mekong River Commission (MRC) has on occasion allowed for the participation and input of civil society organizations (Hensengerth 2009). The MRC has been viewed as a semisuccessful body for resolving issues related to the management of the Mekong River, but its scope and effectiveness is limited due to China's unwillingness to become a full member (Badenoch 2002). In Central Asia, shared water remains a highly contested issue, although until recently most conflict has been successfully contained through bilateral agreements and multilateral arrangements such as the International Council for the Aral Sea (McKay 2009; Weinthal 2002).

Fisheries and marine resources are another area of potential conflict and competition as fish stocks in many parts of Asia have rapidly been depleted (and see chapter by Fravel in this volume). As major consumers of fish, Asians are particularly vulnerable to the loss of fish stocks due to overfishing, ecologically destructive forms of fishing, and marine pollution. As many fish are migratory, fishing practices and marine pollution in one country also invariably affect fish stock and catches in other areas. One solution that has emerged in the past few decades to manage commonly shared marine resources is the spread of designated transboundary marine "ecoregions" that are jointly managed by states, NGOs, local officials, local professional organizations, and research institutions. To date, there have been a number of ecoregions set up in many parts of Asia such as the Coral Triangle Initiative, the Sulu-Sulawesi marine ecoregion, the Yellow Sea marine ecoregion, the South China Sea project, the Bismarck Solomon Seas marine ecoregion, and the Arafura and Timor Seas Experts Forum (Reimann 2012; UNEP-WCMC 2008). These and other transboundary terrestrial ecoregions are examples of multiscalar and multistakeholder governance that incorporate regional, national, and local planning and actors from each level of politics.

There are also bilateral fisheries agreements among various countries in Northeast Asia and Southeast Asia that have defined allowable catches and designated zones for exclusive fishing (Reimann 2012; Kang 2003; Valencia and Amae 2003). Although these agreements have failed to prevent clashes or resource depletion, they have moderated their severity and have provided a standard set of procedures for governments to follow to reduce tensions. In the case of Northeast Asia and the East China Seas, for example, bilateral fisheries agreements between Japan and China, Japan and Korea, and China and Korea have forced fishermen of each country to limit their fish catches in the coastal exclusive economic zones (EEZs) of other countries and jointly manage

areas where the EEZs of two countries overlap (Xue 2005, 367–69; Kang 2003, 116–21). Despite these clearer rules for managing resources, however, these agreements have sometimes been difficult to enforce when fishermen go beyond their quota and/or fish illegally, leading to clashes when these fishermen's boats are seized (Economy 2007, 247). Furthermore, when overlapping EEZs include territorial waters and islands under dispute, they have usually been designated as free fishing zones for both countries (Xue 2005, 369). With less clear rules in such zones, fishermen can become triggers for a bilateral territorial conflict, as has often been the case in conflicts between Japan and Korea over the Dokdo/Takeshima Islands and Japan and China over the Diaoyu/Senkaku Islands (Xue 2005, 370; and see chapters 27 and 29).

In addition to multistakeholder forms of governance, there are also numerous examples of private governance schemes for managing wildlife and natural resource depletion in the region. Global certification schemes set up by NGOs, industry, and intergovernmental organizations have attempted to promote better practices in shrimp farming, tuna fishing, and logging of tropical forests (Vandergeest 2007; Gulbrandsen 2004; Teisl, Roe, and Hicks 2002). While such schemes have started to take hold in Asia, there are comparatively fewer used in practice when compared with Europe and North America, and Asian national and local resistance to them tends to be higher (Baird and Quastel 2011; Bene 2005; Vandergeest and Unno, forthcoming).

33.2.4. Transnational Environmental Protest and Activism

A third trend is the rise of environmental protests and activism in Asia that actively involve transnational networks and global partners. Starting in the late 1970s and 1980s with the rise of transnationally organized campaigns targeting World Bank projects in developing countries, protest movement activists in India, the Philippines, and Indonesia worked with international NGOs and other global allies to block environmentally and socially damaging development projects such as the Narmada Dam in India, the Mount Apo geothermal plant in the Philippines, and the Kedang Ombo Dam in Indonesia (Khagram 2004; Fox and Brown 1998). Since then, transnational support for environmental protest and activism has included a wide variety of causes and countries in Asia, such as antidam campaigns in Thailand, Laos, and China (Hirsch 2007; Soutar 2007; Xie 2011); tropical timber deforestation in Malaysia (Keck and Sikkink 1998); antidam movements and wetlands protection in Japan (Reimann 2008); shrimp farming in South and Southeast Asia (Riggs 2003; Stonich and Bailey 2000); and numerous campaigns targeting the policies and projects funded by the Asian Development Bank (Quizon and Perez-Corral 1995).

Foreign funding of NGOs working on issues related to the environment and development has also contributed to the rise of NGOs in many Asian countries. Grants from bilateral aid agencies, IGOs, foreign private foundations, and international NGOs have provided substantial support for many of the prominent national environmental groups in Japan (Reimann 2010), China (Xie 2011; Economy 2010; Yang 2005), the

Philippines, Malaysia (Keck and Sikkink 1998), and other parts of Asia (Lee and So 1999; Weinthal 2004). Although NGOs and social movements in Asia have tended to be more successful in democratic countries where activists have greater political space in which to operate freely, and can obtain foreign funding, there have been cases in which transnational NGO campaigns have contributed to policy changes in nondemocratic countries. Examples of this include the temporary halting of the Nu Dam in China (Matsuzawa 2011; Xi 2011), the Irrawaddy Myitsone dam project in Myanmar, and campaigns in Central Asia related to nuclear cleanup in Kazakhstan and oil pollution in the Caspian Sea (Weinthal 2004).

Reflecting the patterns of regional intergovernmental collaboration mentioned above, regional networks of NGOs have been stronger in Southeast Asia than in Northeast Asia, South Asia, and Asia as a whole (Wiest 2010; Yoon, Lee, and Wu 2007). NGOs, intellectuals, and activists in the ASEAN founding countries of Indonesia, Malaysia, the Philippines, and Thailand have historically been active in organizing regional networks and NGO coalition groups such as the Asian Regional Exchange for New Alternatives, the Third World Network, and Focus on the Global South (Caouette 2006); in recent years, this sort of regional network activism has spread to the Mekong region, with interesting new regional initiatives such as the Southeast Asia Rivers Network and Save the Mekong Coalition (Hirsch 2010; author interviews with NGOs in Thailand, Cambodia, and Vietnam, 2009). Coalition groups that bring together NGOs from all parts of Asia to work on environmental issues include the NGO Forum on the ADB, People's Plan for the Twenty-First Century, and APEC.

33.2.5. Environmental Policy Convergence and Divergence

Finally, another observable trend in Asia is the adoption of environment policies, standards, and institutions in line with evolving global trends. Although the governments of Asia do not have identical environmental policies, many of them have adopted standard features found in industrialized countries such as environmental agencies or ministries, basic environmental protection laws, regulations that are meant to promote sustainable development—for example, environmental impact assessments and conservation areas—and ratification of international environmental law. Other recent patterns that have influenced environmental politics in the region are decentralization, privatization, and the private-public partnerships mentioned above.

Institutionally, all the Asian countries have established designated environmental agencies and adopted basic environmental protection laws, with many of them developing increasingly elaborate legal protections over time (Campbell 2005). Early adopters of basic environmental law in the late 1960s and 1970s include China, Japan, Korea, the Philippines, and Singapore, followed by India and Indonesia in the 1980s and then by later adopters Cambodia, Laos, Mongolia, Thailand, and Vietnam in the 1990s (World Bank 2006, 2). These countries also now require environmental impact assessments (EIA) for development projects, with some countries adopting the use of EIAs as

early as the 1970s (World Bank 2006). Going a step further, several countries (China, Japan, Korea, and Vietnam) are now also requiring strategic environment assessments (SEAs)—as used in industrialized countries in Europe and North America—that not only consider environmental impacts of individual projects but incorporate these assessments into the overall planning process (World Bank 2006). In addition to these examples of environmental policymaking, others include those relating to conservation areas, ecotourism, alternative energy development, green building standards, integrated coastal management, and climate change adaptation.

Given the fact that the majority of countries in Asia are still developing countries, the major challenge facing the region is policy implementation. With the exception of wealthier countries such as Japan, Singapore, Korea, and Taiwan, the record for implementation of environmental law has not been good in most parts of Asia (Economy 2010; Campbell 2005; UNESCAP 2005), and national environmental agencies in all Asian countries tend to be technically and/or politically weak compared to other parts of the government. However, technical and capacity problems for environmental law enforcement are common for developing countries all over the world, and the relative political weakness of environmental institutions is a problem in both developing and industrialized countries. The cross-cutting nature of most environmental issues makes them universally challenging for all state bureaucracies (Wu 2009, 387–88).

33.3. EXPLAINING EMERGENT PATTERNS AND ACTORS

These diverse patterns require a variety of theoretical tools to analyze and understand them. In this section I examine explanations and the most important factors that account for some of the patterns identified above, including domestic politics and actors, institutional design, actor asymmetries, scientific knowledge, and normative frames. On the one hand, the initial emergence of new regional environmental institutions can be largely explained by normative frames and global culture. On the other hand, the success or failure of cooperation, as well as the form in which cooperation takes place, has been more an outcome of institutional design, domestic politics, actor and environmental asymmetries, and scientific knowledge.

33.3.1. The Emergence and Weakness of Environmental Regionalism in Asia

The initial rise of new regional environmental institutions in Asia can largely be explained by the promotion of international norms about the environment by IGOs combined in more recent years with the appearance of regional environmental

challenges such as haze, acid rain, and dust storms. Such an account is in line with sociological institutionalism's argument regarding the spread of global culture to various regions of the world through IGOs and other global cultural agents (Boli and Thomas 1999). Many of the regional environmental bodies and programs in Asia initially emerged as part of UN- and other IGO-organized global programs related to the environment and have relied on IGO technical, logistical, and/or financial support. ASEAN's first environmental programs in the 1970s were set up under the guidance of the UN Environment Program (UNEP), and in the 1980s the UN Economic and Social Council for Asia and the Pacific (UNESCAP) also played a leading role in organizing regional environmental ministerial conferences that established regional environmental plans (Elliott 2003; Takahashi 2002). UN and international donor organizations were also key actors supporting the rise of the main regional environmental institutions in South Asia, and have been longtime funders of both the South Asia Cooperative Environment Program and the International Center for Integrated Mountain Development (Swain 2011). In Northeast Asia, once Cold War tensions subsided in the 1990s, many of the new environmental programs and initiatives that appeared—for example, the Northeast Asian Sub-regional Program on Environmental Cooperation (NEASPEC); the Action Plan for the Protection, Management and Development of Marine and Coastal Environment of the Northwest Pacific Region (NOWPAP); and the Greater Tumen Initiative—were those which were supported by a UN agency or which emerged out of an international conference sponsored by the UN (Reimann 2012). Once in place, regional institutions in Asia evolved and spawned new bodies to handle the pressing regional and global environmental problems that have subsequently appeared.

The global spread of environmental institutions to Asia in the form of regional initiatives, however, has not necessarily produced a deep normative shift and, as noted in the previous section, most of Asia's environmental regionalism can be characterized as soft, informal, consensus-driven, and nonbinding. What explains this pattern? As a starting point, it should be noted that Asia is a developing region and soft institutionalism may be the first step for regions outside the advanced industrialized world. Asia's weak environmental institutions are not exceptional if one compares them to similar institutions in other developing regions such as Latin America, Africa, and the Middle East (Williams 2008; DeSombre 2006). Rather, it is the industrialized regions of Europe and, to a lesser degree, North America that are the exception with their more formal, binding environmental institutions (DeSombre 2006).

Why is this? The literature on environmental cooperation highlights several factors for successful institutions that raise the bar for developing countries: reliable scientific information, resources for implementing solutions, mechanisms for effective monitoring and enforcement, and room for flexibility to adapt to changing conditions (Dietz, Ostrom, and Stern 2003). Scientific data is needed for the creation, design, and implementation of effective environmental institutions. In addition to the challenges of obtaining reliable data that countries can agree on, the cost of establishing and maintaining institutions, improving environmental standards, and

protecting wildlife are often considerable. For developing and emerging countries, the human resource requirements and financial costs of effective environmental cooperation are either lacking or seen by state planners as coming at the expense of development; because of this, developing countries often want incentives to join binding regimes in order to compensate for perceived losses (Reimann 2012). Even if developing countries sign regional environmental agreements or join regional institutions, insufficient state capacity and financial resources can lead to nonimplementation, a common problem for regional agreements and bodies in Latin America (Williams 2008) and South Asia (Swain 2011). In short, the technical and financial bars for active participation in environmental regionalism—which are challenging for all states, regardless of wealth—are particularly high for developing countries. In that respect, it is not surprising that environmental regionalism in Asia still constitutes a soft form that emphasizes technical cooperation and informal collaboration. From a developmental perspective, soft institutions are the first steps than can produce the joint research, scientific knowledge, and consensus needed to move on to more formal structures of cooperation.

However, these factors do not constitute the whole story for achieving stronger regional institutions. As other studies on regionalism and international institutions have shown, other important factors to consider include regional leadership, power and environmental asymmetries, domestic politics, and transnational networks (Solingen 2008; Acharya and Johnston 2007; Kahler 2000; Martin 2000; Mattli 1999; Moravcsik 1999; Keohane 1989). Regional leadership has been important for the creation, design, and performance of environmental institutions. Historically, most regional environmental institutions and agreements gain teeth when leading states with both power status and important environmental profiles in the region see it as in their own interests to make environmental commitments that catalyze other countries to cooperate (Elliott and Breslin 2011; Schreurs 2011). In the case of Asia, the three regional leader countries of China, India, and Japan have not yet emerged as champions of environmental regionalism, and their unwillingness or inability to take a leadership role at the regional or subregional level has dampened the prospects for harder, formal structures of cooperation (Swain 2011; Jho and Lee 2009; Chan, Lee, and Chan 2008; Takahashi 2002). As the countries with the overwhelmingly largest environmental footprints in their sub-regions, India and China are necessary players for environmental regionalism to succeed. As developing countries that prize sovereignty and prioritize development over the environment, however, they have not been interested in taking on regional leadership roles in this area of policy (Swain 2011; Chan, Lee, and Chan 2008). Japan, an advanced industrialized country with both financial resources and scientific expertise, has contributed to environmental advancements through bilateral foreign aid to individual Asian countries, but so far has taken only limited steps as a leader in regional environmental institutions, as the initiator of the Acid Deposition Monitory Network in East Asia (EANET) and several regional environmental conferences (Takahashi 2002). The lack of regional leadership is one of the reasons for the soft nature of environmental regionalism.

Interrelated with the factor of leadership is the role of domestic politics in either encouraging or preventing regional environmental cooperation by influencing or otherwise shaping policy decisions of individual countries through political pressure, introduction of new ideas, mobilization of public awareness, or bureaucratic politics. Domestic politics includes a variety and range of variables such as the party or regime in power, the degree to which domestic players are mobilized, domestic political and policy network structures, and whether domestic players are part of transnational coalitions (Mattli 1999; Keohane and Milner 1996; Risse-Kappen 1995; see also Haggard in this volume). Key domestic actors in the area of the environment include scientists and epistemic communities, NGOs and environmental advocates, business, political parties, local populations affected by environmental change, and government officials at various levels and in different branches of government (Reimann 2012; Princen and Thomas 1994; Haas 1992).

As will be elaborated below, domestic actors and politics are at the heart of the resolution of many of Asia's environmental conflicts and dilemmas. Domestic politics and players explain in large part the soft nature of environmental regionalism due to their relative lack of activism and the weakness of transnational connections among environmentalists, NGOs, scientists, and other advocates of the environment (Reimann 2012; Jho and Lee 2009). For a majority of countries in Asia, these actors are less influential than industry at the national level, and even in the cases where they have had influence their focus has been concentrated mostly on national policies and not on promoting regionalism (Reimann 2012; Jho and Lee 2009; Shin 2007; Yoon, Lee, and Wu 2007). Scientific consensus is also not always present. Scientists in the region are still in the process of establishing a transnational epistemic community in Asia, and for some issues such as acid rain there have been national divisions among scientists over data that have complicated efforts at regional cooperation (Jho and Lee 2009; Kim 2007; Nam 2002). Taken together, the necessary domestic coalitions and support for harder forms of environmental regionalism are not yet in place in Asia.

Finally, from a constructivist and normative perspective, the soft and cautious nature of regional environmentalism is understandable given both the paucity of pre-existing hard regional institutions and the predominance of soft regional institutions more generally (see also the chapter by Leheny). Constructivists emphasize the importance of socialization processes and the influence of cultural norms on foreign policy decisions made by states (Wendt 1999; Johnston 2008, 2001; Acharya 2004). Using these assumptions, regional institutions should reflect previous international socialization experiences of states and the incorporation of cultural norms found in regional politics (Acharya 2004, 2009). From this perspective, the soft regional environmental institutions found in Asia are consistent with other Asian regional institutions in the economic and security spheres that have commenced and which in many cases have remained informal, voluntary, consensual, and nonbinding (Dent 2008; Breslin et al. 2002; Acharya 2001).

33.3.2. Managing Conflict, Promoting Cooperation, and Understanding Emerging Forms of Environmental Governance

Going beyond environmental regionalism, the remainder of this section turns to patterns of environmental conflict, cooperation, and governance in Asia, and explores the factors and theoretical frameworks that best explain outcomes found across the region. Why have some conflicts been more easily addressed than others? How do we evaluate the various forms of public-private environmental governance in many parts of Asia?

As highlighted in the previous section on trends and patterns, natural resources and their shared management will continue to be one of the great challenges for the region. Although scholars have argued that interstate competition over increasingly scarce resources can easily lead to conflict (Myers 1993; Homer-Dixon 1999), in recent years other scholars have challenged these assumptions by noting that there have been more international agreements on shared natural resources than actual incidents of war or armed conflict over them (Dinar 2011). This has particularly been the case for shared water resources, which have more often been an object of international treaties than a source of armed conflict, proving that resource scarcity can also be a source for cooperation among states (Zawahri et al. 2010). Theories of the commons and institutional design help to examine the conditions that lead to more successful agreements as well as highlighting some of the factors that complicate realizing effective agreements (Dietz, Ostrom, and Stern 2003; Dolšak and Ostrom 2003; Koremenos, Lipson, and Snidal 2001). Scholarship on governance structures for the commons has found that while no one particular institutional design works for all circumstances, the following factors make success in sharing natural resources more likely: good information, enforceable rules, easy monitoring of rule compliance, conflict resolution mechanisms, provision of necessary infrastructure, and flexibility or procedures for revising rules as circumstances develop (Dietz, Ostrom, and Stern 2003; Dolšak and Ostrom 2003). However, these factors for success are challenged by others such as power and environmental asymmetries, domestic politics, issues related to resource distribution, and level of resource scarcity (Dinar 2011, Dinar, Dinar, and Kurukulasuriya 2011).

We see these factors at work in the Asian river agreements, which provide clues to some of the challenges in managing conflict over the use of natural resources in the region. Agreements between India and Pakistan for the Indus River basin, and India and Bangladesh for the Ganges River basin span the spectrum of successful to unsuccessful arrangements for transboundary water resource management. Although India-Pakistan bilateral relations are among the most conflicted in the region (see Ganguly in this volume), their agreement and shared management of the Indus River basin has endured for more than fifty years and has functioned even during outbreaks of war between the two countries; it is considered one of the more successful water treaties. In contrast, agreements and institutional arrangements between India and

Bangladesh to share and manage water resources of the Ganges River basin have been a relative failure, with unfulfilled treaties and resulting water losses in Bangladesh that have led to ecological damage and migration of affected Bangladeshi into India.

Institutional design features account for their relative success or failure. The Indus Waters Treaty between India and Pakistan has been successful in large part due to mechanisms for information gathering, monitoring, and conflict resolution built into the treaty through the Permanent Indus Commission, which meets regularly and conducts complete river tours every five years to confirm accuracy of exchanged data (Zawahri 2009, 2008; Ali 2008). In contrast to this, conflict over the Ganges River system between India and Bangladesh has not led to a water-sharing arrangement satisfactory to both sides. Although the two countries established a Joint River Commission to manage shared river resources in 1972, disputes over the use of the Ganges rivers led to a memorandum of understanding and then a thirty-year treaty in 1996 that has effectively allowed India to circumvent water flow for its Farakka Barrage project, thereby causing water shortages for areas in Bangladesh during the dry season (Faisal 2002). In this case, the Joint River Commission is mainly an advisory body without the capacity to monitor and enforce treaty provisions (Sood and Bala Mathukumalli 2011; Faisal 2002). The lack of a mechanism to resolve disputes and conflicts has also meant that the treaty has not achieved its goals of spelling out a clear and binding water-sharing arrangement that both countries agree on.

Several factors played into the negotiation and design of both agreements, but in this case the one that stands out in promoting success is the third-party intervention of global powers, which brokered the Indus Waters Treaty and allowed India and Pakistan to overcome some of the obstacles that were common to the situation between Bangladesh and India. In both cases, there were power and environmental asymmetries, with India as the regional power possessing upstream advantages of first access to the main river and its tributaries (Upreti and Salman 2011). Domestic politics also were an obstacle to negotiations in both cases, with each country under domestic pressure to exploit river water resources for agricultural irrigation and urban development projects (Upreti and Salman 2011; Swain 1996). In the Indus Treaty case, however, a more successful resolution came about due to the third-party involvement of the World Bank and donor countries. Early in the negotiation process, the World Bank and donors provided funding and technical support that asserted pressure on both countries to compromise and enabled them to arrive at a compromise that both sides could abide by politically and financially. World Bank experts developed the solution of dividing the shared river basin geographically to give India unrestricted use of three eastern rivers and Pakistan unrestricted use of three western rivers—a manageable arrangement that limited the need for intensive bilateral co-management of resources and provided great domestic political control (Ali 2008). The Indus Treaty thus greatly benefited from the early and active involvement of outside actors as funders, as technical providers of ideas, and as third-party mediator of last resort. In contrast, in the case of water disputes between Bangladesh and India, international parties consciously avoided intervention, and Bangladesh was left on its own (Sood and Bala Mathukumalli 2011).

Similar obstacles of power asymmetries, environmental advantages, and domestic politics also hold true for the politics of transboundary pollution. Upwind polluting actors have an advantage and are often disinclined to make sacrifices for the sake of regional cooperation due to domestic politics and problems of implementation related to governance. These factors provide the main explanations for lack of progress in Asia on regional cooperation on the problems of dust storms, acid rain, and haze. China, for example, as the upwind polluter and main source of regional dust storms and acid rain, has not been willing to commit to formal regional agreements due to the domestic issues of supporting economic growth and implementation problems at the local level, where local officials frequently circumvent or ignore environmental regulations (Economy 2010). In the case of regional haze, upwind and major haze producer Indonesia has not joined the ASEAN Haze Agreement due to domestic politics and implementation problems. Despite securing the support of the Indonesian Ministry of Environment and the Indonesian president, Susilo Bambang Yudhoyono, the agreement was ultimately rejected due to the opposition of Indonesian epistemic communities, local governments, national legislators, and ministries that would be involved in implementation (Nguitraoool 2011). Even if Indonesia signed the agreement, the Environment Ministry's inability to ensure that local governments and other ministries enforce laws would probably make implementation very difficult (Nguitraoool 2011; Aggarwal and Chow 2010; Tacconi, Jotzo, and Grafton 2007).

Finding ways to overcome barriers to transnational resource management will become increasingly pressing over time as countries in the region industrialize, consume more resources, and experience further widespread regional environmental problems. Global warming, for example, has already been linked to significant glacial melting on the Tibetan plateau, and scientists warn that continuation of these trends could bring about "an immeasurable ecological crisis" affecting as many as two billion people who rely on the ten major Asian rivers dependent on these glaciers (Zhao and Schell 2008, 172). Comprising the largest glacial mass in the world outside the polar regions, the glaciers of the Greater Himalayan "third pole" are shrinking faster than anywhere else in the world (Morton 2011; Xu et al. 2009; Zhao and Schell 2008). Despite warnings of the dire potential consequences—initial flooding followed by water shortages, desertification, thawing of permafrost and release of trapped carbon, and increases in natural disasters—there has been only a very limited regional response (Morton 2011, 27–128). The main multilateral forums that have examined water cooperation in the Himalayan region in response to glacial melting are the Dubai Dialogue / South Asia Water Initiative and SAARC (Morton 2011), along with several multilateral research projects run by research centers such as the International Center for Integrated Mountain Development (ICIMOD) and the Institute of Tibetan Plateau Research of the Chinese Academy of Sciences. However, the lack of more formalized and coordinated regional responses at the official level is alarming, and finding ways to ensure that major countries such as China and India take the lead will be one of the major challenges for the region.

33.4. CONCLUSION

As countries in Asia continue to urbanize, industrialize, and exploit their rich natural resources, environmental issues will gain greater prominence. With its dependence on agriculture and natural resources, its densely populated coastal areas, and high levels of poverty, Asia is one of the most vulnerable of regions to the various negative effects of global warming and environmental change (Anbumozhi et al. 2012). Given the weakness of environmental institutions in many states, conditions may continue to deteriorate before they improve. As they worsen, the environment will become even more of an issue for international relations in the region.

Based on the patterns and theoretical frameworks presented in this chapter, several things can be said about this historical juncture and the prospects for regional conflict and cooperation related to the environment in Asia. First, the time is ripe for states to act and work on finding solutions for commons resource problems. Research on the commons has demonstrated that cooperation over natural resources is least likely when resources are either abundant or very scarce (Dinar 2011; Dolšak and Ostrom 2003). For many situations in Asia, resource levels are moving from abundance to scarcity, or from moderate scarcity to serious scarcity and even depletion: now is the window of opportunity for states to act.

Another important lesson from the patterns and explanations identified in this chapter is that domestic politics matter. Domestic actors can function either as veto players or proponents of greater cooperation on environmental issues, and their lack of involvement can also make a difference, such as in the case of NGOs and the scientific community in environmental regionalism in Asia. Domestic politics and political structure also influence the implementation of agreements and projects that involve public-private partnerships funded by international donors. The extent to which environmental institutions can be structured in a way that enables them to perform effectively will depend on political factors that are not always easily manipulated.

Domestic politics are also influenced by the prevailing characteristic of most of the countries in the region as developing economies. Environmentalism and environmental cooperation will always be more difficult among developing countries, which usually lack the financial resources and expertise to address the challenges posed by environmental change. Domestic politics and political structures in developing economies can reinforce this pattern, since leaders and politics often privilege producers over consumers, development over environmental protection, and the well connected over the average citizen. High levels of pollution and resource depletion can, however, lead to protest and social unrest, especially when domestic institutions appear corrupt, lack accountability, and collude with powerful economic actors who profit from development and resource exploitation. Protest movements and pressure from below for policy change are often the starting point for changing public perceptions about the environmental costs of development. How these protest movements and other forms of citizen

activism play out will affect prospects for wider regional cooperation. Rising pollution levels and social unrest in response to threats to health and livelihoods will continue to be pressing issues for most of developing Asia. As countries come under increasing internal pressure to adopt environment-friendly policies domestically, they will be more able and willing to be part of regional environmental collaboration.

This argument is particularly true for the environmental heavyweights in the region: China, India, and Indonesia. How these countries' domestic politics unfold and their ability to balance development with accountable, transparent resolution of environmental problems will have potential ripple effects for the entire region. Given their large environmental footprints, their participation in regional environmental cooperation is necessary for the region and/or its subregions. Moreover, the willingness of these states to take leadership roles will also affect the prospects for meaningful regional cooperation. As the largest and most technically developed of the three countries, China is the nation to watch in the coming decade as it becomes a global leader in alternative energy production, and as it responds to pressures from below for greater accountability on environment-related projects, policies, and decisions. With the greater willingness of China to participate in regional environmental initiatives, prospects for regional cooperation will markedly improve. Whether this happens or not will greatly depend on domestic politics and development.

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PART VI

**OLD AND NEW
PROSPECTS**

CHAPTER 34

ASIA'S REGIONAL SECURITY INSTITUTIONS

ALICE D. BA

PRIOR to the 1990s, Asia proved infertile ground for regional security institutions. Moreover, this was true of practically every one of Asia's subregions. In Northeast Asia, unresolved historical tensions hindered cooperation even among US Cold War allies. Central Asia had been firmly under Soviet influence, preempting independent association. In South Asia, the South Asian Association for Regional Cooperation (SAARC) was created in 1985 but was challenged from the start. Only Southeast Asia had any track record of regional organization prior to the 1990s—namely, the Association of Southeast Asian Nations (ASEAN), created in 1967.

Since the ending of the Cold War, Asia's institutional landscape has changed dramatically. This is especially true of East Asia and the Asia-Pacific, which has displayed the most notable institutional activity. Regional security institutions include the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), and the ASEAN Defense Ministers Meeting-Plus (ADMM-Plus). Central Asia also saw new institutional activity, especially in the form of the Shanghai Cooperation Organization (SCO). Even South Asia's SAARC experienced some rejuvenation with the ending of the Cold War. These mechanisms today comprise what some characterize as an evolving—albeit, ambiguous—“Asian security architecture” (Tow and Taylor 2010; Frost 2008).

At the same time, major power developments also make clear that Asia's institutions are not uncontested and remain challenged by unresolved major power questions. If regional institutions appeared to be the post-Cold War trend during the 1990s and early 2000s, the second decade of the twenty-first century seems to suggest the resurgence of major power competition. China's growth has posed special challenges for both established powers—for example, the United States and Japan in East Asia / Asia-Pacific; Russia in Central Asia; India in South Asia—and smaller powers who, at once, fear China's dominance and welcome the options its rise represents, as Goh's chapter in this volume argues.

This chapter proceeds as follows. First, it situates institutional developments as reflective of transitioning systems—that is, regional institutions are products of states’ changing intra- and extraregional relations in the post–Cold War era. It considers institutional developments in relation to two larger post–Cold War trends: China’s growing ties with each subregion and the increased interest in regional institutions worldwide. While what constitutes a regional security institution is open to debate and complicated by unclear definitions (Tow and Taylor 2010), this chapter focuses on official multilateral institutions—institutional frameworks that operate at the official level, that hold regularly scheduled (as opposed to as-needed) meetings, have distinct formal (not ad hoc) memberships drawn primarily from a delimited geographic space (“a region”¹) and whose security focus is primarily regional-local, as opposed to global, for example. What this includes, then, are regional security institutions like the ARF and SCO, but not the US system of bilateral alliances, the Shangri-La Dialogue, or the Six-Party Talks on North Korea. At the same time, the perceived efficacy of the former can and does affect other forms of security cooperation.

Second, the chapter elaborates on questions of function and design in relation to both understood security challenges and conventional IR conceptualizations. While each of Asia’s subregions has its distinct security dynamics, security institutions also share defining features that speak to geopolitical connections, common concerns, and processes of institutional diffusion. Third, the chapter elaborates on recent major power developments, especially as regards China, that both drive and challenge regional security institutions as a post–Cold War trend. As it did in the early post–Cold War years, China, as both challenge and opportunity, is once again a focal point of institutional activity. The main difference, however, is that China is now a more capable, more integrated, and more confident actor. The institutional challenge for all of Asia’s subregions is to find regionally appropriate and mutually acceptable roles for China. The chapter concludes that regional security institutions, though contested and challenged, are today important pieces of Asia’s geopolitical landscape. To varying degrees, such institutional arrangements help to generate new relational logics and dynamics that compete with power considerations and structure the ways that both conventional power and power competition manifest in Asia’s different subregions.

34.1. ASIA’S TRANSITIONING REGIONAL SYSTEMS

As primarily post–Cold War phenomena, Asia’s regional security institutions (RSIs) have been associated with moments of geopolitical uncertainty and opportunity. The ending of the Cold War had particular impact in East Asia/Asia-Pacific and Central Asia. There, the Cold War’s end destabilized hegemonic systems of political-security-economic relations—a US-centric system in East Asia / Asia-Pacific

and a Soviet-dominated one in Central Asia. Additionally, in each case, China's growing ties with other states altered what had previously been relatively exclusive systems of regional relations. In Central Asia, the collapse of the Soviet Union also introduced new states to that system of relations. China's role and impact has been different in South Asia, but there, too, China-oriented concerns and opportunities increasingly challenge South Asia's India-centric politics. In all these instances, RSIs offer potential mechanisms by which to accommodate and engage both China and existing major powers.

Second, Asia's RSIs reflect two related institutional trends—one global, the other regional. The global trend involves intensified regional-multilateral activities worldwide, that is, “new regionalism.” In addition to the economics many highlight (Mittelman 1996; Bowles 1997; Hettne and Sunkel 2000), UN secretary-general Boutros Boutros-Ghali's call for greater “task sharing” between regional and global organizations added to the general momentum in the 1990s (Boutros-Ghali 1996). Set against the backdrop of the UN's post-Cold War activism, global actors conceived regional institutions as taking on expanded roles in managing security in their own respective regions (Fawcett 2004; Smith and Weiss 1997; Knight 1996).

Of special note, the regional trend illuminates ASEAN's expanded cooperative activity in Southeast Asia, East Asia, and the Asia-Pacific. As the first and most established organization, ASEAN and its institutional initiatives set the trend. There are also demonstration effects associated with the perceived efficacy of ASEAN's efforts at regional reconciliation within Southeast Asia—first, between founding members following their many conflicts of the 1960s, and then between Communist and non-Communist states in the early 1990s—the projection of the voice and concerns of smaller powers, and the achievement of new geopolitical relevance as a result. Overlapping participation and geopolitical similarities additionally facilitated institutional similarities, contributing to the establishment of RSIs as a general post-Cold War trend in Asia. Together, these trends offer insight into how regional security institutions emerged as a common response to strategic uncertainties and challenges across different subregions.

34.1.1. East Asia and the Asia-Pacific

East Asia and the Asia-Pacific displayed the densest institutional activity. The ARF holds special significance for being the first official-level dialogue to extend beyond Southeast Asia, for the unusual influence wielded by less conventionally powerful ASEAN states, and for being the most inclusive as regards Asia's significant powers—Russia, India, Japan, as well as the world's globally dominant and regionally ascendant powers, namely, the United States and China. Significantly, neither the United States nor China was especially interested in new institutional mechanisms at the ARF's founding: the United States because it saw new institutional mechanisms as direct challenges to US interests and arrangements; China because it feared that other states—most of which were US Cold War partners—would use new mechanisms to

“gang up” on China (Yuan 2001; Swaine and Tellis 2000). Fear of exclusion, however, persuaded each state to participate in the ARF. For the region’s smaller powers, the ARF offered a mechanism by which to engage and regularize relations with both powers at a time of strategic uncertainty.

Other institutions followed. One such institution is the APT, which is not typically considered a security institution. Best known for the economic activity catalyzed by the 1997–98 Asian financial crisis, the APT expanded its attention over the course of the 2000s to a range of issues, including nontraditional security challenges (Chu 2007). The APT consequently became a comprehensive, multifunction institution more similar to ASEAN than the ARF. The growth of the APT is especially associated with a more capable and confident China. In contrast to its early wariness toward the ARF, the first decade of the twenty-first century saw China taking greater institutional initiative, especially in arrangements of narrower East Asian and Northeast Asian membership, as well as in Central Asia.

Two additional reasons make the APT significant in the understanding of recent trends in regional security and regional security institutions. First, the APT—whose activities were especially robust over the first decade of the 2000s—seemed indicative of projected trends toward a different, less US-centric regional order. The fact that the APT’s institutional dynamism was due in no small part to China’s expanded regional engagement also added to this general perception. From the APT process emerged two additional security frameworks. The first was the EAS, created in 2005, which like the APT was initially associated with economic, less strategic purposes. China—first as an early supporter of the EAS and then as the object of other states’ concerns—has been an important influence. Originally intended to be an extension of the APT process, the EAS became more distinct with the decision to broaden membership beyond APT members to include India, Australia, and New Zealand. With the addition of US and Russian memberships in 2010 and then the creation of the ADMM-Plus dialogue comprised of the eighteen EAS members the same year, political-security concerns have competed with and even overshadowed the economic concerns that originally constituted the organization’s remit. The second was the Northeast Asian Trilateral Forum (NATF), comprised of the APT’s three Northeast Asian states, which held their first official summit in 2008, following nine years of informal meetings on APT sidelines. The NATF now has a secretariat and meets annually and independently of the APT. In the East Asian and Asia-Pacific contexts, these regional institutions are significant for their inclusion of China, their regularization of security exchanges among a wider group of states, and their function outside the framework of the US alliance system in Asia.

34.1.2. Central Asia

Institutional trends identified above also bear on Central Asia. The global “new regionalism” trends mentioned above are evident, for example, in the “normative agenda” of

regional security cooperation pursued by various global organizations and actors in Central Asia, as well as “the relatively successful experience” of post-Cold War regional efforts in Central and Eastern Europe (Allison 2004, 463). While Central Asian actors may disagree with the agenda pushed by other actors, such institutional developments nevertheless created normative pressures and models. In particular, new Central Asian states have looked to regional organization as a way to manage uncertain regional relations (for a different assessment, see Cummings in this volume). Uzbekistan, Kazakhstan, and Kyrgyzstan formed the Central Asian Union (which also included a Council of Defense Ministers) in 1994, which became the Central Asian Economic Union (CAEC) in 1998 and then the Central Asian Cooperation Organization (CACO) in 2001. These initiatives also speak to these states’ mixed relations with Russia, which is not a member, but which dominates the Commonwealth of Independent States and Collective Security Treaty Organization (CSTO), of which these states are also members.

Most significant has been the heightened importance of China in Central Asia, which is given expression in the SCO. Considered the most significant of Central Asian institutions, the SCO is also linked to East Asian / Asia-Pacific institutions through Russia and especially China, who were both early participants in the ARF process in 1994. China’s bilateral assistance to Central Asian states bears similarities to its approach toward ASEAN states in the APT. China and Russia joined Central Asian states (Kazakhstan, Kyrgyzstan, and Tajikistan) in creating the Shanghai Five in 1996, which became the SCO, with the addition of Uzbekistan in 2001. As highlighted below, the SCO’s organizational structure and its organizational values echo those of ASEAN and the ARF (Boland 2011). Aris (2009) notes the potential for deepening SCO-ASEAN ties beyond their 2005 memorandum of understanding.

34.1.3. South Asia

Since the ending of the Cold War, SAARC has similarly experienced heightened activity, though to a lesser degree. South Asia remains the most institutionally underdeveloped of the subregions under discussion (Bailes 2007, 4; see also Dutta 2011). One reason is that the ending of the Cold War had a lesser impact on South Asia, where security conceptions were less dominated by questions of Cold War Communism; consequently, neither the United States nor former Soviet Union were as deeply or comprehensively dominant there (Thambipillai 1987; see also Ganguly in this volume). The Cold War’s end was thus not as disruptive as regards the region’s system of relations. In short, South Asia differed from other Asian subregions where RSIs emerged in the critical space created by great power flux and uncertainty; consequently, there was no comparable search for new modes of regional engagement and accommodation.

Critically, Indian power remained mostly intact and a key obstacle to the development of SAARC. Some contrast the challenge of Indian power in SAARC to Indonesia’s in ASEAN, the SAARC’s closest comparator institution. Differences are based on size,

as well as history. In particular, India much more dramatically and comprehensively dominates South Asia, dwarfing others by practically every measure (Singh 2007, 25–26; Dutta 2011, 497; Antolik 1987). Geographically, India also shares a border with every other SAARC country.² All roads to regional integration literally run through India (Delinic 2011; Dutta 2011). As for history, unlike Indonesia in ASEAN, the creation of SAARC was not associated with a crisis of regional relations created by Indian power and foreign policy. Consequently, there emerged no similar “security consensus” about regional institutions as a response to security problems (Gooneratne 2007, 63). Arguably, the question of Indian power is more akin to that of China in East Asia than Indonesia in ASEAN, but unlike China, India has been less willing to provide the bilateral or public goods that might further regionalize or mitigate South Asian concerns about Indian power.

This said, the interrelated trends noted above have served to renew attention to SAARC as a regional mechanism. In particular, institutional activity elsewhere, especially East and Southeast Asia, has asserted pressure on South Asian states to follow suit (see also Dutta 2011, 493). In fact, SAARC has been among the most explicit in taking ASEAN as a model both before and after the Cold War’s end (Yahya 2004, 346; Inayat 2007, 14). Like China and Russia, India was an early participant in the ARF, whose activities served as inspiration for those interested in SAARC (Yahya 2004, 357–61). Pakistan, Bangladesh, and Sri Lanka are now also ARF members. Some further argue that South Asian states should expand their participation in the ARF, the EAS, and also the SCO as a way to learn from the cooperative enterprises of other subregions (Gooneratne 2007, 65–67; see also Bailes 2007, 9).

As in the above cases, China’s growing prominence provides these states with additional motivation. While much of the interest is economic, economic imperatives also served to direct attention to both South Asia’s troubled regional relations and SAARC as a way to “deal better with China” (Bailes 2007, 3; SAARC 2007). Meanwhile, South Asia’s lesser states welcome China’s expanded engagement as a way to buffer Indian power.

34.2. WHAT CONSTITUTES SECURITY? WHAT MAKES FOR A SECURITY INSTITUTION?

Despite their different politics, regional security institutions in each of the above subregions display notable similarities in their institutional features: they are relatively decentralized, consensus-driven, and broad in their security conceptions. Asia’s security institutions generally do not conform well to realist mutual defense or liberal collective security models of security institutions. For example, both ASEAN and SAARC explicitly reject the idea of a military alliance. To the extent that institutions include a role for defense ministers, their participation is relatively recent and

mostly consultative, with the focus on information sharing. Security cooperation is most developed in the SCO, but divergent security priorities complicate balancing characterizations. In these subregions, military-to-military coordination or exercises may take place bilaterally or trilaterally between states, but such cooperation is also often outside regional frameworks. As for collective security, Asia's most prominent institutions notably all make noninterference a central principle—and while that may normatively prohibit one member state from meddling with another for reasons other than self-defense, it also prohibits an organization from taking consequential action in response to any infractions. As elaborated below, this constraint is reflective of intraregional, less extraregional, sourced insecurities and normative commitments, especially as regards established, hegemonic actors: the United States in East Asia / Asia-Pacific, Russia in Central Asia, and India in South Asia. Most of all, states have tended to privilege domestic/regime security interests, which are given a regional dimension by shared populations, porous borders, or contested states.

34.2.1. A Question of Balance?

Of Asia's regional security institutions, the ARF, the EAS, and the SCO are most often explained in terms of realist balancing logics. Characterizations of the ARF, for example, bear similarities to conceptualizations of NATO—that is, states created the ARF as a way to maintain US strategic attention, thus checking China's "hegemonic" tendencies, as well as Japanese remilitarization (Emmers 2001; Leifer 1996a). Similarly, the critical decision to expand EAS membership beyond the APT in 2005 and then to include the United States in the EAS in 2010 aimed to check China, whose influence had grown too much over the course of the 1990s and early 2000s (He 2008). By these arguments, the primary function of such institutions—though nonmilitary and non-coercive in their mechanisms—was to preserve existing balances of power "by means other than alliance" (Leifer 1996b, 51; Emmers 2001; see also He 2008).

If the ARF is about maintaining a US balancer role vis-à-vis China, the SCO is commonly characterized as an anti-US or anti-NATO military bloc. This is at least partly reflective of the membership of Russia and China: the first, a reduced Cold War US rival and the second, a rising, projected post-Cold War rival. Supporting this general interpretation is the fact that the Shanghai Five was formally established soon after NATO expansion in 1994, as well as references to "multipolarity" in the SCO's founding document (Gill 2010, 37). Such characterizations gained additional prominence in 2005 with the SCO's Astana Declaration, calling for the withdrawal of US troops from Central Asia. Uzbekistan expelled US forces from its country, there to prosecute the war in Afghanistan. The SCO's invitation to Iran to participate in the SCO as an observer further seemed to support a perceived "anti-US" agenda.

However, in each case the above characterizations oversimplify and overhomogenize states' views about both threats and supposed security guarantors. More specifically, such characterizations project major power logics that can obscure more

complex and mixed strategies of secondary and smaller states. In the case of the SCO, the characterization of that institution as an anti-US or anti-NATO bloc, for example, may overly privilege Russian views (and US fears) at the expense of Central Asian and Chinese preferences (on Central Asia, see, e.g., Maksutov 2006; Boland 2010; on China, see Yuan 2010; Pan 2007; Cheng 2011).

For example, Russia, China, and the Central Asian republics, especially during the Shanghai Five period, diverged in their security priorities. While Russia was most concerned about NATO expansion and strategic pressure from the West, the overwhelming concern of China and the Central Asian states was domestic and intraregional. Central Asian republics were most concerned about bolstering new regimes. China, following the Soviet Union's dissolution, was motivated by the security implications of three new states bordering Xinjiang, one of its most restive provinces, which moreover shared ethnic/religious ties to new states. For these states the situation demanded new border agreements and ground rules, which were given particular expression in the 2000 Dushanbe Declaration. Considered a defining statement of both the Shanghai Five's and the SCO's "cardinal" norms and principles (Chung 2006), the Dushanbe Declaration affirmed each state's right to self-determination and nonintervention. In the post-9/11 era and with the official creation of the SCO, these concerns were given additional expression in the "Three Evils": ethnic separatism; international terrorism; and religious extremism (Yuan 2010). China, compared to Russia, has also been more reluctant to create any kind of military bloc or to identify third-party threats (Yuan 2010).

Characterizations of the SCO as "anti-NATO" also do not give adequate attention to the insecurities of Central Asian republics, especially vis-à-vis Russia, and also between Uzbekistan and Tajikistan (Allison 2004, 474; Cummings in this volume). As noted above, there remains considerable apprehension among some Central Asian states regarding Russian power; hence, their pursuit of non-Russian-dominated institutional initiatives among themselves and with China. Uzbekistan and Kazakhstan have been explicitly wary of the SCO becoming a "regional balancing structure against Washington" (Allison 2004; Maksutov 2006; see also Cheng 2011 637). Individual Central Asian states have been open to relations with the United States and NATO as a way to offset Russian power. In short, while the SCO is among Asia's most developed in terms of institutionalized defense consultations and security-related cooperation, there is limited support for mutual-defense and collective security-type arrangements. Rather, the SCO's most powerful agreements and areas of efficacy have been antiterrorism, ethnic separatism, and stabilizing borders and frontiers (Yuan 2010; Naarajärvi 2012). These functional areas, which are also the priorities of Central Asian states (Maksutov 2006, 9), also form the object of SCO security/intelligence/military links and exercises.

Similarly, the 2005 developments taken as indications of the SCO's "anti-US" identity may reflect domestic-sourced concerns. Again, individual Central Asian states, including Uzbekistan, had been very willing to work with the United States in the region, and even host US forces (Allison 2004; Maksutov 2006). It was only after the 2005 Andijan

uprising in Uzbekistan—which then expelled US forces—that the SCO became collectively unified in its opposition to the US presence in Central Asia (Chung 2006, 10); and even then, states such as Kyrgyzstan and Kazakhstan continued to facilitate a US presence in Central Asia and to formalize their relations with NATO (Maksutov 2006). Thus, while SCO members share concerns about US influence, developments also suggest that driving this are domestic concerns rather than those of a specific grand strategy. The perception that the United States maintained a military presence in Central Asia in order to bring down existing regimes was also given validity by various statements and testimony in the US Congress. Meanwhile, the color revolutions in Georgia (2003) and Ukraine (2004) also moved Russia closer to Chinese and Central Asian priorities (Cheng 2011, 641–42, 644–55). In this vein, the SCO's heightened antiterrorism coordination—sometimes taken as an indication of the SCO's high degree of institutionalization and militarization compared to other security institutions in Asia—may reflect states' interest in preempting a US intervention—as in Iraq—as much as their concern about domestic and regional stability.

As for East Asia and the Asia-Pacific, balancing interpretations can similarly over-privilege major power views, obscuring more complex, mixed approaches and views of secondary powers—especially Southeast Asia and South Korea—in East Asia and the Asia-Pacific (Alagappa 2003; Kim 2005; Ross 2006; Goh 2007–8; see also Kang 2003–4; Capie 2004; Ciorciari 2009). On the one hand, regional interest in maintaining the US strategic engagement points to the stabilizing offshore balancing role that much of official Asia sees the United States as having played, and still needing to play (Goh 2008; Hamilton-Hart 2009). On the other hand, persistent concerns about over-reliance on the United States for security given Washington's competing strategic priorities, and states' vulnerability to US leverage and interference (Krauss 2000; Khong and Nesadurai 2007; Koh 2008; Ba 2009b; Cha 2011; Long 2011) additionally provide incentives to pursue less US-centric alternatives or at least supplemental arrangements such as the ARF, the EAS, and the APT (Beeson 2009; Tay 2005). Concerns about over-reliance on the United States for security have been especially persistent themes in intra-ASEAN debates about new regional security cooperation since its founding (Ba 2009a).

Views of China are similarly mixed, as are states' responses. While states may pursue tighter US strategic ties bilaterally and through regional security institutions, there is also broad consensus in East Asia about the imperative of including and integrating China into various frameworks. This was an initial point of difference between ASEAN states and the United States in the ARF. In general, ASEAN and other East Asian states have been wary of containment-like strategies (Alagappa 2003; Kang 2003–4; see also Goh in this volume). Containment is premised on the expectation of hostile relationships, which in turn generates its own reality. In contrast, the inclusion of China in regional security institutions generally reflects a different premise, namely that it is both necessary and possible to move the relationship with China to one based on reciprocity and mutual recognition, rather than coercion and deterrence. The prevailing institutional logic is thus one of inclusion—the merits of constructive engagement over

ostracism, coercive sanctions, or containment in relation to both its own members and other states (Harris 2000; Ba 2006). Such views have been especially associated with ASEAN as an institution, which has had disproportionate influence over the form and content of East Asian and Asia-Pacific security institutions: the ARF, the EAS, and the ADMM-Plus.

In this vein, constructivist interpretations have given attention to how RSIs and ASEAN, in particular, offer states alternative mechanisms of state socialization toward establishing new habits of cooperation and conflict avoidance (see Leheny's chapter in this volume). Regional security institutions are thus reconceived—not as consequentialist mechanisms of compliance, but instead as “platforms for normative debate” (Hurrell 2003) and for “norm building” (Haacke 2003; Katsumata 2006), as well as “socializing environments,” where cognitive changes—for example, learning—can take place (Johnston 2001, 2003; Ba 2006; Acharya 2011). While socialization effects are much debated, ASEAN's early moves did serve to expose China to more complex security views held by other states, including areas of shared concern, encouraging its further participation in new institutional arrangements (Kuik 2005; Chu 2007; Foot 1998). For China the APT especially has offered it opportunities to build “its reputation as a credible long-term stake holder within the region” (Ho 2012, 1). Evelyn Goh has described ASEAN's “brokerage” role—albeit, a limited one—in institutionalizing and legitimizing roles for both greater and lesser powers—roles that are ultimately based on mutual recognition of the other's value (Goh 2011; see also Tanaka 2011).

Mixed views of larger powers also reflect the strategic ambiguities of Asia's strategic environments, a condition that results in one of the more defining features of regional security institutions in Asia—namely their consensus principle—which serves both small and large powers. Consensus, for example, reassures both China and India, which share concerns about smaller powers organizing against them (Yuan 2001; Swaine and Tellis 2000; Inayat 2007, 19; Singh 2007, 28). It has also been critical to assuring the region's smaller powers, always worried about both major power dominance and collusion. ASEAN states have made consensus an important condition of their participation in different regional institutions (see Ba 2009a). In the SCO, consensus similarly offers Central Asian republics voice and protection in regard to their much larger fellow members, Russia and China (Maksutov 2006).

Of major powers involved in Asian regional security institutions, the United States is probably the least satisfied with consensus decision-making. In East Asia and the Asia-Pacific, the consensus principle has been especially revealing of states' mixed views of the United States as the region's supposed security guarantor. On the one hand, regional security institutions have served to regularize US strategic attention to the area; on the other, as Michael Wesley has argued, they have also served to “dilute US influence through diffuse and highly consensual mechanisms” (Wesley 2003). Perhaps not surprisingly, then, the United States tends to fault the consensus principle for hindering its preferred security agendas. Such questions about US power and agendas also contribute to the willingness of states—including such strong US allies as Japan and Australia—to participate in institutions that lack US participation (He 2008). Key

examples are the APT and until 2010, the EAS, which lacked US participation from 2005 to 2010. Of course, individual states continue to support a US network of bilateral arrangements in which China remains on the outside (see Cha's chapter in this volume). Such US-China dynamics speak to strategic ambiguities that complicate a clear narrative as regards how best to assess and characterize regional security institutions in East Asia and the Asia-Pacific. Nor are these ambiguities unique to this subregion.

34.2.2. The Economics of Security

The domestic/intrastate security preoccupations highlighted above also help to explain why most of Asia's so-called security institutions—ASEAN, SAARC, the SCO, and the EAS, as well as the APT—include relatively prominent economic agendas, for example, the pursuit of common markets, free trade areas, or developmental assistance provided by large to small powers. In large part such concerns reflect the different security conceptions of smaller, late-developing, often postcolonial states. Again, the exception may be the ARF, a fact that reflects its more mixed and varied membership.

For each of Asia's subregions, economics has been closely associated with security. Economic-security connections are most explicit in East and Southeast Asia, where economic development is associated with regional interdependence, foreign policy moderation, and more stable political relations (see Yoshimatsu in this volume for an assessment of Asia's economic-security linkages). Thus, Rizal Sukma identifies economics as the "road to peace" and as an important principle of cooperation in ASEAN (Sukma 2010). Similarly, Stuart Harris identifies "the pursuit of economic interdependence to enhance security" as a regional and institutional norm in East Asia that deserves acknowledgment alongside the more familiar institutional principles of non-interference, the peaceful resolution of disputes, voluntarist compliance, informality, "quiet diplomacy," and consensus (Harris 2000, 502). Meanwhile, as some explain the APT and EAS, despite their ostensibly economic drivers, "the basic thought was political and social in intent to ensure togetherness and the sharing of common fate and destiny" (Shafie 1998; Wanandi 2000, 21; Stubbs 2002; Koh 2008). In East Asia, the political and security challenges associated with the 1997–98 Asian financial crisis only underscored the critical linkages between regional economics and regional security, as well as Asia's overall interdependence.

The economic-security connections can also be seen in the SCO, especially as regards China's assistance to Central Asian republics (Yuan 2010). For example, Jianwei Wang details the Shanghai Five's "broadly defined" security focuses and China's conclusion that it would be difficult to develop the organization further without more explicit consideration of economics, especially given that economic development was also a primary concern of Central Asian members (Wang 2007, 113–14). In South Asia, as well, economic cooperation was identified as an early priority (Bailes 2007).

The importance of economics to regional security also adds to the ambiguity of China's role in all of Asia's subregions. Two of the more dynamic of Asia's regional

institutions—the SCO and the APT—have been especially associated with Chinese diplomatic and economic activism. While China’s growing capacities and confidence also may challenge the leading role it has played in these two institutions (see below), states in each of Asia’s subregions see economic connections with China as serving political security, as much as economic purposes. States all along China’s periphery have all benefited from an economically dynamic and diplomatically engaged China (Kang 2007). At a minimum, the economic links with China are mitigating traditional security orientations and strategies (Chu 2007; Heginbotham and Samuels 1998; Sohn 2010; Mahapatra 2011). This includes such stalwart US allies as Australia, which has been among the more active proponents of new institutions since the late 1980s. Australian elites have also been vigorously debating how Australia’s historically US-centric security orientations and strategies may be jeopardizing Australia’s future, especially in terms of economics given Australia’s growing economic ties with China (White 2010; Leahy 2011; Dibb 2011). East Asian / Asia-Pacific, as well as Central Asian, security institutions have offered a bridge between old Cold War systems and still uncertain new ones. Again, the increased complexity of relations works against simple strategies and simple explanations of Asia’s dynamic strategic environment and institutions.

34.3. NEW CHALLENGES

The trends that connect Asia’s subregions are additionally supported by these institutions’ overlapping memberships. As noted, China and Russia (via their participation in the SCO and in the ARF, EAS, and ADMM-Plus) provide linkages between Central Asia and the Asia-Pacific; Bangladesh, Sri Lanka, Pakistan, and India through the ARF (and in India’s case, also the EAS and ADMM-Plus) connect South Asia and the Asia-Pacific. Both India and Pakistan, which have been SCO observers since 2005, are now also seeking full membership in that organization. East Asian and Asia-Pacific actors—China, Japan, the United States, South Korea, Australia, and Myanmar—are now represented in SAARC as observers, with Myanmar also seeking full SAARC membership.

Such overlapping memberships illustrate the geopolitical connections between the subregions, as well as the fluidity of those regions. They also speak to more recent and related trends. The first is the move by all countries toward expanded participation from other states. For example, ASEAN, SAARC, ARF, and the EAS have all seen their memberships expand: ASEAN accommodated Communist Southeast Asian states between 1995 and 1999; SAARC expanded to include Afghanistan in 2007; the ARF extended membership to three South Asian states (Pakistan, Bangladesh, Sri Lanka), Timor Leste, and North Korea after 2004, as well as Mongolia in 1999; the EAS opened its doors to US and Russian participation in 2010. The observer state and dialogue partner categories have seen particular growth. SAARC now has nine observer states; the

SCO has five, with all but Mongolia—joining the SCO in 2004—conferred such status since 2005. Since 2008–9, the SCO has also added a dialogue partner category—the SCO currently has three—with SAARC reportedly considering a similar category. Regional security institutions in Central and South Asia thus appear to be moving toward an institutional model that bears similarities to ASEAN's system of concentric relations involving a core membership flanked by secondary and tertiary layers of relations.

The second trend is related but not new. Specifically, expanded participation by extraregional states is indicative of the new dynamics generated by China, whose growing capabilities, expanded regional interests, and relatively new diplomatic activism offer both challenge and opportunity (see Shirk in this volume). Again, China is the new actor in each regional system, in the sense that East Asia / Asia-Pacific, Central Asia, and South Asia were all characterized by relatively distinct systems of regional relations, in which China, though clearly a strategic actor, was nevertheless less integrated. Even in East Asia, where China is assumed to have the greatest influence, it remained mostly outside the US-centric system of political-security-economic relationships until the late 1980s. As noted above, regional security institutions in East and Central Asia have served as important mechanisms by which local, especially smaller, actors have engaged China with the aim of expanding strategic options and in support of “multivector,” diversified foreign policies vis-à-vis the Cold War dominant actor (respectively, the United States and Russia) (Maksutov 2006; Ba 2007). The addition of new observer states reflects similar calculations, though the trend of expanded participation is not without other political and functional consequences. In the Asia-Pacific, security cooperation in the ARF has been especially stunted by the diversity of perspectives represented. Allison (2004, 480) similarly notes of Central Asia that expanded participation detracts from a “common security language.” Maksutov (2006) adds that in Central Asia, unlike the Asia-Pacific, where ASEAN states outnumber other states, Central Asian republics could potentially lose their existing influence should the SCO upgrade observer states to full membership. The expansion of core membership will also most certainly complicate the achievement of consensus.

At the same time, China's growing influence generates concerns about regional dominance. In this vein, the politics of Asia's regional security institutions increasingly reflect the tensions associated with China's understood challenge to established systems of relations and of dominance, for example, the United States in East Asia and the Asia-Pacific; Russia in Central Asia; and India in South Asia. In East Asia / Asia-Pacific and Central Asia, such tensions manifest themselves in competing institutions. For example, Russia's strategic and political concerns about Chinese influence factor into its continued pursuit of the CSTO and other Russian-dominated institutions in Central Asia, though there is also evidence to suggest that the SCO has gained greater value among Russia's foreign policy establishment for both the domestic reasons noted above and greater appreciation of its political-strategic value (Troitskiy 2007). Russia has been wary of developing the SCO's economic agenda, as China has the advantage in this policy area. Moscow also remains interested in preventing “the emergence of any

kind of purely Central Asian cooperation framework in the area” (Maksutov 2006, 9; Allison 2004). In South Asia, China similarly has become the object of recent SAARC politics, with smaller actors increasingly looking to China to offset Indian power and influence. Not surprisingly, the possibility of expanded Chinese participation is supported by SAARC’s smaller states but generally opposed by India (see Dutta 2011; Muni 2011; Mahapatra 2011).

In East Asia / Asia-Pacific, where the trend of regional security institutions has been most prominent and significant, regional security institutions have become a particular focal point of major power competition. As noted earlier, the growth of the APT and its association with Chinese diplomatic activism suggests to some the emergence of a new China-centric order. This has precipitated reactions from other states, resulting in what some describe as “institution racing” (Goh and Acharya 2007) and others “institution balancing” (He 2008). The emergence of the EAS as a rival institution to the APT, as opposed to its extension, is a particular example. In that case, EAS membership was expanded largely as a concession to Japan and some ASEAN states that shared concerns about China’s growing prominence, especially in the APT (Terada 2003, 2006; Kim 2010; Sohn 2010). Japan and Australia also share with the United States concerns about the ARF’s limitations in addressing their core security concerns (Yuzawa 2005; Searight 2010).

More significantly, East Asian developments contributed to renewed US engagement of Asia’s regional security institutions under the Obama administration, including its decision to join the EAS following a half decade of US disinterest. Associated with a larger shift in strategic priorities—known as the “Pacific Pivot” and Asia “Rebalance”—this decision has been explained in terms of Washington’s interest in reclaiming some of the diplomatic and strategic ground reputedly lost to China during the administration of President George W. Bush, when the APT was especially active (Manyin et al. 2012; Heng 2012; see also Swaine 2012). This re-engagement—along with intensified China-related insecurities, for example, due to intensified maritime disputes (see Fravel in this volume)—has served to reverse what had been the dominant trend since 1997—namely, a China-oriented, more exclusive “East Asian” trend in regional organization and activity (Chu 2007, 158; Ba 2009a).

Washington’s heightened attention could have the effect of moving regional security institutions in still other directions. In particular, debates about Asia-Pacific security institutions have become “ASEAN-centric” as much as “China-centric” (Jones and Smith 2007), with the United States especially questioning the functionality, purpose, and processes of “ASEAN-style” institutions, especially the ARF, where consensus decision-making processes tend to prioritize concerns of China and less-developed states (Ba 2011; see also Cossa 2009; Emmers and Tan 2011; Goh 2011). US dissatisfactions with ASEAN processes have also contributed to its search for alternative arrangements—“a la carte multilateralism”; great power or concert-like mechanisms—in pursuit of what it considers more “results oriented” outcomes (Cossa 2009; Jacobs, and Sanger 2010). The Obama administration’s “divided functionality” approach to regional institutions (Heng 2012) reflects more conventional and narrowly defined

security conceptions. It also informs its approach to the EAS, which, for Washington, offers a potential alternative to the ARF. While ASEAN's politicization can obscure the ARF's security contributions (see Emmers and Tan 2011; Khong and Nesadurai 2007; Shiraishi 2007), broad regional interest in Washington's continued participation may generate institutional changes as regards both process and the functional agenda. This, in turn, could change how China approaches and participates in regional security institutions. The EAS's increasing political-security focus—in contrast to the economic concerns that once dominated—is one such illustration. As Ralf Emmers has observed, the future challenge for both ASEAN and regional security institutions like the ARF and EAS will be how to make them “acceptable to Beijing” but at the same time institutionally “relevant [and of consequence] to the United States” (Emmers 2011; Capie 2011).

Especially since the 9/11 attacks on the United States in 2001, Washington has been playing a role similar to China in Central and South Asia; that is, its heightened engagement challenges established powers and spheres of influence and has contributed to institutional changes and accommodations. As discussed earlier, the US war in Afghanistan, and NATO expansion more generally, have especially motivated Russia's interest in regional security institutions. US activities, including its support for political liberalization and regime changes, have also helped to create broader consensus in the SCO about the need to address domestic-sourced security concerns. Analysts see Washington's post-9/11 attention to South Asia as mobilizing new interest in SAARC for both negative and positive reasons: negative because similar to Central Asia, states may see SAARC as a buffer against US militarization in South Asia; positive because Washington's post-9/11 needs for cooperation from both India and Pakistan in its anti-terrorist struggle and in Afghanistan are seen as offering persuasive inducements in support of “more cautiously constructive” approaches toward SAARC in the 2000s (Singh 2007). Some also see Washington's general support for SAARC as influencing India's and Pakistan's, as well as Bangladesh's, more positive disposition toward SAARC and regional cooperation in general (Inayat 2007; Bailes 2007).

34.4. CONCLUSION

This chapter has highlighted a number of long-term historical and recent trends that have shaped Asia's regional security institutions as a post-Cold War phenomenon. It has given particular attention to the role played by China as reflective of both deeper structural changes ongoing in each subregion and as a contemporary politico-security challenge to existing systems of interest and dominance. Regional security institutions have emerged in each subregion as a way to manage strategic uncertainties. In that the most prominent of these institutions have tended to be inclusive of both status quo and newer regional actors, they have served as a bridge between Cold War and post-Cold War regional orders. At the same time, divergent security preferences and unresolved

intraregional insecurities have complicated the development of regional security institutions in each subregion. Moreover, in Central Asia and especially the Asia-Pacific, major power competition has introduced competitive dynamics between existing regional security institutions.

Nevertheless, these developments should not obscure the significance of regional security institutions as a post-Cold War phenomenon or their security contributions. Regional security institutions, for example, more than once have facilitated continued dialogue between states whose relations had been ruptured or politicized by events. Similarly, they have created opportunities for diffuse reciprocity, as well as a considerable range of cooperative activity that buffers intraregional relations from sharper conflicts (Atanassova-Cornelis 2010). In short, despite institutional limitations, regional security institutions have offered opportunities to diffuse tensions and buffer relations with a range of other activities. Tensions and suspicions persist, but various kinds of cooperation also continue despite them (Shiraishi 2007).

The emergence of regional security institutions in the different subregions may also signify alternative regional political arrangements that now compete with more power-centric dynamics (Dutta 2011, 494). In particular, two of the more interesting dynamics associated with the phenomenon of regional security institutions have been (1) the roles and influence of smaller powers; and (2) the fact that major powers have been among the most wary of RSIs, yet have still nevertheless chosen to participate. The standard explanation for this is self-interest—that is, they would rather be in, not out, while others organize without them. But to leave it at that also skirts around more fundamental features of post-Cold War Asia that structure major power interests in ways that compel their participation. Specifically, major powers—despite their relative capacities and tools of leverage—have found their choices constrained by their respective legitimacy deficits. Regional security institutions have offered alternative paths for major powers to pursue their interests.

Again, such dynamics have been most evident in East Asia / Asia-Pacific, given that region's particular density of institutional activity. In these regions ASEAN's place in the institutional landscape is not merely a result of lesser powers choosing to lead, but also because larger powers are compelled to follow if they wish to play roles recognized as legitimate in Asia. Eaton and Stubbs call this "competence power" (Eaton and Stubbs 2006). The challenges associated with ASEAN-style institutionalism do not negate the normative constraints faced by otherwise very capable material powers (Nabers 2010). Thus, both China and the United States felt compelled to participate in the ARF in the early 1990s despite their respective concerns about multilateralism. Similarly, Washington re-engaged and reinvigorated its participation in regional processes in 2009 despite persistent dissatisfactions with ASEAN-style regional frameworks. In fact, US criticisms of ASEAN's institutional style during its deliberations on the EAS were such that US analysts questioned whether "Washington even desire[d] a seat at the [EAS] table" (Cossa 2009, 37; Emmerson 2010; Capie 2011). To underscore the point, regional security institutions exist and persist in Asia *despite* resistance and even growing unhappiness on the parts of major powers, including the most important

strategic partner of most regional states. At a minimum, the US decision reflected an acknowledgment that Washington's historical approach of focusing on exclusive strategic partnerships at the expense of regional institutions was "out of alignment" with regional realities and "dominant normative understandings" about the need to be more "regional" in its approach, which includes being more inclusive of China (Foot 2011; Cha 2011; Montesano and Quek 2004; Acharya and Tow 2007; Manyin et al. 2012).

In East Asia / Asia-Pacific, as well as Central and South Asia, the phenomenon of regional security institutions also speaks to the influence of lesser powers over regional politics. For these states, regional security institutions offer additional, non-power-centric mechanisms by which to expand their strategic options vis-à-vis both historically dominant powers and new ones. It is thus notable that the most prominent East Asia / Asia-Pacific institutions resulted from the initiative of ASEAN's small to middle powers. Similarly, Bangladesh—working with Nepal and the Maldives—not India, led the initiative to create SAARC (Yahya 2004; Inayat 2007). Central Asian preferences and priorities have been crucial in shaping the cooperative content of the SCO. Aversion to interference and to major power dominance also forms what Acharya characterizes as a "cognitive prior" among the region's smaller states that will continue to inform the content and modus operandi of Asia's regional security institutions (Acharya 2009). This "cognitive prior" prompts, for example, the ideological commitment of Central Asian republics to a "nonbloc" stance and "multivector" philosophy (Maksutov 2006) and constitutes a source of "local solidarity" in South Asia (Bailes 2007) and Southeast Asia (Acharya 2001).

Ultimately, the trends discussed in this chapter suggest that regional security institutions have become important pieces of Asia's post-Cold War strategic landscape. In particular, they represent for states alternative or additional means to cultivate more secure relations. While they may not completely supplant "great power games," institutional developments do suggest that they compete with these games. The economics of Asia, as well as the legitimacy deficits of major powers, additionally sustain broadly conceived regional security institutions. Importantly, they offer ways to channel state interests and ambitions.

NOTES

1. "Regions" are, of course, constantly changing concepts. For the purposes here, geographic proximity is critical to the definition of "Asia" and its subregions, though regional systems and security institutions may include extraregional powers.
2. Some might question Afghanistan, but this can be considered an Indian border state due to India's claim to Pakistan-controlled Kashmir.

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CHAPTER 35

IDEAS AND INSTITUTIONALIZATION IN ASIA

RICHARD STUBBS AND JENNIFER MUSTAPHA

35.1. INTRODUCTION

OVER the last quarter-century, relations among Asian states have become increasingly institutionalized. Driven by the end of the Cold War, which stripped away the old, predictable way international affairs were conducted, governments were forced to re-evaluate their relationships not just with the major powers but also with their immediate neighbors. Compounding this turn of events were the emerging forces of globalization, which created a whole series of relatively novel economic and political challenges for governments and nongovernmental actors. The result was a set of new Asian regional institutions that gradually gained in importance as they took on the tasks required to address emerging problems (see in particular the chapter by Ba in this volume). Most important were a number of supranational, multipurpose organizations that developed alongside a remarkable increase in Asia-based preferential trade agreements (PTAs) and other regional economic organizations designed to bolster regional economic growth (see the chapter by Aggarwal and Koo in this volume).

As governments and other groups began to develop regional economic organizations, ideas about how to build regional institutions were increasingly debated. In Asia generally, but especially the Asia-Pacific, regionalism—the “body of ideas that promote an identified geographical social space as a regional project” (Hveen 2006, 296)—became caught up in the clash of post-Cold War visions of how Asia and its various subregions should evolve. Certainly, Asia-Pacific economic regionalism was confounded “by residual Cold War divisions, by memories of war and occupation, by vastly different levels of development among component member states, by radically different indigenous models of political economy, by the ambitions of competing regional powers, and by the strategic ambitions of the United States” (Breslin, Higgott, and Rosamond 2002, 10). The consequence was that as these regional economic institutions

proliferated across Asia, they sometimes worked at cross purposes. Indeed, referring to the “profusion of Free Trade Agreements” in the region, Richard Baldwin (2004, 10) echoed Jagdish Bhagwati’s (1995) notion of the “spaghetti bowl effect” by labeling it the “noodle bowl problem.” The term refers to the different tariff regimes, rules of origin, and so forth that govern FTAs and which create criss-crossing linkages that look like noodles in a bowl. The seemingly negative aspects of this development raise two important questions. First, can this “noodle bowl” of economic linkages be disentangled and placed into a more systematic form, and, second, can the formal economic institutions of Asia and its subregions provide a coherent basis for sustained regional economic growth?

In this chapter we first review the literature on international and regional institutions, focusing in particular on the historical institutionalist approach. We then look at how a number of Asian economic institutions—whether region-wide or bilateral—are characterized by tensions between two broad approaches—one, we characterize as a “developmentalist” approach, the other a market-led approach, and how these alternative conceptions continue to shape the trajectories of these institutions.

35.2. INSTITUTIONS, IDEAS, AND INSTITUTIONALIZATION

There is a substantial empirical and theoretical literature on international and regional institutions. International relations scholars have explored the nature and significance of international regional institutions and their consequences for the development of international relations generally and regional relations in particular (see, e.g., Acharya and Johnston 2007; Aggarwal 1998; Checkel 2007; Keohane 1988; Koremenos, Lipson, and Snidal 2001; Solingen 2005). Similarly, comparative politics scholars have developed various theoretical approaches to institutionalism as well as having examined regional institutions from an institutionalist perspective (e.g., Calder and Ye 2004; Hall and Taylor 1996; Mahoney and Thelen 2010, Pierson 1996). The analysis in this chapter departs from the normal use of institutionalism in studies of international relations in general and in Asia’s subregions in particular by relying more on the comparative politics literature regarding institutions than has previously been the case. Building on the definitions of Hall and Taylor (Hall and Taylor 1996, 938; see also Campbell 1998, 379; Hall 1986, 19), we define institutions as formal and informal rules and regulations combined with regularized procedures, practices, and norms that structure relations between individuals and groups in and across the economy and society, either within countries or between countries. The regional economic institutions that are the concern of this chapter, therefore, are formal structures that in one way or another shape economic exchanges.

Three key aspects of the literature on institutions will be called upon to aid in the analysis. First, ideas animate actions. As ideas are discussed, debated, and dissected,

and as they interact with material factors, ideas can lead to the establishment and development of an institution. Necessarily then, as Daniel Béland and Robert Henry Cox (2011, 8–9) point out, “ideas are the foundation of institutions” and are “embedded in the design of institutions.” The founding ideas tend to be reinforced and reproduced as the institution begins to serve the purpose for which it was established. However, the ideas driving institutions may have differing levels of coherence. If the ideas are less coherent, there may be room for continuing debate, within certain parameters, as the institution develops. Moreover, once an institution is up and running, a clash of ideas may emerge as new members join or as original members of the institution change their approach to the issues at hand. Yet whatever happens to the institution, ideas remain at its core.

Second, once established, institutions are relatively stable. Indeed, what gives institutions their salience is that they are usually slow to change. This is often referred to as “institutional stickiness” (Pierson 2000b). Important here is the notion of path dependency, which emphasizes that an institution is set on a particular trajectory from its inception. This trajectory or path is reinforced by a series of factors including an internal socialization or organizational culture that perpetuates norms around the institution’s goals and procedures; a feedback loop where the institution creates benefits for those who support it, thereby strengthening its role; and self-reinforcement, which means that actions are undertaken that promote complementary institutions that help to maintain the path of the original institution (Krasner 1988, 83; Page 2006; Pierson 2000a). Moreover, formal organizations become increasingly institutionalized as they are honeycombed with substructures such as departments, secretariats, working groups, task forces, committees, and meetings that act to brace, buttress, and stabilize them. This increased “thickness” (Amin and Thrift 1995) of institutions further strengthens them and is an additional reason for their durability.

A third aspect of the literature underscores the point that institutions can both constrain and empower those who participate in them. Institutions constrain those involved by limiting the range of possible choices regarding institutional development and the policy options available for solving problems (Hall and Taylor 1996; Pierson 2000a). But institutions can also empower or facilitate action rather than simply constrain institutional members. By combining with others within an institutional setting, individuals, groups, and, in the case of regional institutions, states can make it more likely that their goals can be achieved. Ideas are an important ingredient in this process. As John Campbell (1998, 381) argues, “ideas facilitate policy-making actions not just by serving as road maps, but also by providing symbols and other discursive schema that actors can use to make these maps appealing, convincing and legitimate” and to construct frames that serve to legitimize policy proposals and actions (Campbell 1998, 398).

Using these features of the historical institutionalist literature it is possible to assess the trajectories of Asia’s, and especially the Asia-Pacific’s, regional economic institutions. They provide a way of assessing the extent to which complex economic

institutional linkages may be unraveled and a coherent approach to regional economic development can be advanced.

35.3. MULTIPURPOSE REGIONAL INSTITUTIONS

Asia's key regional organizations serve multiple purposes, including promoting regional economic integration and economic development. Each of these organizations emerged out of a specific set of circumstances and was driven by a particular set of ideas. Significantly, however, there is continuing debate within each institution around the ideas that underpin their economic policies. But, most importantly, the dominant ideas within the Asia Pacific Economic Cooperation (APEC) forum clash with the dominant ideas to be found in the Association of Southeast Asian Nations (ASEAN) and the ASEAN+3—China, Japan, and South Korea (APT)—grouping.

The key idea at the heart of APEC was the emphasis on economic liberalization. Over time the broad consensus that gave the forum its initial impetus began to break down as the difficulties of implementing policies designed to liberalize economies became evident. The original expectation of the Anglo-American member economies was that APEC would mean formally negotiated, legally binding, comprehensive agreements. These agreements would then lead to a total liberalization of the region's economies and would be systematically implemented over a given period of time. However, this view of the way APEC should operate conflicted with the approach of Asian member economies. They emphasized nonbinding, voluntary commitments to liberalization with a focus on tackling the easiest issues first in a piecemeal manner (Gallant and Stubbs 1997).

In the wake of the stalemate in APEC over proposals for negotiated liberalization in specific sectors (the Early Voluntary Sectoral Liberalization negotiations), Anglo-American member economies recognized that APEC was not the vehicle for the promotion of binding agreements that would create greater regional economic liberalization. Member economies shifted their attention to the two other pillars of APEC: trade facilitation schemes and economic and technical cooperation programs. In addition, APEC summit meetings became valued as an efficient way of conducting diplomacy. Moreover, APEC became more embroiled in security issues with the advent of the George W. Bush administration when after 9/11 Washington began wielding economic relations and agreements in the region as “carrots and sticks to drum up support for the US security agenda under the war on terror” (Mustapha 2011, 496–97). Overall, then, APEC lost the momentum and relative accord of the early years and became less a vehicle for action on economic issues and more of an arena for debate about the general future of the Asia-Pacific region.

The APT grouping is the major regional organization in East Asia that exercises a role in economic development. ASEAN itself did not decisively turn its attention to regional

economic issues until discussions around the possibility of an ASEAN Free Trade Area (AFTA) in 1991 and the signing of an agreement in 1992 (Bowles 1997; Nesadurai 2003; Stubbs 2000). The APT came into existence in the context of the Asia-Europe Meeting in 1996, where ASEAN joined with China, Japan, and Korea (Stubbs 2002).

The economic ideas that animated the APT derived from both the historical experiences of its members and the context of relevant events occurring at the time it came into existence. The developmental state approach to economic development was a significant feature of a majority of the APT members (Woo-Cumings 1999; Stubbs 2012). In this respect a government-guided, rationally planned, export-oriented strategy with some protection for local businesses was to be expected. In addition, the norms governing the conduct of regional political and economic relations for ASEAN and the +3 members had a history dating back to the decade after the end of the Second World War. These norms emphasized respect for territorial integrity and the sovereignty of individual countries as well as the importance of noninterference in each other's domestic affairs (Acharya 2001; Mustapha 2007). There was a tendency to be suspicious of any new arrangement that might conflict with the guiding principle of noninterference, especially vis-à-vis the inclusion of Western members in East Asian regional arrangements. The extent to which East Asian economies were damaged during the 1997–98 Asian financial crisis (AFC) also served to reinforce concerns about the need for governments to protect local economies from the ravages imposed by the forces of globalization and the perceived predatory nature of US economic interests (Higgott 1998). Hence, as the APT developed it was driven by ideas that were in good part rooted in what can be labeled “developmental regionalism” (Nesadurai 2003).

Yet ideas associated with a more market-led, “open regionalism” were also embedded within APT from its very inception. Helen Nesadurai (2003, 21) has argued that AFTA encompassed both developmental and open regionalism due to the competing political influences of domestic capital pushing for developmental regionalism on the one hand, and foreign capital pushing for open regionalism on the other. These competing ideas remained within the APT as it developed, and were systematically entrenched as the grouping became increasingly institutionalized. One indicator of this institutionalization was that the number of ASEAN and APT-sponsored meetings quickly rose from around three hundred in 2000 to over seven hundred in 2007 (Ravenhill 2001, 219; Stubbs 2009, 242). Moreover, as of 2010 the APT had a leaders' summit, regular meetings of fourteen different sets of ministers, nineteen regular meetings of senior officials with a variety of responsibilities, as well as a range of meetings on technical issues. In short, APT has established itself as the preeminent regional organization in East Asia (Terada 2012a, 364; Thomas 2012, 141).

The tension that exists within the APT members between market-led regionalism on the one hand and developmental regionalism on the other can be found in the development of the Chiang Mai Initiative (CMI). The CMI/CMIM came out of a series of compromises (see Grimes in this volume). The idea of a swap agreement and a fund that could aid governments facing future financial and economic crises was very much in the realm of the developmental or neomercantilist approach to economic development.

Yet the CMI/CMIM also incorporated a few elements of the market-led approach to regionalism. Crucial in this respect is the fact that only a small percentage of funds could be released without IMF approval. Similarly, the establishment of the ASEAN+3 Macroeconomic Research Office (AMRO—see discussion in Grimes, chapter 15 of this volume) indicates that the requirements for the surveillance of member economies will serve to dilute, to some extent, the norm that respect for sovereignty is sacrosanct. APT's main accomplishment, therefore, contains what might be thought of as competing regional/developmental and global/market-led ideas about how regional economic institutions should operate. Hence, although developmental ideas tend to dominate the APT, there are aspects of the market-led approach that can be found within some of its institutions.

35.4. PREFERENTIAL TRADE AGREEMENTS (PTAs)

Since 2000 there has been a massive increase in the number of PTAs around the world with Asian governments as major participants (see Dent, and Aggarwal and Koo in this volume). Like the multipurpose regional institutions, the PTAs embody a variety of ideas about how trade can be liberalized. These ideas arise from, among other factors, the different economic and legal systems to be found around East Asia and the Asia-Pacific, the different power relations among economic interests within countries, and the differing expectations about how the region should develop economically. Of course, some PTAs are motivated by political or strategic factors rather than by economic considerations. Moreover, it is important to note that many PTAs are between countries that are minor trading partners (Leu 2011, 35). Indeed, for some governments it is important to establish good diplomatic relations with particular countries and with particular regions, and PTAs are seen as an effective vehicle for accomplishing this goal (Ravenhill 2008, 96). Hence, based on these considerations alone, there is considerable diversity among Asia's PTAs.

In addition, those PTAs that have been influenced by the Anglo-American, market-liberal, neoclassical economic approach are very different from those influenced by the developmental approach. Ideas characteristic of the Anglo-American approach can be found in PTAs negotiated by the United States, Australia, and New Zealand. Key points include tariff-free entry for their exports; comprehensive “behind the borders” access to internal markets, some of which—for example, financial services, healthcare, and telecommunications—may be considered sensitive; and stringent intellectual property rights regimes. The US approach invariably includes standardized, complex legal frameworks—covering, for example, rules of origin that vary according to specific products and require intricate tracking techniques—and formal dispute settlement mechanisms (Dent 2006, 233–35; Duina 2010, 98–102).

By contrast, the coverage of the PTAs negotiated by Japan and China, which follow the developmental approach, tends to be focused on trade liberalization, is based much more on mutual recognition of existing standards and legal frameworks, and is generally far less ambitious. The Japanese favor what they call comprehensive or economic “partnership agreements”; this label serves to reassure Japan’s agriculture sector that its products will not be involved in any agreement (Terada 2006, 14). Just as importantly it underscores the point that Japan combines trade liberalization with aid programs that support economic and technical development cooperation. As Christopher Dent (2006, 236) observes, this is a “projection of Japan’s developmental state model onto its trade policy canvas” in that the economic and technical assistance entails “proactive state involvement in realising transformative development objectives.” In addition, Japan has sought to negotiate PTAs as a way of supporting Japanese FDI practices (Manger 2009; see Solís in this volume).

China negotiates relatively simple PTAs with a limited focus on trade in goods (see Pearson in this volume). Generally any PTA that involves relinquishment of sovereignty or complex legal and technical issues, such as investment and intellectual property rights, is avoided. Unlike Japan, China places considerable weight on liberalizing trade in carefully selected agricultural goods through its “early harvest” program (Chin and Stubbs 2011; Thomas 2012). However, like Japan, China’s PTAs are generally minimalist in terms of any direct impact on participants’ domestic practices and laws, and tend to be limited to mutual recognition of each partners’ standards. Rules of origin tend to be across the board and are based on value content rather than being product-specific. Dispute settlement mechanisms, although they can be formally linked to a permanent body such as the WTO, are in practice more likely to be ad hoc panels or meetings of political leaders. Overall, then, the ideas undergirding the PTAs to which Japan and China are signatories are very different from those ideas that form the basis of the PTAs in which the Anglo-American countries are involved.

PTAs involving the various ASEAN members vary significantly. On the one hand Singapore, as an entrepôt, has long had tariffs at or near zero, grows no agricultural products, and possesses a technically skilled bureaucracy. It is therefore amenable to the more complete and sophisticated PTAs advanced by the United States and Australia. Indeed, Singapore has more PTAs than any other country in Asia, including ones with the United States and Australia (ARIC 2012). Other members of ASEAN take an approach to PTAs that is more similar to that of China, preferring uncomplicated goods-focused PTAs.

Tellingly, however, there is a crucial distinction between how North American and European countries on the one hand, and how Asian countries on the other, generally perceive PTAs. For example, Judith Cherry (2012, 258) in a discussion of the European Union–Korean FTA makes the point that “Whereas Europeans saw legislation and contracts—including the FTA document—as the final word and enforceable by law, for the Koreans they were symbolic, representing the relationship that had been established and constituting a living document, to be amended and corrected in the light of subsequent developments.”

The market-led approach to trade agreements that inspired the original framers of APEC was revived in the Trans Pacific Partnership (TPP). The TPP purports to be high quality in that it seeks to have trade in all goods, including agricultural goods, totally liberalized without exception. And it is “next generation” or “twenty-first century,” in that it is meant to set an example for the future of what a trade agreement should look like (Capling and Ravenhill 2011). As a number of commentators have observed, the TPP is very much the antithesis of trade agreements developed by China. Importantly, Jagdish Bhagwati (2012) argues that the US position in the TPP negotiations appears more concerned with challenging China than promoting trade liberalization across the Pacific.

However, the TPP has already had an impact on East Asian regionalism. It has provided an added incentive for China, Japan, and South Korea to give greater attention to the Trilateral Summit Meetings, which bring the heads of the governments together on an annual basis, and to commence negotiations over a trilateral PTA (Xinhuanet 2012). At the same time the TPP has encouraged ASEAN leaders to seek to maintain the centrality of the Association in Asian trading arrangements by proposing the Regional Comprehensive Economic Partnership (RCEP). The RCEP will include such provisions as flexibility in allowing for differential treatment for ASEAN members depending on their stage of development; being open to new members, including other Asian countries such as China and India; and “pursing a simplified approach to ROOs” (Das 2012).

The first decade of the twenty-first century, then, was an important time in the development of Asia’s PTAs. As the major PTAs—such as the Australian-US agreement or the China-ASEAN agreement—came into force, they became increasingly institutionalized. The Australian and US governments have initiated working groups to promote closer cooperation on agricultural trade, sanitary and phytosanitary issues, and environmental concerns, and established committees to oversee the implementation of the various aspects of the PTA (USTR 2012a). The China-ASEAN Free Trade Area has similarly spawned coordinating committees as well as such initiatives as the annual China-ASEAN Expo, and the development of the Nanning-Singapore Economic Corridor. In addition, many companies have adjusted their strategies to take advantage of the provisions in the various PTAs that have emerged in linking countries around the region (Kawai and Wignaraja 2011). Such developments have consolidated the various PTAs, making it increasingly difficult to disentangle and rationalize the noodle bowl of regional economic institutional linkages.

Beyond PTAs a range of other regional economic institutions can be found across Asia. Obviously not all can be included in this analysis. As a way of illustrating that compromises can be reached in regional economic institutions, despite competing ideas promoting competing policies, this analysis turns to an assessment of the Asian Development Bank (ADB). The ADB was founded in 1966 primarily on the initiative of the Japanese government, although the United States and, to a lesser extent, significant European countries were also involved. From the outset, both Japan and the United States have been influential in the development of the Bank. Japan has been the largest contributor of funds, and the president and some key senior “reserve positions” are always held by Japanese nationals who are usually rotated through from high positions

in the Japanese economic bureaucracy. But from the inception of the ADB Japan had to accede to a greater weight of extraregional voting being apportioned to the US and European countries than it would have liked (Rathus 2008).

As a consequence of the prominent roles for both Japan and the United States in the ADB, it is perhaps inevitable that there should be clashes over the underlying philosophy driving the Bank's policies. Ming Wan (1995–96) argues that at different periods in the ADB's history Japan and the United States have taken turns playing the dominant role. Hence, the tensions that are evident in the other regional economic institutions in East Asia and the Asia-Pacific are also observable in the ADB and have been institutionalized via a series of projects and programs. Significantly, however, while there is a certain level of push and pull that persists, the ADB has had a longer period to find ways to accommodate various competing economic approaches. For example, two of the ADB's main sectors remain transportation infrastructure and energy, which can satisfy the interests of both those who promoted Japanese developmentalism and those who promote US market-liberal approaches (see ADB 2012).

35.5. CONCLUSION

What is the future of Asia's regional economic institutions? Can the noodle bowl of economic linkages be disentangled and can the region's formal economic institutions provide a basis for positive economic growth? This analysis has raised three crucial points that have to be taken into consideration in answering these questions. First, ideas will continue to be at the core of the region's economic institutions. Although there are many contending ideas to be found around Asia regarding how economic development should be achieved, two main sets of ideas stand out. On the one hand is the Anglo-American approach, which emphasizes a market-led strategy to promote economic liberalization across the region. On the other hand, there are those ideas associated with a developmental approach to economic regionalism. This approach stresses straightforward, primarily trade-focused, economic agreements with respect for the sovereignty of the participants constituting a key value. This clash of ideas shows every sign of continuing well into the future.

Regional institutions have matured and become increasingly institutionalized as they have expanded their realms of operation and developed structures such as secretariats, committees, working groups, projects, and programs. The original ideas that inspired the creation of the region's economic institutions remain at their center, and help to shape the way they develop. The emergence of Asian regional economic institutions has constrained some states, most notably the United States, which had hoped to use APEC, for example, as a means of promoting its liberalizing, market-led conception of open regionalism. But the United States was hampered in APEC by the increasing institutionalization of ASEAN's main norms of sovereignty and the protection of companies serving domestic markets. Indeed, ASEAN

members generally, and increasingly China, have been empowered by the rise of the region's economic institutions. Individually, ASEAN members tend to be considered relatively minor economies, yet as a group they have greatly influenced the development of Asia-Pacific regional economic institutions. Together, the ASEAN members have slowed US market-led reforms through APEC and spurred the formation of APT and the development of the China-ASEAN Free Trade Area (CAFTA). Moreover, as it sought out new regional and international organizations free of US—and more generally Western—interests, China also found that regional economic institutions such as APT, CAFTA, and the Shanghai Cooperation Organization were valuable vehicles for the promotion of their regional and global interests. This increased institutionalization will likely make it more difficult for Asia and especially the Asia-Pacific to develop a coherent set of economic policies and to disentangle the noodle bowl.

Finally, the clash of ideas within Asian regional economic institutions and the extent to which these tensions have become embedded through increased institutionalization needs to be noted. There is clearly an argument to be made that the set of ideas associated with the Anglo-American, market-led, open regionalism dominates APEC's approach to regionalism, while the ideas associated with the developmental government-guided approach that envisages a greater respect for sovereignty and a looser form of cooperation dominates APT thinking. Yet, within each organization, elements of both approaches can be found. Similarly, within the PTAs that traverse the region there are competing approaches. Of course, institutions can change, but unless transformation is expedited in response to a major crisis, this will occur relatively slowly.

Because they have become institutionalized, the two approaches outlined in this analysis will not go away; they will continue to be at the center of negotiations over economic policy within regional economic institutions. The outcome of this struggle will depend to an extent on the economic and political strength of their main proponents, the United States and China as well as some of the other significant players, such as ASEAN and India. Perhaps the most likely possibility—as the example of the ADB's history as well as experience with the CMIM suggests—is that a compromise may be reached between the two approaches over the long term. Certainly, the likelihood that the noodle bowl of regional economic linkages will be disentangled in the near or even intermediate future is very small. Yet, although this may mean that Asia's economic development will not be as favorable as many might hope, remarkable economic growth has been achieved in parts of Asia in the past, even with the clash of economic philosophies, and will likely continue into the future.

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CHAPTER 36

TRADE INSTITUTIONS IN ASIA

VINOD K. AGGARWAL AND MIN GYO KOO

THE historical lament that Asia lacks trade institutions has in recent years been replaced by arguments that there are too many regional institutional forums addressing trade. Yet despite—or possibly because of—this proliferation of accords, the bulk of Asian regional institutions remain relatively informal and their underlying legal rules—with exceptions such as ASEAN—tend to be soft.

This chapter focuses on how we can account for variations in the formality of trade institutional outcomes. Second, it reviews the likely future trajectory of different trade arrangements in the region and how they may be reconciled with one another.

36.1. CHARACTERIZING THE INSTITUTIONAL LANDSCAPE OF TRADE IN ASIA

East Asian countries in particular appear to have had little interest in formalizing regional institutions, with ethnic Chinese, Japanese, and US corporate networks serving as the needed linkages among economies in the region. However, beginning in the early 1990s with the end of the Cold War, and particularly in the aftermath of the 1997–98 Asian financial crisis, concern grew among East Asian states regarding the need to pursue greater institutionalization beyond these networks (Aggarwal and Koo 2008).

Table 36.1 illustrates the historical evolution of extant and newly created accords. As the table indicates, the most salient features in the development have been the creation of minilateral accords with several countries in the 1990s and the proliferation of bilateral (preferential) free trade agreements in the 2000s.

In an effort to comprehensively analyze these accords, it is useful to consider eight main features, grouped into three categories (Aggarwal and Lee 2011; Aggarwal 2001; Aggarwal and Koo 2008). First, individual governments choose (1) the number of

Table 36.1 Evolution of Trade Agreements in Asia

Pre-1980	1980s	1990s	2000s
GATT (1947)	GATT	WTO (1994)	WTO
(ASEAN) ^a (1967)	ASEAN	ASEAN	ASEAN
	APEC (1989)	APEC	APEC
	ANZCERTA (1983)	ANZCERTA	ANZCERTA
	SAARC (1985)	ASEAN/AFTA (1991)	ASEAN/AFTA
		ASEM (1996)	ASEM
		ASEAN+3 (1998)	Shanghai Cooperation Organization (2001)
		SAPTA ^b (1995)	ASEAN+3
			SAFTA ^b (2006)
			Japan-Singapore FTA (2001)
			Other bilateral FTAs (2001–)
			ASEAN+6 (2005)
			P4 (2006) and TPP (2008)
			EAC (2009)
			ASEAN+8 (2010)

^a While ASEAN was established in 1967, it did not actively focus on trade until later.

^b SAPTA and SAFTA refer to the South Asian Preferential Trade Agreement and South Asian Free Trade Agreement. These accords have not yet resulted in complete free trade, as all countries have large negative lists that exclude sensitive products, and political relations have impeded intra-regional trade.

accords sought, for example, bilateral PTAs and/or minilateral and global multilateral agreements; and (2) the regional sequencing of trade agreements.¹

Second, in terms of the characteristics of agreements, countries may have differing preferences with respect to three dimensions: (1) *actor scope*, which refers to whether the agreement is bilateral, minilateral, or multilateral;² (2) *geography*, which refers to whether the agreements are focused within or outside the region, including defining what constitutes a region; and (3) the *size of partners*, large or small.

Third, we can look at the specific characteristics of agreements in three dimensions: (1) *issue scope*, that is, the range of issues that a policy or arrangement deals with, running from narrow to broad; (2) the *nature* of the agreements, ranging from market opening or closing; and (3) the *institutional strength* of the arrangement being negotiated.

With respect to actor scope and geography, it is clear that we have increasing numbers of actors in each accord, on a range from ASEAN to APEC. In addition, the variation in terms of geographical focus and size of partners directly corresponds with the number of actors. With respect to specific institutional characteristics, it is evident that most agreements are very weak in terms of organizational structure, which can be conceptualized in terms of formal or informal focus on centralization (a secretariat); control (collective decision-making procedures); and flexibility (limits on ad hoc

measures). The issue scope and the nature of these agreements tend to be broad and relatively liberal; in all likelihood this is tied to their weak prescriptive capacity, which does not tightly constrain countries, leaving them free to set broad goals.

The trend that we currently see in terms of the institutional change of these agreements poses an interesting question of institutional creation and change: Why have these accords evolved in the specific way that they have, and what role have key powers such as the United States, China, Japan, South Korea, and India played in this change? To consider these questions, we turn to the discussion of an institutional design framework.

36.2. DESIGNING TRADE INSTITUTIONS

The design of new institutions or the modification of old ones is a problem that confronts all national decision-makers. As they make decisions on how to proceed, actors must weigh the relative benefits of new versus modified institutions, the types of characteristics they favor, and how institutions they create or modify will fit with existing regimes (Aggarwal 1998). In Asia, the GATT was for many years the dominant institution managing state trade behavior, although some states were latecomers—South Korea joined in 1967, while China was not readmitted until 2001. The puzzle is: Why have actors in the region decided to pursue options other than the GATT/WTO to govern trade relations?

In terms of analytical approaches, theories of international relations are able to shed light on the formation and evolution of international institutions. Among the different schools of thought, structural realists argue that institutions are at best epiphenomenal, with little constraining effects on states (Waltz 1979; Mearsheimer 1994–95; and see Mastanduno in this volume). By contrast, neorealist institutionalists argue that dominant powers—hegemon—create institutions to facilitate the management of a given system (Grieco 1990).³ Neoliberal institutionalists (see Haggard’s chapter in this volume), by contrast, attribute greater weight to the importance of institutions, arguing that they can reduce transaction costs by disseminating information and lowering organizational costs of negotiating agreements. For them, institutions may strongly increase the incentives of actors to keep cooperating, even in the face of a declining hegemon (Keohane and Nye 1977; Keohane 1984; Aggarwal 1985; Milner and Moravcsik 2009). Constructivists view institutions as being fundamentally important in the international system and argue that they help actors to define their interests and possibly even to change them. In explaining the origins of institutions, they highlight the interplay of politicians and experts, arguing that international institutions may decline in the absence of cognitive consensus—even if power shifts do not occur (Haas 1980).

In an effort to more systematically examine the changing patterns of intra- and extraregional trade, and the design and evolution of trade institutions, we focus on an institutional bargaining approach that draws on several elements of these theoretical

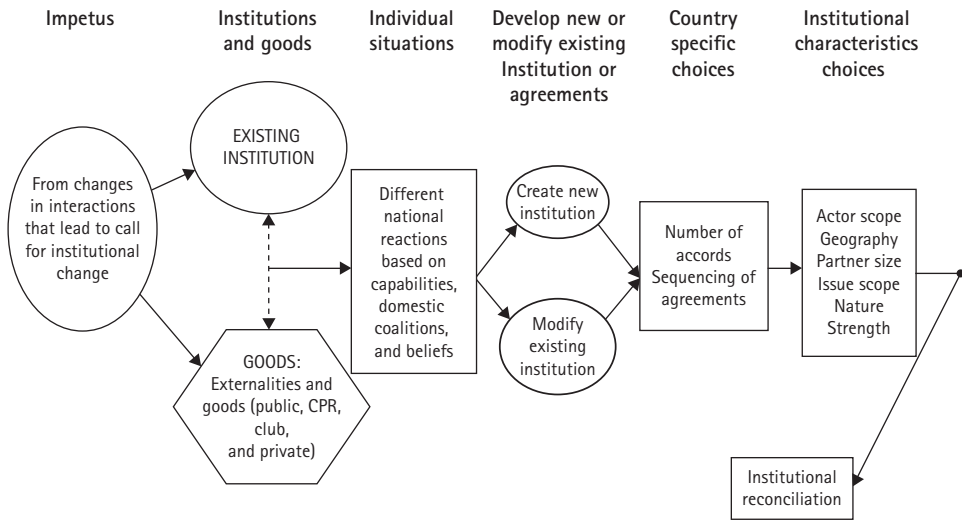


FIGURE 36.1 The Institutional Bargaining Game.

Source: Adapted from Aggarwal 1998.

approaches, but more directly focuses on the process of institutional design.⁴ The institution bargaining game discussed here consists of several phases (see figure 36.1).

In the first phase, a specific shock, such as the end of the Cold War, or a secular trend such as the increase of Chinese imports to the United States, is likely to alter the pay-offs from existing trade arrangements.⁵ Based on the interplay of existing institutions and goods, countries will have varying interests in pursuing new institutions or agreements, or simply in choosing to modify those agreements based on their individual situations. Goods refer to whether benefits are public, common pool resources (with crowding, as in the case of a limited market), club goods (with benefits accruing only to members), or private. These situations reflect the foreign policy interests of states, driven by their material and relative systemic capabilities; their domestic political dynamics, based on state-society relations; and their ideological interests.

Depending on this choice and still dependent on the individual situations, countries must decide on both the number of trade accords and their sequencing. Based on bargaining with one or more states, the resulting agreements or institutions can be characterized in terms of actor scope, geography, the size of each country, issue scope, nature, and strength. The final decision node concerns the question of institutional reconciliation. Simply put, if new institutions are created or existing ones modified, should they be reconciled with existing institutions? If actors do choose to reconcile institutions, they must consider whether a hierarchical order of nested institutions needs to be established, or a division of labor among institutions (horizontal linkage). Although institutional reconciliation is an important question for decision-makers for either issue- or regionally based accords, here we focus on regionally based

reconciliation.⁶ An example of nesting regional institutions is the development of APEC in 1989 and its relationship to the GATT. An alternative mode of reconciling institutions would be simply to create horizontally linked institutions that deal with separate but related activities. For example, the ASEAN Regional Forum deals primarily with security, while APEC—which has a different membership—is more trade-focused.

36.3. EXAMINING THE EVOLUTION OF APEC, AFTA, ASEAN+3 AND 8, SCO, AND SAARC

36.3.1. APEC's Evolution

The problems in the GATT Uruguay Round and changes in the European Community provided a key impetus for APEC's creation. With the Europeans moving to a unified market and an impasse in GATT negotiations, Australia, Japan, and other like-minded countries were concerned about the consequences of European integration. For many state and nonstate actors in the region, discussions regarding trade liberalization under the GATT's auspices resulted in unsatisfying payoffs for many actors, ultimately catalyzing APEC's formation (Aggarwal and Morrison 1998; Ravenhill 2001; and see chapter 35).

With regard to institutional characteristics in the case of APEC, membership of the multilateral arrangement in terms of actor scope and geography has been open to considerable ongoing debate. The creation of APEC involved debate over the inclusion of the United States. The question of how binding APEC should be and its degree of institutionalization has been particularly controversial. Whereas the United States and others have pushed for binding rules and procedures, most notably with recent interest in a Free Trade Area of the Asia-Pacific (FTAAP), many Asian countries have shown considerable reluctance to move in this direction. The issue of regime nature has been much less contentious, with all countries at least formally supporting an open liberal arrangement. Issue scope has been open to greater debate, with concern that the United States would set the agenda. But over time, APEC has begun to expand its mandate. In some cases the issue of expansion has been criticized as undermining APEC's core mission—as with security, which appeared to dominate the US agenda after 9/11—a shift that would create overlapping mandates.

In terms of the bargaining process leading to APEC, we have seen a multilateral approach to this institution's creation. In contrast to the hegemonic leadership of the United States in the post-World War II era, Australia, supported by Japan and encouraged by the United States, worked to develop APEC. Since then, although the major powers have had more say in APEC's evolution, middle-level powers continue to play a key role.

36.3.2. ASEAN and AFTA

With the end of the Cold War, ASEAN members sought ways to expand its scope beyond security issues (see Ba's chapter in this volume).⁷ During this time ASEAN members also became increasingly concerned about the growing trend of regionalism in the rest of the world and the flow of foreign investment into China (Elliott and Ikemoto 2004, 4). Moreover, ASEAN members feared becoming isolated by the protectionist policies of other regional trade blocs while simultaneously facing pressures from the WTO and the IMF to expedite their own regional trade liberalization (Cuyvers, De Lombaerde, and Verherstraeten 2005, 3). To this end, the ASEAN states agreed to the creation of AFTA in January 1992.

AFTA, consisting of relatively small members in terms of economic power, can be classified as being relatively weak, liberal in nature, and medium in terms of scope. With respect to its nature, members sought to bring all intra-ASEAN tariff levels for nonsensitive goods down to the 0–5 percent range within ten years from 1994. Members instituted a common effective preferential tariff (CEPT) that would make intra-ASEAN exports less expensive and bolster integration. The regime remained weak, with many product exceptions, a minor role for the secretariat in monitoring compliance, and no specific timetable for tariff reduction. In 1995, AFTA's issue scope widened to include services. In September 1995, the ASEAN economic ministers agreed to create a dispute settlement mechanism, which was largely based on the WTO Dispute Settlement Understanding, although it lacked much of its power (Koesrianti 2005, 238).

In December 1997, the ASEAN states adopted ASEAN Vision 2020, declaring their intent to proceed with regional integration and liberalize trade in goods, services, investments, and capital. Faced with growing concern about the economic rise of China and India, and the new turn to bilateral preferential trade agreements at the turn of the millennium, ASEAN members attempted to accelerate their integration (Ravenhill 2008). These factors combined with the unsettled security environment marked by the Bali bombing of October 2002 to generate a strong impetus for deeper integration (Smith 2004, 423). In 2003, ASEAN established the AEC with the 2003 Bali Concord II to create a single market and production base for ASEAN, with free movement of goods, services, investment, and skilled labor by 2020.

In 2007, additional strengthening of ASEAN eventuated with the signing of the ASEAN Charter at the Thirteenth ASEAN Summit in Singapore. This charter created a rule-based entity; called for the creation of enforceable rules in finance, trade, and the environment, and the establishment of a regional human rights body; and pushed to accelerate the process toward full liberalization through the AEC blueprint from 2015 to 2020.

36.3.3. ASEAN+3 (APT) and RCEP

The efforts to create an ASEAN+3 grouping resembled the forum broached in 1990 by Prime Minister Mahathir of Malaysia—an East Asian Caucus—and one that was

strongly opposed by the United States (see Ba's chapter). Ironically, APT formation was prompted by the EU. Singaporean prime minister Goh Chok Tong proposed a meeting of ASEAN with the Europeans, leading to the first Asia-Europe Meeting (ASEM) in March 1996 (Stubbs 2002; Gilson 2004). Most significantly, when ASEAN members asked that Japan, China, and South Korea join the meeting, the APT grouping began to take shape. The APT meeting also set in motion a trend toward cooperation among Japan, China, and South Korea, which has manifested itself more recently with a Trilateral Investment Agreement and proposed negotiation of a Northeast Asian Free Trade Agreement (NEAFTA) (Aggarwal et al. 2008).

The Joint Statement on East Asia Cooperation in Manila at the Third APT Summit in November 1999 solidified cooperation between ASEAN and the +3, endorsing the Five Principles of Peaceful Coexistence,⁸ the principles of the UN Charter, and the ASEAN Treaty of Amity and Cooperation. This broad nesting of APT has continued to this day. In addition, in terms of promoting expert consensus, the East Asia Vision Group, launched by South Korean president Kim Dae-jung in 1999, contained proposals to broaden East Asian cooperation, including establishing an East Asia Free Trade Area and liberalizing trade. Yet while trade cooperation has not really flourished, the countries have achieved cooperation in creating a currency swap arrangement in 2000 known as the Chiang Mai Initiative. Still, in terms of institutional strength, the APT remained weak. With respect to a broader grouping, the Regional Comprehensive Economic Partnership (RCEP) consists of ASEAN members, as well as China, Japan, Korea, Australia, New Zealand, and India. This regional trade liberalization effort was first framed in February 2012 at the ASEAN Economic Ministers Retreat. It was later formalized the following November at the East Asian Summit held in Cambodia. Brunei hosted the first round of negotiations in May 2013 where officials established working groups on the three issues they hoped to address: trade in goods, trade in services, and trade in investment. At this point, negotiations are slated to conclude by 2015, which may be an excessively ambitious goal. The question of institutional reconciliation remains an open one. With the APT, RCEP, and APEC all vying for institutional space, the issue of how these arrangements might be nested or horizontally linked with some systematic division of labor remains unresolved.

36.3.4. Shanghai Cooperation Organization (SCO)

The SCO differs in many ways from the other trade organizations in Asia to the extent that it started as a pure security organization. Nevertheless, it has served the broad interest in creating a stable environment for economic development. The SCO has added an explicit free trade agenda. Many experts note that the SCO illustrates a traditional security organization expanding to the economic arena, which in turn affects the security landscape. All the SCO member countries pursue economic integration with the global market. In the meantime, the SCO faces difficult membership issues (see chapters 25 and 35). Before the 2011 SCO summit, admission of new members became a

high-profile issue. Iran, Pakistan, and India applied for membership and Afghanistan applied to become an observer state. China has been hesitant to admit India, arguing that the SCO is still too young to admit a large power like India. China is concerned that India's admission would make the organization's decision-making process much more complicated.

China has been particularly active in promoting the SCO with several goals, both strategic and economic.⁹ One of the most important incentives for China to support the SCO is to create a friendly environment for economic development. China has also been keen on energy security (see chapter 28), and the SCO also serves Chinese interests in dealing with domestic separatists and with cross-border crimes. In addition, closer economic ties with Central Asia advance the Chinese government's strategy for developing the country's western regions. Similar to China's participation in other regional trade institutions discussed in this chapter, China's western provinces and autonomous regions have been particularly interested in economic cooperation through the SCO, seeing Central Asia as their outlet to the global market for economic gains and policy performance.

36.3.5. From South Asian Association for Regional Cooperation (SAARC) to South Asian Free Trade Area (SAFTA)

The evolution of regional trade cooperation in South Asia has been fraught with overarching political constraints (see chapter by Narlikar). Following the partition of India by the British in 1947 and creation of the Muslim state of Pakistan, these two countries have fought three wars and been on the verge of armed conflict on more than one occasion. In addition to political and security factors, the pursuit of import substitution by all of the countries in the region further impeded any interest in liberalizing trade on a regional basis. In this context, efforts to promote economic cooperation have clearly floundered, although recent efforts to liberalize trade in the region have been progressing, albeit slowly.

Although the idea of regional integration had been broached in the 1970s, intraregional trade liberalization failed to materialize. The South Asian Association for Regional Cooperation (SAARC), created in 1985 after several years of discussion, included Bangladesh, Bhutan, the Maldives, Nepal, India, Pakistan, and Sri Lanka, with Afghanistan joining in 2007. Yet despite a call for cooperation in economic and other areas, this organization did little to promote trade liberalization in the region, and intraregional exports as a proportion of total trade within the region dropped from 4.8 percent in 1980 to 3.2 percent in 1990 (Shams 2005, 48). In 1995, the countries agreed to create a South Asian Preferential Trade Agreement (SAPTA). The following year, SAARC members decided that they would significantly liberalize trade through the creation of a South Asian Free Trade Agreement (SAFTA) by 2000.

Political problems again intervened, with India and Pakistan testing nuclear weapons in 1998, followed by conflict in Kashmir over Kargil, which also led to increased

pressure being exerted on the two countries by the major powers in view of the danger of conflict escalation between nuclear armed rivals (see chapters by Ganguly and Yuan in this volume). After several years of negotiations beginning in 2002, SAFTA was implemented in July 2006, with full implementation by all members by 2015. In terms of actor scope, there are few prospects for expanding SAFTA beyond its current eight members, as the geographical focus remains on South Asia. There have been efforts to expand its issue scope to encompass services and investment, but to this day, most countries retain a significant number of exceptions, even in manufacturing and agriculture. The agreement remains relatively underinstitutionalized and reliant on consensus-based decision-making. In terms of intraregional trade, little has changed. Currently, SAARC members only account for 4.31 percent of trade in the region, and this figure has been growing at a rate of only 2 percent on average over the last two decades (De 2011).

Currently, India appears to have little interest in making SAFTA the center of its trade efforts. Instead, as we discuss in the next section, in light of the stalled Doha Round of the WTO, India has increasingly focused on the negotiation of bilateral trade agreements with extraregional countries in an effort to boost its trade presence in the global economy (see Narlikar in this volume).

36.4. MAJOR ACTORS' PREFERENCES FOR TRADE INSTITUTIONS

36.4.1. The United States, the FTAAP, and the TPP

Although Asian countries have pursued a host of regional trade agreements, they have done so in the long-standing context of active US engagement in Asia. Thus, understanding US strategy toward Asia provides a critical context for understanding the likely prospects for further Asian regional trade integration.

Many US policymakers and most outward-looking interest groups have been concerned about the creation of a “line down the middle of the Asia-Pacific” (Bergsten 2007, 1). To respond to Asian initiatives, the US approach to reengaging with Asia is twofold: bilateralism and multilateralism.

First, the US turned its eyes to ASEAN in pursuit of an ASEAN+1 agreement. Responding to criticisms that the United States had been distracted by the war on terror, while China was heavily investing diplomatic and economic capital in Southeast Asia, in November 2005 the Bush administration announced a joint vision statement on the ASEAN-US enhanced partnership and agreed in principle to begin negotiating an ASEAN-US trade and investment facilitation agreement. This effort supplemented an already active US engagement effort with individual ASEAN countries. Second, with APEC faltering in its effort to promote open trade—despite the recent claim of

victory by developed countries in meeting the Bogor Goals—the United States has sought to revitalize APEC in various ways, most prominently the FTAAP and more recently the TPP. Under the Bush administration in 2006, the United States shifted its position to support FTAAP, a strategy in which it had previously shown little interest. The Obama administration in turn sought to promote the FTAAP through the pursuit of the Trans-Pacific Partnership, which builds on the 2006 P4 agreement linking Singapore, Brunei, New Zealand, and Chile, and then subsequently Peru, Australia, Vietnam, Canada, and Mexico (Capling and Ravenhill 2011).

36.4.2. China and ASEAN+3

Chinese leaders have become less wary of the potentially disruptive effects of minilateral regional forums on China's national autonomy, given their realistic understanding of those minilateral forums' limited influence in multilateral talks such as the WTO and APEC. Instead, China has increasingly become interested in regionalism within East Asia, where it could play a dominant and effective role. Political and strategic considerations are greatly important in China's minilateral strategy (see Ba's chapter).

To Chinese leaders, ASEAN+3 offers an ideal institutional platform to raise its profile and image in the region. It imposes few economic and political costs, while presenting an opportunity to allay concerns over the China threat. China continues to press for making ASEAN+1 the basis of an East Asian Community (EAC) and ASEAN+3, and has repeatedly voiced that ASEAN+3 should be the core trade liberalization arrangement in Asia. China has appeared to be very receptive to working with Malaysia, Thailand, and Indonesia, even in the face of criticisms regarding the potential impact of the China-ASEAN FTA, which came into effect on 1 January 2010 (Hoadley and Yang 2007; Goh 2011).

Although the ASEAN+3 process has continued, China surprised observers with its decision to negotiate an ASEAN+1 agreement, that is, the 2002 framework agreement on ASEAN-China economic cooperation among the eleven nations. Guided both by nontraditional security considerations and by economic motivations, the China-ASEAN strategic partnership has become an institutionalized process, as manifested by an annual cycle of summits and high-level meetings. Among others, ASEAN's raw materials and energy resources are vitally important to China's current and future economic growth.

ASEAN holds the key to China's security because substantial land and maritime borders overlap. Roughly three-quarters of China's energy imports pass through the South China Sea (see chapters by Jain and by Fravel in this volume). China also acknowledges that ASEAN may well determine which of today's budding arrangements will prevail in East Asia. For ASEAN countries, following China's lead may be prudent when considering the economic window of opportunity. Shared vulnerability accounts for the reason China and ASEAN are drawn to an ASEAN+1 mechanism. Most ASEAN governments that remain politically fragile have limited capacities, depend on economic

growth for political legitimacy, and are relatively more exposed to nonmilitary threats than to traditional military threats (Arase 2010, 810–20).

Still, China's unilateralism faces uncertain strategic challenges, especially its ongoing rivalry with Japan. It is remarkable that Japan and China have managed to agree on limited monetary cooperation through the Chiang Mai Initiative. The two countries have forged closer economic ties; however, political wariness and rivalry have characterized postwar Sino-Japanese relations (Koo 2009; see also Hughes in this volume). The essentially unresolved issues of East Asian membership and the overlapping competition of forums—that is, ASEAN+3, +6, and the East Asian Summit (ASEAN+8), and the TPP—indicate divergent views on China's regional role and complex economic-security implications for its neighbors.

36.4.3. Japan and ASEAN+8

China's move toward ASEAN has prompted and intensified regional rivalry. In particular, Japan quickly followed with its own framework accord with ASEAN in 2003, with implementation beginning in 2009. Between 2007 and 2008, Japan made two proposals to drive a wedge into ASEAN+3 favored by China: (1) a Comprehensive Economic Partnership Agreement in East Asia (CEPAE), to be pursued within the EAS; and (2) a Japan-ASEAN Comprehensive Economic Partnership Agreement (JACEPA) involving free trade, investment, cooperation for environmental protection, technology transfer, human resource management, and other economic areas. Both were presented as a full package of long-term, legally binding developmental benefits, as opposed to China's partial packages offered to ASEAN. Japan also funded the Economic Research Institute for ASEAN and East Asia (ERIA), inaugurated in Jakarta in 2008 to undertake policy research for regional economic integration with an aim of serving as an East Asian OECD (Terada 2010; Goh 2011).

Although committed to cooperation within ASEAN+3, Japan prefers opening up the forum as much as possible to advance exclusive regional integration, primarily due to its strategic opposition to China's leadership. It was Japan that initially proposed the ASEAN+6 framework as an expanded East Asian regional concept despite the existence of ASEAN+3 (Terada 2010, 72). In December 2005 the ASEAN+6 proposal evolved into the East Asian Summit, following the ninth ASEAN+3 summit in Kuala Lumpur. The EAS was supposed to elevate the ASEAN+3 process to high-level dialogue concerning political security and economic issues. Along with Indonesia and Singapore, Japan successfully lobbied for the inclusion of Australia, India, and New Zealand ostensibly as part of its push for universal values and open regionalism, but implicitly to deter potential Chinese domination within the EAS. However, China earned Malaysia's consent for according the ASEAN+3 meeting, not the EAS, the primary responsibility for building the East Asian Community, thereby raising questions over the future of EAS and regional polarization (Goh 2011, 390–91).

36.4.4. India Looks East and the Pursuit of FTAs

Beginning in 1991, India began a dramatic economic transformation away from years of inward-looking economic policies toward insertion into the global economy (see Narlikar in this volume). With the end of the Cold War, followed soon thereafter by its 1991 balance of payments crisis, India moved rapidly toward domestic liberalization and in trade initiated its “Look East Policy” (LEP), which emphasized trade with ASEAN and other East Asian countries.¹⁰

Facing a dire need for financial resources and inward investment to transform its ISI-based economy to an export-oriented one, and the attractiveness of the apparently successful East Asian model, India sought closer relations with ASEAN. Relations with ASEAN rapidly improved, with India becoming a sectoral dialogue partner in 1992 on trade, investment, tourism, and science and technology, and a full dialogue partner in 1995. With respect to the LEP, another initiative known as BIMST-EC (the Bangladesh, India, Myanmar, Sri Lanka, Thailand-Economic Cooperation group) also officially came into existence in June 1997, providing an additional steppingstone to ASEAN through Thailand and creation of a grouping that excluded Pakistan.

In the wake of the 1997–98 Asian financial crisis, India’s LEP faced a major challenge. Markets for India’s goods weakened in the region, and East Asian countries also began to consider the negotiation of preferential trading arrangements with each other. Soon thereafter, India arranged an FTA with Thailand (2003), Afghanistan (2003), Singapore (2005), Bhutan (2006), Chile (2007), MERCOSUR (2009), South Korea (2010), Malaysia (2011), ASEAN (2011), and Japan (2011). It became active in negotiations with the EU, Indonesia, Australia, Canada, New Zealand, Turkey, EFTA, the GCC (Gulf Cooperation Council), SACU (South African Customs Union), Mauritius, and Egypt, and began exploring accords with Russia and China. In many cases, India has responded to China’s pursuit of FTAs by seeking its own as a counterbalance and is now negotiating trade opening as a member of RCEP.

36.5. CONCLUSION

One of the most striking features of Asian countries’ institutional design is that they have departed over the past ten years from multilateralism toward a multidimensional trade strategy focusing on bilateral FTAs on the one hand, and minilateral economic forums such as ASEAN+3 and +8 on the other. Asian countries’ interest in a multidimensional trade strategy reflects the growing demand for an insurance policy to liberalize trade beyond goods and services. The new preferences for bilateralism and minilateralism in Asia have been driven by their top political and bureaucratic elites, while other nonstate groups play a less significant role in institutional design at the external level. Although the Asian countries’ pursuit of bilateralism and minilateralism

does not necessarily mean that they downplay the significance of the multilateral trading system, the policy departure is obvious and important.

To understand the evolution of institutions, we presented an institutional bargaining game. The central objective of this discussion is to consider the nesting versus horizontal placement of institutions as well as the dimension of substantive (knowledge) versus tactical (power) linkages.

As a tangle of regional institutions compete for attention and resources, and as long as the ASEAN+6 and +8 approaches continue to coexist with the ASEAN+3, Asian regionalism will become more polarized before it is integrated. At the core of effective Asian integration lies a close and cooperative Sino-Japanese relationship, particularly during a time when the role of the United States as a hegemonic broker between the two regional giants continues to wane. In theory, the larger membership may expand both the security and economic interest of the members. In practice, however, a consequent dilution of common purpose has served no members thus far.

The essentially unresolved membership issues and the relationship of competing minilateral forums indicate divergent views on China's regional role and complex economic-security implications for its neighbors. Given the prospective demographic and economic distribution of power within the region, China's neighboring countries have strong incentives to bind extraregional powers to East Asia. As such, many in the region recognize that US engagement is critical to this goal because no other country or combination of countries can balance a growing China. The continuing importance of the United States as a provider of security and as a vital economic partner in East Asia underscores the defining feature of future East Asian regionalism, namely its "porousness" (Katzenstein 2005, 21–30). However, the road toward US-led transpacific regionalism is likely to be rough. China has not taken an official stand on this issue, although its skepticism about US intentions with TPP has abated. Also, for the United States an accord that promotes complete free trade with China would be uphill battle in Congress.

To conclude, whether these trade-focused institutions will achieve a type of nested arrangement or a horizontal division of labor remains an open question. How institutions will evolve in this light and how countries will maneuver to achieve their goals will be a function of domestic and international politics, rather than a matter of optimal economic trading zones.

NOTES

1. One could of course look at other sequencing choices such as moving from bilateral to minilateral or multilateral to minilateral, and so on.
2. Because we are interested in negotiated accords, we do not consider unilateral measures to control or manage economic flows (see Aggarwal 2001).
3. For discussion of different schools of thought concerning institutional design, see the introduction to this volume; and Aggarwal 1998.

4. For more details about the ideas and beliefs surrounding regional economic institution-building processes, see Stubbs and Mustapha's chapter in this volume.
5. Institutional creation may take place in an issue-area vacuum, as in the case of the creation of the GATT. In view of our focus on the more recent past, we take the existence of an institution such as the GATT as a given.
6. See Aggarwal 1998 for a discussion of issue-area nesting and horizontal linkages.
7. This discussion on AFTA draws heavily on Aggarwal and Chow 2010.
8. The Five Principles of Peaceful Coexistence are a set of principles to govern relations between states. Their first formal codification in treaty form was in an agreement between China and India in 1954. This agreement stated the five principles as (1) mutual respect for each other's territorial integrity and sovereignty; (2) mutual nonaggression; (3) mutual noninterference in each other's internal affairs; (4) equality and mutual benefit, and (5) peaceful coexistence.
9. In contrast, Russia is often viewed as the main reason for the slow progress of economic cooperation. Russia is concerned that China will expand its influence through economic cooperation in a region Russia considers to be its traditional sphere of influence.
10. The discussion of the LEP draws heavily on Aggarwal and Mukherji 2007.

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CHAPTER 37

GEOGRAPHY AND THE SECURITY DILEMMA IN ASIA

JENNIFER LIND

37.1. INTRODUCTION

CONTEMPORARY Asia is host to numerous security competitions. In South Asia, Pakistan, and India sit in a long-standing rivalry fraught with mistrust, tension, and periodic violence. In Southeast Asia, several countries—among them Vietnam, the Philippines, and Malaysia—compete with China for ownership of islands in the South China Sea. As China grows increasingly powerful and assertive in its claims, this dispute grows ever more dangerous (Glaser 2012; Valencia 2011). In Northeast Asia, severe tension and periodic small-scale violence between North and South Korea could lead to the eruption of war on the Korean peninsula at any time. Moscow is uneasy about the rise of China's power, and is particularly concerned by the growth of the Chinese population and its influence in Siberia. Northeast Asia also has its share of territorial disputes, with Japan and the Koreas contesting ownership of the Dokdo/Takeshima islets, and Japan and China embroiled in a dispute over the Senkaku/Diaoyu Islands. And in relations between the United States and China—which will be the focus of this chapter, as they will define trends in the region—security competition intensifies.

The security dilemma is a model that has vast explanatory power for analyzing these and other security competitions across Asia (Jervis 1978; Glaser 1997; Booth and Wheeler 2008; Herz 1950). The model is based on the observation that efforts that countries take to increase their own security have the effect of reducing the security of others. As a consequence, even countries with peaceful aims can be ensnared by mutual suspicion and arms races. Furthermore, once begun, militarized disputes are difficult to resolve, because steps taken to enhance security can reinforce perceptions of hostile intent.

Scholars have invoked security dilemma theory to analyze the nuclear competition between India and Pakistan (Dittmer 2005): for example, given their mutual distrust,

defensive steps by India to increase the survivability of its deterrent are perceived in Pakistan as a new offensive threat, and vice versa. The model also sheds light on Indian apprehension of a rising China, and the two countries' uneasy relations, and provides a useful lens through which to perceive the dynamics of their territorial dispute (Fravel 2011 and chapter 27 in this volume; Garver 2002). China is upgrading its naval capabilities—perhaps, as Beijing argues, to protect Chinese commerce, particularly energy supplies, through vital sea lanes. But regardless of Beijing's motivation, China's increasing maritime power alarms many regional actors, among them New Delhi—which feels threatened by increased Chinese power in the Indian Ocean—and the several Southeast Asian countries with which China has island disputes in the South China Sea (see Fravel in this volume).

Scholars have argued that the severity of the security dilemma is powerfully affected by geography (Jervis 1978). Yet Asia is an enormous, sprawling region, encompassing every type of geography: massive deserts, the world's tallest mountains, barren steppes, dense jungles, and, of course, enormous megacities. Geography is a variable that affects the severity of the security dilemma in Asia. But the unit of analysis must be narrower than "Asia" because of the widely varying values of that variable across the region.

This chapter focuses on the security dilemma in contemporary Asia, with a particular focus on East Asia. That subregion is projected to be the driver of global economic growth in the twenty-first century; the part of Asia experiencing the greatest population growth; and the home of a rising great power. Because of its economic, political, and geostrategic significance, East Asia thus merits our primary attention. Yet even East Asia is vast, and as such includes enormously disparate geographic zones, from the deserts and steppes along the internal Chinese borders, to the Himalayan Mountains to the south, to tropical islands and the vast expanse of the Pacific Ocean. From the standpoint of geopolitics, however, the essential parts of East Asia are the maritime regions—namely, the part of the Asian landmass within a few hundred miles of the coast, the island chains in the Western Pacific—Japan, the Philippines, Indonesia, and so on—and the sea lanes that divide them. That region encompasses the vast majority of Asia's economic output, an even greater percentage of East Asia's economic growth, and the region's population expansion. From the standpoint of geopolitics, East Asia's most relevant geography is the maritime region.

This chapter makes three arguments about the effect of geography on security dilemmas in East Asia. First, the region's maritime geography and prevailing military technology create powerful defense dominance: a situation that favors the defender in warfare. In the vast waterways of the region, power projection is extremely difficult. As some scholars have already argued (Lind 2000; Ross 1999), the region's defense dominance reduces the likelihood of security dilemmas among countries by dampening both aggressive ambitions and countries' fears of their neighbors' aggression.

Second, at the same time there is a side of defense dominance—one understudied by scholars—that could contribute to conflict spirals in East Asia. Defense dominance makes it extremely challenging for the United States to project power into the region in order to bring to bear the necessary capabilities to defend its allies. Regional defense

dominance means that the United States must generate enormous military power relative to any potential adversary. The level of necessary US dominance is likely to alarm other great powers. The United States, in turn, will be easily threatened by even small efforts to erode US military dominance.

Third, these dynamics are already occurring in the region. Nascent Chinese efforts to push the United States further from its shores and out of its airspace—maritime military modernization employed in a strategy known as “antiaccess, area-denial”—have alarmed the United States. The US military has designed a doctrine aimed at securing continued US access to the western Pacific known as “Air-Sea Battle.” This doctrine, because it is focused on degrading the Chinese ability to locate, track, and strike US military forces in the Pacific, has already alarmed the Chinese. Indeed, current relations show all the hallmarks of a spiral. Assuming the continued growth of the Chinese economy,¹ and continued Chinese efforts to modernize its maritime capabilities, the future of US-China relations looks tense and ripe for conflict.

This chapter proceeds in three sections. In section 37.2 I explain the security dilemma model and the factors that make it more or less severe, paying particular attention to the role of geography. I describe East Asia’s defense dominance and how it stabilizes regional security relations. In section 37.3 I examine the dark side of defense dominance, arguing that the literature about East Asian security has not yet recognized how the region’s defense dominance can have destabilizing effects. Defense dominance can create problems of alliance coordination, and can lead to spirals of insecurity as a result. In section 37.4 I discuss spiral dynamics already emerging in US-China relations; section 37.5 concludes.

37.2. THE SECURITY DILEMMA AND DEFENSE DOMINANCE

Scholars of international relations often use two general models to describe tension, arms races, and the outbreak of interstate war: the deterrence model and the spiral model (Jervis 1976). In the deterrence model, conflict occurs when a country that wants to change the status quo—that is, expand its borders or seize the resources of others—sees an opportunity to use aggressive means to achieve its aims; it observes weakness in another country, and leaps through the window of opportunity before the target can rectify the imbalance. This is called the deterrence model because it prescribes strength as the best means for avoiding conflict. In a deterrence world, military weakness is the problem; the solution is to increase one’s military power.

By contrast, the spiral model describes circumstances in which military power is the problem, not the solution (Jervis 1976). According to the logic of the security dilemma, the spiral model describes circumstances in which one country’s efforts to make itself more secure reduce the security of other countries (Jervis 1978; Glaser 1997; Booth and

Wheeler 2008; Herz 1950). This leads them to take countermeasures, which in turn alarm the other country, confirming its initial suspicions. The result is a spiral of distrust, arms racing, and possibly war.

Countries face the fundamental dilemma of trying to figure out which world they are in, and thus trying to calibrate their power and diplomacy accordingly. If a country arms itself excessively and behaves too aggressively through its rhetoric or diplomacy, this risks the undesirable outcome of a spiral. However, if the country does not arm itself enough, it risks the undesirable outcome of becoming a target.

The good news is that the security dilemma is not always intense. Scholars have noted a variety of factors that affect the extent to which one country's defensive steps threaten others. For example, a country with a territorial dispute should be more alarmed about another country's efforts to protect itself (Kocs 1995; Vasquez 2001). Some strands of democratic peace theory hold that democracies tend to see each other's intentions as benign, compared with how they view authoritarian regimes (Owen 1996; Russett 1993). Liberal institutionalist scholars argue that joint membership in international institutions make countries fear each other less, because institutions provide transparency, and offer forums for building confidence through long-term cooperation (Keohane and Martin 1995; Wallander 1999). Another factor that can mitigate—or exacerbate—security dilemmas is the character of a country's nationalism. Growing power in a state that expresses virulent, “other-maligning” hypernationalism is more alarming than in countries that display a cosmopolitan national identity. One characteristic of a cosmopolitan identity is a country's willingness to admit past human rights violations (Lind 2008; Kydd 1997; Van Evera 1994).

The influence of all of these factors can be seen across Asia—dampening the security dilemma across some dyads, and fanning it in others. The absence of shared democratic norms and institutions elevates mistrust between, for example, India and Pakistan, India and China, and North and South Korea. Scholars pessimistic about the constraining power of regional institutions view them as incapable of building greater trust (Jones and Smith 2006). Others argue that strengthening and broadening the agenda of the region's existing institutions, such as the ASEAN Regional Forum, would promote regional stability (Fukushima 2003). Finally, vitriolic, aggrieved nationalism in China, North Korea, and Pakistan makes their neighbors prone to perceive malign intent behind every act (Schell 2008; Gries 2004). Japan's neighbors link Tokyo's unwillingness to confront past human rights abuses with Japanese nationalism, and are thus more likely to fear increases in Japanese power (Lind 2008).

37.2.1. Geography and the Offense-Defense Balance

Scholars have also argued that another factor affecting the severity of the security dilemma is the offense-defense balance. Theorists argue that when conditions make offensive military operations harder than defensive operations, the pernicious consequences of both models are less severe (Jervis 1978). The problems of the deterrence

model are mitigated because when offense is difficult, potential aggressors require a larger gap in capabilities over their potential targets before they are tempted to attack. Countries can more easily secure themselves against potential threats because they require less capability to do so. Furthermore, when offensive operations are harder, the problems of the spiral model are also mitigated because when countries feel relatively secure from attack, they feel less compelled to respond to every new build-up in the military capability of their neighbors. Arms racing is dampened because countries can make themselves more secure with less capability, which is less likely to alarm others.

Scholars argue that the offense-defense balance is affected by a range of factors (Glaser 2011; Van Evera 1999, ch. 6; Lynn-Jones 1995). Military technology is one factor: for example, theorists say that in the era leading up to and including World War I, the combination of machine guns, barbed wire, and rail systems—to supply modern armies with the enormous materiel they need—made warfare in Europe extremely defense-dominant—hence the years of fruitless slaughter on the western front. Societal factors can also contribute to defense dominance, such as nationalism, which makes occupation difficult.

Geography, the focus of this chapter, also has important effects on the offense-defense balance, and hence the severity of the security dilemma (Jervis 1978). Certain types of terrain are said to have stability-inducing effects, whereas other kinds of terrain will be associated with an increased likelihood of security dilemmas and war.² The most destabilizing geography is when offense is easy. As Robert Jervis writes, “Borders across which an attack is easy tend to be unstable. States living within them are likely to expand or be absorbed. Frequent wars are almost inevitable since attacking will often seem the best way to protect what one has” (Jervis 1978, 407).

On the other hand, terrain that inhibits the progress of the attacker—obstacles such as mountains, rivers, and other bodies of water—is said to have pacifying effects. Jervis (1978, 407) writes: “Anything that increases the amount of ground the attacker has to cross, or impedes his progress against it, or makes him more vulnerable while crossing, increases the advantage accruing to the defense.” John Mearsheimer (2001) argues that “the stopping power of water” is a powerful deterrent to aggression because water, like other geographic obstacles, substantially increases the costs of going to war. Because other countries are aware of this, defense-dominant terrain reduces a country’s fears that another country might attempt to attack it. Arms racing is thus dampened—countries will not feel the need to respond to incremental increases in another country’s military power. Because of the difficulty of offense, such increases in capability are not as threatening as they might be in a geographic setting in which offense is easy.

Across Asia, geography has important and varied effects on the severity of regional security dilemmas. At the most basic level, offense-defense theory tells us that threat perception will be elevated among countries that share a land border: for example, China and India, India and Pakistan, China and Russia. But not all land borders are created equal. The lack of natural obstacles along the Indo-Pakistani border elevates their security competition. Conversely, Indian fears about China would be far greater absent the Himalayas that stand between them. Distance can prove another

obstacle—Russia, for example, would be far more worried about China’s rise if Moscow did not enjoy thousands of miles of buffer in the form of Siberia. Siberia’s vastness, however, is a double-edged sword because it makes it far more difficult for Moscow to project power to defend its distant territory.

37.2.2. Geography and Defense Dominance in East Asia

East Asia in particular is a region rife with factors that elevate threat perception—as noted, the security dilemma is intensified in many situations by weak multilateral institutionalization, “other-maligning” nationalism, and absence of shared democratic institutions. However, one factor that ameliorates regional threat perception is geography. As some analysts have previously argued, East Asia’s geography is highly defense-dominant.³ One of the reasons for this—its maritime geography—is enduring; a second relates to modern military technology. Because water separates Japan, China, and Taiwan, an invasion of any of these countries or territories would require an extremely difficult amphibious assault. Furthermore, offensive operations against shipping in the sea lanes would not be much easier. Because the region is defense-dominant, security dilemma theory predicts that the region’s geography is a highly stabilizing feature that should reduce fears of conquest and dampen arms racing.⁴

Amphibious invasions have always been extremely difficult offensive operations, and their difficulty has only grown in the age of long-range detection systems and antiship missiles (Jervis 1978, 194–95; Mearsheimer 2001, ch. 4). Long-range detection technologies prevent attackers from achieving surprise. Preparing for an amphibious assault would require massing stockpiles of equipment, hundreds of ships, and tens of thousands of soldiers at port facilities near the target—preparations that could not be concealed from satellites. Moreover, once launched, an amphibious force could be tracked by long-range airborne radars.⁵ Not only is surprise increasingly difficult to achieve, antiship missiles have substantially increased the lethality of air and ground forces against surface ships, making it very dangerous to move naval forces near to an enemy’s coast. All navies worry about the central challenges of operating in dangerous littoral waters where they are vulnerable to the enemy’s onshore air defenses and aircraft. It is very unlikely that Japan, China, or Taiwan could successfully move an invasion armada to the coast of a determined adversary; as will be discussed later, Chinese military modernization is making it increasingly difficult for the mighty US Seventh Fleet to expect confidently to project power near Chinese shores.

Like amphibious assaults, operations to interdict the sea lines of communication (SLOCs) are inherently challenging. First, severing the SLOCs is hard because there is no single, critical chokepoint through which East Asian sea trade must pass; merchant ships may choose among multiple routes through the region. As noted, analysts often focus on the Straits of Malacca because a high proportion of Asian trade passes through these waters. However, vessels could divert to alternative routes—Sunda, Lombok and Makassar, Ombai-Wetar, and Torres (Noer and Gregory 1996, 2). Such

alternative routes would lengthen the journey by only a few days and would increase costs by only a small amount. For example, according to one study, if tankers traveling from the Persian Gulf to Japan were rerouted from the Straits of Malacca to the Lombok Straits, this would add less than 0.5 percent to the price of the oil (Noer and Gregory 1996, 81).

Second, severing the SLOCs would require a large naval force. Maintaining continuous patrols across a vast expanse of ocean would require keeping a substantial number of ships, submarines, and aircraft on station, plus many more at home to relieve and resupply them.

Third, attacks on the sea lanes are difficult because naval forces are most vulnerable when they operate away from their own shores. In home waters, ships are protected from air or submarine attack by ground-based aircraft and coastal defenses. On the open seas—or worse, near enemy shores—they would have only their own defenses. Only sophisticated naval forces can mount an effective defense against dedicated air or submarine attacks.

In sum, technology and geography in East Asia translate to pronounced defensive dominance at the strategic level. The countries of East Asia do not need to fear being conquered by others. China might increase its military budget—as it has—yet because of profound defense dominance, Japan does not have to fear that China will conquer it.

To be sure, one might correctly argue that Japan still exhibits concern about China's economic and military rise. However, while Japan does indeed worry about China's economic growth and military modernization, it worries much *less* than it would in a land warfare context. The French, for example, had to be concerned about increases in German power because if they weren't, it meant that the Germans would soon be marching through the Arc de Triomphe (as they indeed did). The Japanese, thanks to their moat, do not fear conquest by China. Their military competition—a dispute about ownership of islets in the East China Sea—operates at lower and far less deadly levels. And indeed, Japan's response to China's rise, while increasing in expressed levels of concern, has so far been quite restrained (Kang 2007, ch. 7; for an alternative perspective, see also Hughes in this volume).

37.3. THE DARK SIDE OF DEFENSE DOMINANCE

Defensive advantage makes it difficult for countries to conquer each other—reducing the core problem of the deterrence model—and easier for countries to build up military capabilities for defense without inadvertently threatening neighbors, thereby reducing the core problem of the spiral model.

At the same time, offense-defense theorists have argued that in some circumstances defensive advantage has the negative consequence of making it difficult for countries

to create effective military alliances. Scholars have argued that defense dominance in the years leading up to World War II made it more difficult for allies France and Russia to coordinate a common defense in relation to Germany than if offensive dominance was the prevailing circumstance (Sagan 1986; Christensen and Snyder 1990). In the past these countries planned that if Germany attacked one party, the other would invade Germany in order to come to that party's aid. Conditions of defense dominance made this difficult to execute. In order for France to help to protect Russia, it would have to go on the offensive, and vice versa. In essence, Germany had and has two perennial strategic problems (both stemming from its position in the center of Europe): the propensity of its neighbors to balance against it, and its inability to wage offensive war in one direction without exposing itself to counterattack from the other side. The defense dominance of the era, caused by the military technology of that day, temporarily solved both problems. More generally, defensive dominance makes it more difficult for countries with noncontiguous borders to support each other.

East Asia's defense-dominant geography thus creates an enduring problem of alliance cooperation. In general, because of defense dominance, intra-Asian security coordination will have limited effectiveness. Countries in the region will feel secure enough to wait to develop military capabilities, or to wait to come to an ally's assistance. Therefore buck-passing will be common, and effective military alliances more demanding to create than under conditions of offense dominance (Christensen and Snyder 1990).

When one considers the specific situation in East Asia today, the problem is far more momentous: the security architecture of East Asia rests on American power. The United States maintains formal security alliances with Australia, Japan, the Philippines, and South Korea, and enjoys close security ties with others—New Zealand, Singapore, and Thailand. US military power protects these allies and other partners, thus mitigating deterrence model problems. US power also reassures allies, such that they do not need to strengthen their own defenses—mitigating spiral model problems (see Cha in this volume). But this regional security architecture is premised on the US ability to project power across the oceans in a maritime environment, which is complicated by geographical and technological defense dominance.

As an outside power, the United States has to overcome the region's defense dominance—on a daily basis in peacetime, and in the event of a war. To be sure, the presence of the United States is not wholly remote: it stations tens of thousands of troops in the region, and maintains a substantial network of bases there. However, should the United States be required to defend one of its allies, it would need to project air and naval forces across the ocean, as well as the vast amount of materiel it relies on to operate. In doing so, the United States would have to overcome the substantial defensive advantages created by the region's geography. In other words, although in a strategic sense the United States has status quo defensive objectives in East Asia—for example, to prevent conquest; to stop the spread of nuclear weapons—when the US military projects power to that region, it is *operationally* on the offense.

What does this mean in a practical sense? Suppose there were a war between the United States and China over Taiwan. Because of the maritime geography,

Washington's principal tools of military intervention would be limited to naval strike groups and US Air Force fighter squadrons operating from the few nearby bases such as Okinawa. Compared with a ground war in accommodating terrain—for example, the plains of Germany or the deserts of Kuwait—the US military could only bring a small fraction of its power to bear, and—depending on the capacity of surface ships and fixed airbases to generate military power—the United States would be vulnerable to ever-improving means of ocean surveillance and long-range strikes. The irony is that the defense dominance of East Asia would inhibit defense by complicating efforts by the United States to project power into the region.

Because of these challenges, the region's current security architecture is predicated not on the United States being able to project a respectable amount of power into the region, but rather on total US military dominance. In order to overcome the defensive dominance of East Asia and project maritime power across the oceans, the United States requires total air and sea supremacy. This was possible for a long time—when no rival could contest US power in East Asia—and thus this security architecture has persisted for over half a century.

Today, however, increases in Chinese military power threaten to undermine the US alliance system in East Asia. China's economy has enjoyed sustained growth since the 1980s and is now the second largest in the world. As China's economy has grown, its security environment has evolved: that environment has become more favorable on the continent, but has worsened in the maritime realm, where Beijing faces a threat of Taiwanese succession.⁶ Thus since the 1990s, China has had both the means and motive to improve its maritime capabilities (McDevitt 2012). This growth in Chinese maritime power threatens the perceived strategic need for US supremacy in East Asia.

Importantly, China need not match US military power—either in Asia or globally—in order to create profound problems for the US alliance system in East Asia. (Lind and Press 2013) Observers in both Washington and Beijing often dismiss US fears about Chinese naval modernization as irrational threat inflation, attributing it to misperception or motivated bias in the US military. They protest that China still lags far behind the United States both in GDP and in terms of its regional power projection capabilities. But this is unpersuasive: China need not be a peer to seriously threaten the credibility of US security guarantees in the region. Even if China only has the ability to disrupt US power projection—to hold the United States at bay from its shores and airspace—this could prevent the United States from being able to introduce into the region the amount of force that its alliance commitments might require. Geography lies at the crux of this argument. Because the United States has to overcome the region's profound defense dominance, maintaining a lead over Chinese air and naval forces is not enough: the defensive advantages of the region drive the United States to seek air, naval, and information supremacy over the western Pacific. Bluntly, the current security architecture in East Asia requires that China be weak and nearly defenseless in the maritime sphere.

While that describes the past half-century, it is likely an unacceptable situation for a newly wealthy China. Historically, great powers do not tolerate the military dominance

of another great power in their region—such as in the case of the Monroe Doctrine, in which the United States declared to the European great powers that their presence was no longer welcome in the Western Hemisphere (Mearsheimer 2001). Sometimes, to be sure, candidate great powers have allied with and buck-passed to another superpower—as in the case of Japan and Germany after World War II (Lind 2004). However, the United States and China are not allies, and already have tense relations and serious ideological rifts (Friedberg 2011). History therefore suggests that China will reject a strategy of appeasing the United States, will continue to develop its military, and will grow less and less tolerant of US military supremacy in its backyard.

The US need for military dominance in the western Pacific, combined with China's fear of a superpower operating in its waters and airspace, is likely to fuel increased security competition in US-China relations. This situation has all the trappings of a spiral—in which two status quo countries find themselves threatened by, and threatening, one another. Washington would be entirely reasonable in looking at both its security guarantees and regional geography, and concluding that only through total military dominance can it implement its chosen national security strategy. Similarly, China—as great powers typically have done—might reasonably view US maritime dominance in its backyard as unacceptable. Yet even modest increases in Chinese military capabilities that merely contest the Pacific space have potentially large consequences for the United States. Thus Washington would, again, be entirely reasonable in fearing them. This is how the tragedy of great power politics plays out.

37.4. THE COMING US-CHINA SPIRAL

Spiral dynamics are already disturbingly apparent in China's development of its maritime military forces and in the American response. China has so far chosen to respond to US maritime dominance not by trying to match it, but by developing asymmetric capabilities to impede US operations (Ross 2011; McDevitt 2011).⁷ In doing so, China is following the same general strategy that the Germans adopted in two world Wars, and that the Soviets adopted in the Cold War—namely, developing the capabilities to harass the sea lanes. Like their predecessors, the Chinese are creating a major submarine fleet. China's modern version of this strategy—antiaccess/area denial, referred to as A2/AD in Pentagon terminology—involves networked space and land-based sensing systems to detect surface ships; unmanned aerial vehicles for reconnaissance; and long-range antiship missiles to threaten US ships and US Air Force airbases (McDevitt 2011; Cliff 2007; Krepinevich, Watts, and Work 2003). China's A2/AD strategy is the modern version of the denial or harassment strategy conducted previously by others.

Many analysts have argued that Chinese military modernization poses a serious threat to the US ability to operate freely in the western Pacific. Heinrichs (2011) observes that “the US capacity for sea-control and power projection in the Western Pacific, long taken for granted, is steadily being eroded.” Krepinevich (2010) similarly

warns that because of China's A2/AD strategy, "East Asian waters are gradually becoming a 'no-man's land' for American warships and forward-based aircraft, while US satellites are becoming sitting ducks and the Pentagon's digital backbone is increasingly endangered." Washington is thus seeking weapons and doctrine to counter this new threat. According to McDevitt (2012), the US strategy for undermining China's A2/AD effort, known as Air-Sea Battle, includes three main elements:

- (1) defeating enemy surveillance systems, as surveillance is the back-bone of any anti-access system. If you can't locate an approaching naval force you can't attack it;
- (2) destroying enemy launching systems so precision weapons cannot be launched (during the Cold War this was known as shooting at archers not at arrows); and,
- (3) defeating enemy missiles and other weapons. This means shooting them down, or decoying them away.

As part of this effort, the United States is identifying and targeting the critical nodes of China's A2/AD strategy, which are the sensing platforms—sensors, radar sites, satellite control facilities—and command-and-control facilities that integrate information from these sensing platforms and orchestrate attacks against US vessels. Not surprisingly, Chinese military planners have installed such sites deep within the hinterlands of China, leading the US military to develop weapons and doctrines for attacking these critical military targets.

According to the Air-Sea Battle doctrine, if China and the United States find themselves in the middle of a military crisis, Washington would be considering military strikes against target sets that are located deep within the Chinese interior. Analysts have noted that this carries with it chilling risks escalating to the nuclear level (Barnett 2010; Lieber and Press 2007). Heinrichs (2011) warns, "Such an attack, even if it relied solely on conventional systems, could easily be misconstrued in Beijing as an attempt to pre-emptively destroy China's retaliatory nuclear options."

The current debate about Chinese and US military doctrine in the Pacific reflects, as security dilemma theory would expect, that each side views itself as acting defensively, while viewing the other party as offensively inclined. The Chinese refer to their efforts to deny US maritime access as "active defense" or as a "strategic counterattack"—a defensive reaction to US military threats (McDevitt 2011). China is weak, they argue, and not a threat to the United States: A *Global Times* (2011) editorial argues: "China's anti-access strategy does not challenge the US hegemony. So the US should not seek to achieve its global strategy by pursuing absolute military superiority in Chinese coastal waters and threatening the country's security." "ASB," writes one Chinese military officer, "is being developed at a time when the US is the sole superpower with the world's strongest military and is not realistically threatened by any nation." He continues: "China cannot but ask why... does the US military try to disrupt stability by developing an ASB concept?" (Sayers and Fan 2011). The Chinese frequently express concerns about American "cold-war thinking" and "hegemonic posture." They worry also about US diplomatic efforts; scholar Yang Yi (2010) says that some Chinese scholars point to "a 'C-shaped ring of encirclement,' while others

argue that the United States is organizing an ‘Asian version of NATO’ directed at China” (Yang 2010, 5).

As for the US side, many American observers suggest that China’s recent actions reflect its offensive aims, and argue that the Air-Sea Battle doctrine is a defensive reaction to maintain the status quo in terms of the ability to uphold US alliance commitments. Secretary of Defense Donald Rumsfeld stated in 2005: “Since no nation threatens China, one wonders: why this growing (military) investment?” (Shanker 2005). Andrew Krepinevich (2010) warned that China’s A2/AD efforts are aimed at separating the United States from its allies in Asia and drawing them into the Chinese orbit. He argues that Chinese military modernization “cannot be justified as a counter to any US military buildup” since the United States clearly has status quo goals in the Pacific, and that these goals underpin a world order that confers vast benefits upon China. Writes Seth Cropsey (2010):

With its military power on the brink of an exponential enlargement that threatens US influence in East Asia, Beijing’s recent actions and rhetoric suggest a darkening future for other states in the region that prefer the United States’ traditional concern for maintaining freedom of navigation in the region, lack of interest in territorial gain, and policy of preventing the rise of an Asian hegemon—in direct contrast to China’s apparent interest in becoming one.

Similarly, Eric Sayers argues: “While Chinese diplomats insist that their nation’s rise will be peaceful, the capabilities Beijing is investing in suggest a concerted effort to be able to deny US forces freedom of action in the region.” Sayers argues that unless the United States can address this threat, “this buildup will upset the military balance and give Beijing the means to deter the entry of US forces into the region” (Sayers and Fan 2011). In sum, just as the security dilemma model would expect, in security debates within both the United States and China, each side sees its own actions as defensively motivated, while it sees the other as acting offensively.

37.5. CONCLUSIONS AND IMPLICATIONS

Defense dominance in East Asia has important stabilizing effects. Projection of military power in the region is very difficult, dissuading potential aggressors from offensive military strategies, and reducing fears among status quo countries. The formidable military requirements for aggression in the region also mean that arms racing is dampened—countries know they need not respond to one another’s incremental increases in military power. The region’s stability is enhanced because major powers are not vulnerable to rapid conquest at each other’s hands. For example, it is a very stabilizing circumstance that Japan does not have a long land border with China.

But the literature on East Asian security has not absorbed another, more pessimistic, insight from offense-defense theory, and that insight has highly negative implications

for the future of regional security relations. Defense dominance makes it extremely challenging for the United States to project power into the region in support of its alliance commitments. Defensive advantage in the region requires the United States to generate enormous military power relative to any potential adversary. While this was feasible in the Cold War and immediate post-Cold War years, the rise of Chinese wealth and military power now challenge US supremacy. The level of necessary US dominance is likely to alarm China, which in turn is likely to feel threatened, and now has the means to respond to this threat. The United States, in turn, will feel threatened by even small efforts to erode US military dominance. Assuming the continued growth of the Chinese economy and the continuation of China's maritime military modernization, US-China relations are headed for a spiral.

These dynamics are already occurring. Merely seeking to reduce the threat of a superpower operating in its neighborhood, China has embarked on a doctrine of A2/AD, which aims to push the US military away from its coasts and out of its airspace. This interferes with the American status quo goal of upholding its alliance commitments. The US military has attempted to counter the Chinese threat with Air-Sea Battle, which in turn has alarmed the Chinese. In contemporary security debates, leaders and analysts from both countries profess their defensive aims while decrying the offensive aims of the other. This is what the security dilemma looks like.

This analysis has important implications for US foreign policymakers. First, China does not need military parity, or even near-parity, to threaten the US-led alliance system in East Asia. Observers frequently argue that the United States is overreacting in the Pacific because China lags far behind in the global military balance, and even in the East Asian military balance, vis-à-vis the United States. But China does not have to close the gap fully between itself and the United States—across the globe or even just in East Asia—in order to make US allies in the region reasonably question whether the United States can effectively defend them. Even a China that has only a fraction of America's global power, and lags in military power in East Asia, could still be able to complicate American operations sufficiently in the region to force Japan, South Korea, the Philippines, and others to take more assertive steps themselves to provide for their own security.

Second, if the United States finds it increasingly difficult to project requisite military power into East Asia, this threatens the US regional alliance system. For decades, US alliances in East Asia sought to solve *both* problems of the security dilemma: US power deterred potential aggressors—that is, the deterrence model—and assured status quo countries such that they did not need to take steps to arm themselves—the spiral model. This regional security architecture was founded on the US ability to project power into the region—massive power, due to the US need to overcome the region's defense dominance. If the United States loses supremacy in the western Pacific, this will reduce the credibility of its commitments. Credible promises to allies, and credible threats to adversaries, depend on the power to carry out those promises and threats (Press 2005). Deterrence may fail as adversaries see a window of opportunity to grab territory. Allies will observe the growing difficulties associated with US power

projection and may find it increasingly difficult to continue to rely upon US security guarantees (McDevitt 2012; Krepinevich 2010; Cropsey 2010). Thus they are likely to take steps to protect themselves—creating the risk of regional spirals.

As noted earlier, spirals among East Asian countries would be exacerbated by several factors. Fears of Chinese military power are enhanced among Japanese and South Koreans by China's authoritarian institutions. Strong domestic nationalism in China, married with a Chinese Communist Party that is increasingly dependent on nationalism for legitimacy, will elevate regional fears of Chinese power, and will complicate crisis management (Gries 2004; Schell 2008; Shirk 2007). Fears of a more assertive Japanese defense posture would be elevated because of distrust—among Chinese, Koreans, and others—created by Tokyo's inadequate acknowledgment of its past aggression and human rights violations (Lind 2012, 2008; Berger 2000; Christensen 1999).

The geography of East Asia in some ways reduces regional fears and dampens arms racing. Yet, in a region whose alliance system depends on the United States, geography—and China's rise—will be a driver of future instability. To be certain, the collapse of China's economy, or internal distractions such as succession threats or threats to regime stability, may draw Beijing's efforts and energies back to the continent. But if China's economy continues to grow, and China continues to develop its maritime capabilities, prepare for, as the proverb says, interesting times.

NOTES

1. On the debate about whether China's economy is likely to continue to grow, see Beckley 2011–12; Babones 2011; Subramanian 2011.
2. Security dilemma theory also considers an additional variable: the distinction between offensive and defensive forces (Jervis 1978, 199–206). If offensive and defensive forces are indistinguishable, the theory predicts that spirals will be intense. But critics have argued persuasively that offensive and defensive military forces are rarely if ever distinguishable (Lieber 2011; Lynn-Jones 1995; Mearsheimer 1983, 24–27).
3. This section draws from Lind 2000; Ross (1999) also argues that the geography of East Asia is defense-dominant.
4. To be clear, this does not mean that security competition and threat perception will be nonexistent in East Asia. As noted earlier, threat perceptions are elevated, and spirals created, by myriad factors. What the model tells us is that among all the factors that influence the severity of the security dilemma, obstructive geography reduces, rather than intensifies, fears.
5. China would have to expect that US satellites would detect preparations for an amphibious assault directed at Taiwan. Furthermore, Japan and Taiwan maintain their own aircraft designed to track ships at long range.
6. China's security environment on the continent has improved because of the fall of the Soviet Union and because Beijing has resolved numerous territorial disputes with the countries on its borders (Fravel 2008). Meanwhile, China faces a new threat of Taiwanese succession: Taiwanese democratization in the 1990s helped to fuel an already growing

sense of a distinct Taiwanese national identity, and permitted the political expression of pro-independence speech, which under authoritarianism had been deemed treasonous (Lind 2011). The increased risk of Taiwanese succession creates the need for an increased Chinese maritime military power.

7. The question remains as to whether China will seek to respond by a stronger challenge to US supremacy in the Pacific—which would surely have far more dangerous consequences for regional peace than China’s current asymmetric approach. Robert Ross (2009) argues that Beijing may be railroaded into the former self-defeating strategy because of domestic nationalism; other scholars argue that as a great power, China will seek military dominance in its region (Mearsheimer 2001; Friedberg 2011).

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CHAPTER 38

AMERICAN ALLIANCES AND ASIA'S REGIONAL ARCHITECTURE

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THE most significant challenge to peace and stability in Asia will be the geopolitical waves created by the US “pivot” or “rebalance” to Asia on the one hand, and China’s rise in the region, on the other. After winding down a decade of wars in Central Asia and the Middle East, the United States stands poised to redirect its strategic focus to Asia. As US president Barack Obama stated, “my administration is committed to strengthening our ties with each country individually but also with the region’s institutions” (Obama quoted in Calmes 2011).

Already, this US reallocation of strategic priorities has led to some unprecedented changes such as the United States signing the Treaty of Amity and Cooperation with ASEAN in July 2009, US membership in the Sixth East Asia Summit (EAS) in November 2011, and American support of the most ambitious regional free trade negotiation to date, the Trans-Pacific Partnership (TPP). The United States has taken forward-leaning positions in the South China Sea disputes and has decided to rotate 2,500 marines through Australia. As is well known by now, China has grown at an astonishing rate, averaging 10.4 percent GDP growth since 1991 and multiplying its economy nearly eightfold in the process (World Bank 2013; IMF 2013).¹ Its defense capabilities and its ambitions have grown commensurately, with military spending increasing from US\$18.8 billion in 1991 to nearly US\$130 billion by 2011 (SIPRI 2012),² and its territorial disputes in the South and East China Seas making headlines almost daily.

Realism proclaims a coming power transition for Asia that is likely to be zero-sum (see Mastanduno’s chapter in this volume). China will seek its own manifest destiny in the region and push the United States out (Mearsheimer 2006). In doing so, it may seek to delegitimize US demands as well as the burdens it places on Asians to lay the groundwork for China to be seen not as revisionist, but as a legitimate alternative power (Schweller and Pu 2011). For regional architecture, the “noodle bowl” (Baldwin 2004, 10) of multilateral institutions, which have long been seen as lazy talk shops, will increasingly become the arena in which great power competition will be played

out. At the East Asia Summit in 2013 the leaders of Southeast Asian states clashed publicly about the role the United States should play in settling territorial disputes in the South China Sea. And while the United States confirmed its long-held official position of neutrality, China reasserted its claim that the negotiations should take place solely “through friendly consultations and negotiations by sovereign states *directly concerned*” (*Global Times* 2011).³

But realism’s confidence in future conflicts in Asia may underestimate the robustness of the emerging regional architecture. Undeniably there will be more competition in the region, particularly in Southeast Asia, as both the United States and China seek to exercise influence. But the regional architecture that is emerging may help to mute these potentially spiraling tensions. I argue that there is a definitive architecture emerging and developing in Asia. It is not one dominated by China, nor is it one characterized by US diminution. On the contrary, this evolving architecture is inclusive of the major powers.

However, this regional architecture also needs to overcome an institutional security dilemma to realize its positive potential. This dilemma is one in which US alliance-initiated regional efforts, like the pivot, are seen as latent efforts to contain China, while regional/China-initiated proposals are seen as attempts to exclude the United States. This dilemma, however, can be unwound through the region’s belief in, and promotion of, fluidity in the networks of security architectures. The picture of the regional institutions that tie the United States, its allies, and China in the region is much more complex than bilateral versus multilateral or pro- or anti-US/China accounts. Instead, it is a “complex network” of bilaterals, trilaterals, and other plurilateral configurations (Cha 2011). Networks of complex relationships among different nodes and clusters create a dynamic structure that can enhance the strength of less powerful but well-positioned actors, can place constraints on more powerful ones, and can define standards of behavior and best practices for all to follow (Hafner-Burton, Kahler, and Montgomery 2009). In the case of Asia, the complex, networked geometry is a useful tool in muting regional institutional security dilemmas. This chapter begins with a short empirical history of Asia’s security architecture, followed by a description of its subregional character. This leads to an examination of three important norms of regional multipolarity. Then the significant characteristics and benefits of the emerging patchwork of multilateral institutions in East Asia are outlined, followed by brief concluding remarks.

38.1. A SHORT HISTORY OF REGIONAL ARCHITECTURE

While the United States was not the only player that determined Asia’s future after the end of the Second World War, it was undeniably the most critical in shaping the

region's architecture. Washington created a network of deep, asymmetric bilateral alliance ties with key powers in the region: Japan, South Korea, Taiwan, the Philippines, Thailand, and Australia. The power gaps between the United States and these alliance partners was so overwhelming that it formed a type of subsystem unipolarity in which no party or group of parties could defy or balance against these huge gaps in power (Brooks and Wohlforth 2008; Wohlforth 1999). Moreover, for nearly half a century the United States—as the central node or hub in the network—did not encourage connections among the spokes into a larger multilateral grouping such as a Pacific NATO (Cha 2009–10). Instead, the hub-and-spokes system maximized US power and allowed Washington to cut variegated deals with each partner,⁴ particularly privileging the only great power in the region, Japan, as the favored ally. The United States enjoyed unprecedented access to the governments in the region and had exclusive use of lands for military bases to provide the collective good of security against the Communist threat (Gilpin 1987). This was an informal empire of sorts (Nexon and Wright 2007), and became the most durable and defining element of the region's security architecture because it was deeply embedded in the domestic politics of each country. For many of the Japanese, Korean, Taiwanese, and Filipino leaders of Asia, burdened with nation-building after the war, a crucial metric for domestic legitimacy was the alliance partnership with the United States. The partnership with this hegemon was ingrained in the legitimacy of domestic political leaders in each country, reinforcing the central hegemonic position of the United States (Hobson and Sharman 2005; Lee 2012). The bilateral alliance relationship with the United States skewed trade in the region largely in the direction of the central hub, rather than in intraregional directions. In addition, the tight bilateral ties with each country reduced the need for each of the Asian powers to deal with one another, as their most significant relationship in every case was the United States. This in turn reduced the incentives for any country, particularly Japan, to seek reconciliation within the region (Cha 2009–10). Thus, the hub-and-spokes system left a deep imprint in Asia upon which it was difficult to overlay other serious forms of architecture. China sat outside of this configuration for most of the Cold War. It was a target of the architecture in the aftermath of the Korean War, and then the Great Leap Forward and Cultural Revolution ensured that China would not participate in any regional security design for two decades. Even after US-China rapprochement in the early 1970s, Beijing's role in building regional security institutions was minimal, and by China's own choosing a much lower priority than economic modernization.

With the postwar belief that multilateral security architecture similar to that being built in Western Europe was not the answer for Asia (Cha 2009–10), this US-based system lasted throughout the Cold War. But as the Cold War ended, changes were afoot, especially in norms of integration and cooperation in the economic realm (see chapters 34 and 35 in this volume). This is reflected in various institutional forms such as APEC, ASEAN FTA, and, more recently, as chapters 14 and 36 detail, in a dense network of regional and extraregional free trade agreements (FTAs). Political and security architecture has not grown in the same manner as the economic, but it is still a far cry from its former, Cold War self. Southeast Asian states have brought ASEAN-centered

institutions such as ARF and APT to the center stage, and also designated the region as a Nuclear Weapons-Free Zone (NWFZ). China has promoted the Shanghai Cooperation Organization (SCO) since 2001, and the Six-Party Talks on North Korea denuclearization have met intermittently since 2003. Less formal arrangements have emerged also. With China's rapid economic and military rise, for instance, greater military cooperation and coordination has emerged between the region's democratic states. This is not only seen in the "Quad" of Australia, India, Japan, and the United States (Chellaney 2007), but also in the incipient though tepid cooperation between the historically suspicious US allies of Japan and South Korea (Cha 1999).

38.1.1. Continued US Ambivalence

However, general US disinterest in multilateralism in the early post-Cold War years stemmed from the mentality of exerting minimal change to architecture where the status quo was satisfactory. There were initial concerns that such regional initiatives were meant to undermine US leadership. Whether these initiatives took the form of Mahathir's East Asian Economic Caucus (EAEC) or less radical alternatives such as the ARF, the United States was decidedly ambivalent. In November 1990 Secretary of State James Baker criticized as inappropriate the notion of regional security dialogues replacing the American hub-and-spokes system, which had been at the center of Asian security and prosperity for four decades (*Australian Financial Review* 1991).

Subsequent to 1991 this gave way to grudging acceptance that multilateral security dialogues could complement—but not replace—the US-based bilateral architecture (Baker 1991–92; *New York Times* 1992). The George H. W. Bush administration did not see the need to construct an East Asian security initiative when US bilateral alliances were already present. The Clinton administration spoke of multilateralism; however, it did not invest much in institutions other than APEC. The George W. Bush administration concentrated on strengthening bilateral alliances with Japan and South Korea as a priority, but it also created the first multilateral security institution involving the major powers of East Asia, the Six-Party Talks. The Obama administration has been more open to supporting multilateralism in Asia, particularly in Southeast Asia. Unlike his predecessors, Obama joined the East Asia Summit, signed ASEAN's Treaty of Amity and Cooperation, and supported hosting the G20 summit meetings in Asia (Korea). To his credit, Obama was also the first American president in recent history to make more than one trip to Asia during each year of his term in office, a demonstration of his increased political commitment to this part of the world (Shirk 2010, 27).

Yet even as interest grew, the United States had to temper its voice, as too much enthusiasm for multilateral security might be interpreted in the region as a pretext for American withdrawal, prompting abandonment fears of Asian states. Since the end of the Cold War, the United States has reduced its forces in East Asia from roughly 100,000 to 51,170 in 2011 (Department of Defense 2011). Despite US rhetoric of "rebalancing," many Asians see Washington as a capricious power driven by domestic interests and ideology. They worry

that the US budgetary problems and sequestration will drain US military resources in Asia. The absence of any sustained implementation in terms of enhanced resources from Obama's announcement of the rebalance is seen as confirming such suspicions (Berteau and Green 2012). Moreover, many Asians still perceive that US priorities lie in the Middle East instead of in Asia (Armitage and Nye 2007, 20). Thus, the United States' enthusiasm for multilateral security institutions could be interpreted as a fig leaf for its plans to evade responsibility for its security commitments to regional powers. In sum, for much of its postwar history Washington has been widely perceived as disinterested, at best, and downright subversive, at worst, when it comes to regional architecture.

38.1.2. The Subregional Nature of Security Architecture in Asia

America's key bilateral allies in Asia, including Japan and the Republic of Korea (ROK; South Korea), have not been uniformly enthusiastic about region-wide security architecture either. Asian states instead choose paths of security self-reliance, neutralism, or bilateralism as the primary answer to their security needs. A recent study by the Center for Strategic and International Studies (CSIS) in Washington determined that most Asian leaders relied first on self-help/national means, then on international organizations for their security. Regional security was a distant third. Regional strategic elites have little confidence in regional institutions to prevent conflict. On a weighted average, 43 percent rely on their own militaries, followed by 25 percent on their military alliances (Gill et al. 2009). Cold War attempts at constructing institutions did exist but they were largely subregional, not pan-regional (See Buszynski 1983; Wah 1991; and Yahuda 1996). For their part, the ROK, Taiwan, and the Philippines did express an interest in regional security arrangements during the Cold War, but these were opposed by the United States (Cha 2009–10).

Japan's disinterest in multilateral security stemmed from both structural and historical factors. Structurally, the bilateral alliance provided all that Japan and other US partners needed in private goods, thereby obviating any pressing need for alternative multilateral or bilateral partners. The cost of this dependence, however, was persistent Japanese and Korean fears of becoming entrapped in military contingencies or political situations in which Seoul or Tokyo did not share or only partially shared American interests, but this was seen as acceptable (Welfield 1988). The ambivalence toward regional integration also stemmed from an acute sensitivity to the region's lingering historical suspicions. Any multilateral security architecture would by definition require a larger Japanese leadership role than would be deemed acceptable by many in the region. The United States historically bears partial responsibility for the gap between Japan's interest in regional integration and the region's distrust of Japan's leadership role in such an effort (Cha 2009–10; Ikenberry and Inoguchi 2007). America's favor toward Japan in Asia effectively removed any effort by Tokyo to seek regional integration with its neighbors.

Like the United States and Japan, China has been relatively ambivalent about regional multilateral organizations, but its case is slightly more complicated. For many years, but especially in the post–Cold War world, China has been suspicious of—and at times openly hostile to—the US-dominated alliance system in Asia (Christensen 1999). With a number of its own initiatives, such as the SCO and the ASEAN-China Free Trade Area (ACFTA), China has sought to lure Asian states away from the US-centered architecture and toward one that is more regional, within which it would potentially exert greater influence (see also chapter 36). Its preference for the APT—which excludes the United States—as a forum for regional discussion is also indicative of this. Yet once its position of influence is diluted by other powers, it rapidly loses interest. The history of the East Asia Summit displays this pattern. In the early discussions of the EAS, China was enthusiastic about the prospect of a broad, regional organization that excluded the United States and other major powers. Yet Japan’s and Singapore’s pressure to include India and Australia as a way of offsetting China’s dominance, and the United States’ participation in EAS meetings in 2010 and 2011, have significantly soured China’s taste for the forum (Nanto 2008, 20–27).

38.2. ANALYSIS: MULTIPLICITY, INFORMALITY, AND COMPLEMENTARITY

For realists, a dynamic is emerging in Asian architecture that sits at the confluence of two trends—a rising China that increasingly seeks influence in these groupings as a rule-maker and leader; and a United States that has discovered new interest in these institutions as it pivots to the region to counter China’s rise. In this regard, the realist proposition is that these institutions are epiphenomenal reflections of power competition (Mearsheimer 1994–95). They are empty vessels in which China and the United States compete, and these institutions do little to reduce tension and competition.

However, the argument made here is that the security cooperation emerging in Asia is more than an empty vessel for great power competition. Despite great power ambivalence, a distinct form of institutional design for security is emerging in Asia that is inclusive of the two major powers and has the potential to reduce insecurity spirals between them. The confluence of US bilateral alliances, China’s partnership efforts, and the region’s formal and informal multilateral initiatives undertaken by smaller powers creates a patchwork of groupings that thread together a relatively stable East Asian order. By internalizing three important norms of regional multilateralism—that there will be multiple institutions, that these institutions need not be formal, and that bilateralism and multilateralism are mutually reinforcing—the states of East Asia have managed to avoid major conflict despite their purported “ripeness” for rivalry in the post–Cold War world (Friedberg 1993–94). The patchwork of regional organizations that has emerged is largely defined by its issue-oriented nature, its overlapping and

linked membership, and the US-led bilateral alliances that sew it together. There is, in short, a distinct architecture emerging in the region that is supported by the United States and its Asian allies, and that is inclusive of China. The United States is neither leaving the region, nor ceding leadership to China; rather, it has every intention to remain an Asia-Pacific power. This continuing US presence is grounded in a deepening and robust US-Japan alliance and US-ROK alliance, and an active interest by all countries in building substantive and innovative regional groupings that incorporate China as a critical player. It is possibly also an ASEAN strategy (Goh 2007–8; and see her chapter 24 in this volume).

However, an institutional security dilemma⁵ may still emerge in the region due to divergent preferences and perceptions over the architectural design of the key powers. That is, any US-supported proposals for regional organizations are perceived as a latent attempt to “contain” or “encircle” China (Bidwai 2007; Chellaney 2007; Higashioka 2009). These include, for example, the “Quadilateral Initiative”—the United States, Japan, India, and Australia—and the Trans-Pacific Partnership. Conversely, any China-supported efforts at regional institution-building are seen as attempts to exclude the United States. For example, the 1990s saw American criticism of regional security dialogues like APT or the proposals for an East Asian Community (Higashioka 2009). These divergent perceptions of intentions of the United States and China regarding institutional security design generate security dilemmas in the region and reinforce a dynamic in which Washington and Beijing compete for power and influence through these institutions.

However, regional cooperation in Asia does not have to be perceived in a zero-sum context. This potential institutional security dilemma can be averted. It requires internalization of three norms in regional architecture that work best to secure mutually beneficial solutions for the United States, its allies, and China.

38.2.1. Norm 1: Asia as a Region of Multiple Institutions

Diminution of the sense that regional institutions are in competition with one another requires an understanding that no single umbrella institution best defines the region. Asia has often been compared to Europe, whereby Asia is seen as underregionalized because there is no single region-wide Asian equivalent of NATO or the EU. However, considering regional and historical particularity, what best serves the political, security, and economic interests of one region may not be optimal in another. Asia is arguably less suited to a single region-wide grouping than Europe because of geography, the growth of postcolonialist identities, and divergent regime types and perception of threats (Bracken 1999; Friedberg 1993–94; Gong 2001; Kristof 1998; Hemmer and Katzenstein 2002; McGrew and Brook 1998). There are also other factors that may have retarded the creation of a single, region-wide multilateral security coalition in Asia. These include, for example, geostrategic realities (Bracken 1999, 26); the absence of wartime allies in Asia, unlike in Europe; the region’s deep distrust of Japan as part of

Asia's postwar; postcolonial, nationalist identities (Gong 2001; Kristof 1998); and the divergence of regime types and perception of threats (Friedberg 1993–94).

The prescriptive point to be made here is not opposition to region-wide groupings, but merely that the expectation that the answer to Asian regional architecture equates with a single institution may be misplaced; expecting this of efforts such as the East Asia Summit is unrealistic. It not only creates a standard that is impossible for the institution to meet, given the history and diversity of the region, but also creates competition in the design of such groupings that can only exacerbate institutional security dilemmas in the region. Moreover, it leads to false judgments that the region has failed to create functional security architecture.

38.2.2. Norm 2: Asian Informality

The second norm that undercuts realist predictions of US-China competition in regional institutions is informality. The history of institution-building in Asia generally shows that informal institutions function more effectively than formal ones. Some organizational literature tells us that the creation of formal structures can create a self-reinforcing dynamic where institutional purpose and growth occur in a symbiotic manner (Ikenberry 2000; Keohane 1984). In Asia, however, the few attempts at formal security institutions have been spectacularly unsuccessful—success is defined here as tangible and coordinated steps by multilateral partners that advances solutions to substantive problems. In the early 1950s, for example, Syngman Rhee of South Korea, Chiang Kai-shek of Taiwan, and Elpidio Quirino of the Philippines advocated the concept of a Pacific Treaty Organization (PATO), which failed to gain support. John Foster Dulles attempted to create a Pacific Ocean Pact, conceived with Indonesia, Australia, New Zealand, the Philippines, and Japan, which also failed (Cha 2009–10). During the Vietnam War, South Korea sought unsuccessfully to create a multilateral grouping out of the Vietnam War allies. In each case, the abiding similarity was the relative priority placed on the formality of the institution over the functional purpose or task at hand.

Though there has been relative success in Southeast Asia in creating formal institutions with established secretariats, regular meetings, and packed agendas, they are often unfairly criticized for securing few substantive outcomes (Archarya 2000, ch. 6). As noted above, the primary criticism of formal institutions like ASEAN and the ARF is that they devolve to talk shops in which opinions are discussed and rediscussed without substantive progress. Many criticize the newest regional initiative, the East Asia Summit, in this fashion. The first meeting of the EAS in December 2005, involving the ASEAN ten members, the “+3” members—China, Japan, and South Korea—and Australia, New Zealand, and India, was accompanied by much fanfare. Kishore Mahbubani, the former Singaporean foreign ministry official and opinion leader, declared the meeting as marking the official start of the long-touted “Pacific Century.” However, more energy was expended on the criteria for membership than on

substantive issues; the George W. Bush administration was cautious about its support for this new institution, in part because it had shown little benefit and might detract from what Americans perceive to be the more substantive work achieved by APEC (Vaughn 2006, 4). On the other hand, Obama, to his credit, has attended both meetings and has pressed for a division of labor between the two organizations, with APEC focusing on trade and EAS focusing on political-military issues (Bader 2012).

38.2.2.1. *The 2004 Tsunami*

Instead of these formal institutions, ad hoc institutions appear to have been more successful at taking tangible, coordinated steps to solve substantive problems. In December 2004, for example, when the South Asia tsunami killed over 300,000 people, there was no formal regional or multilateral institution that could respond. None of the existing institutions, however, such as the ARF or APEC, were capable of responding to the devastation in Indonesia, Sri Lanka, and India. Instead, a makeshift coalition of willing countries formed—known as the Tsunami Core Group—consisting of the United States, Japan, Australia, and India, and within the initial forty-eight hours of the crisis this group began to administer relief supplies to the area (Grossman 2005, 11). The coalition countries together provided more than 40,000 troops and humanitarian first responders, helicopters, cargo ships, and transport planes—within a nine-day period. The Core Group set up the basing arrangements, and provided the primary financial resources, military assets, and personnel until other international relief agencies could mobilize (Cossa 2005; Twining 2007).

If institutions are defined by their capability to address a problem successfully, then the Core Group met that mark. But if the criteria of success of Asian institutions is the permanence of extant structures, of rules and procedures, and the number of joint statements it issues, then the Core Group was not successful. Consultation consisted initially of phone calls between the US president and the leaders in Tokyo, Canberra, and New Delhi, and then daily conference calls at 22:00 (EST) and emails at the deputy foreign minister levels. The structure, as one State Department official recounted, was a set of forty-minute conference calls (CNN 2004). Moreover, as soon as its mission was accomplished, the Tsunami Core Group disbanded itself, deferring to the international disaster response effort.

38.2.2.2. *Six-Party Talks*

The most striking aspect of Asian security architecture is the absence of a multilateral security institution for Northeast Asia. The one institution that has evolved, the Six-Party Talks, was initiated in an ad hoc fashion in 2003. After North Korea violated the 1994 Geneva Agreed Framework denuclearization agreement with the United States, the five powers in the region came together in a multilateral negotiation to solve the nuclear problem—the United States, Japan, the ROK, Russia, and China. The Six-Party Talks were never conceived as a formal security institution for Northeast Asia, but were an ad hoc reaction to the second North Korean nuclear crisis in 2002. The organization reached interim agreements on denuclearization, and in the process

created habits of consultation, greater familiarity, and interaction among the five parties.

38.2.2.3. *Trilateral Cooperation Secretariat*

In this regard, an interesting new development that will test the effectiveness of formal versus informal institutions in Asia is the Trilateral Cooperation Secretariat (TCS). Housed in Seoul, this institution was created by Japan, China, and Korea in 2008 to support the “+3” element of the ASEAN Regional Forum. The secretariat is formal in the sense that it has an established office with staff members from the three countries working together. Their agenda is not yet clear. The primary purpose is to act as an archive for +3 interaction at summits and other high-level multilateral meetings, and aside from proposals for cultural exchanges, there is not yet a clearly defined mandate beyond this. The TCS has shied away from addressing difficult problems like historical animosity as too ambitious, and defers on other current policy issues like a China-Japan-Korea free trade agreement to their respective trade negotiators. However, in the context of this discussion, the TCS is interesting in two respects. First, it is not seen by the United States—or by China—as a threat to traditional US-Japan-Korea trilateral cooperation. Indeed, the TCS chair, ROK ambassador Shin Bong-kil, has made clear in public presentations that the organization is not in competition with US-based alliance cooperation. Second, though a formal organization—one of the very few involving Northeast Asian powers—its greatest contribution may be in its informality. All three foreign ministries send some of their brightest young and mid-career diplomats to work at the TCS. The daily interaction, habits of consultation, and friendships built here could be the most significant contribution to China-Japan-Korea cooperation.

38.2.2.4. *Circumventing Problems of Collective Action*

The experiences of these informal groups are significant for institution building in Asia. One of the primary impediments to institution building in Northeast Asia is the problem of collective action (Olson 1965; Olson and Zeckhauser 1966). That is, states generally harbor relatively stronger inclinations to secure private goods from multilateral efforts rather than to provide public goods. Naturally, this makes it difficult to incentivize states to invest in formal institutions without a specific near-term payoff. Ad hoc groupings in response to an immediate problem help to solve the collective action dilemma in a number of ways.

First, those players with a proximate interest in the issue will step forward, thereby solving the membership problem. In the past, the diverse interests of Asian states have presented a major restraint in bringing nations under a region-wide security institution. As noted above, when Dr. Mahathir proposed the EAEC in 1990, Japan refused to participate because of the United States’ pressure not to join the institution. Ad hoc groupings solve the membership problem because the event that incentivizes states to participate usually provides ample justification to cooperate. Oppositional third parties such as the United States in the EAEC case are also likely to be disposed toward problem solving in the face of regional crises, and will therefore be inclined to

acquiesce to informal group formation. Also, participants will be willing to provide material assistance and political support to the group because it would be in their interest to facilitate the efficacy of the institution, solving the problem of membership and the member states' reluctance to cooperate.

Second, the task-oriented nature of the grouping leaves no time for extended procedural discussions, rule-making, and other material and opportunity costs associated with formal institution building. Function is more important than form and process. Parties are forced to work together, on the spur of the moment, and yet the urgency of the task creates efficient coordination and effective solutions. The Six-Party Talks are another example of the advantages of this type of task orientation. Since disputes over cost-sharing have derived from Beijing as the host,⁶ the repeated instances in which talks have been able to be pulled together on very short notice in the absence of central organization is impressive; the uniformity of views expressed in the talks between some of the most contentious larger power relations on earth (China–United States; China–Japan; Russia–United States) is a testament to the value of problem-driven multilateralism.

Third, through this ad hoc coordination the parties develop habits of consultation, greater transparency, and a degree of familiarity and trust. This is akin to central insights of the “logic of habit” (Hopf 2010) and what practice theorists refer to as the recent “practice turn” in international relations theory (Pouliot 2008; Lee 2012). The very acts of regularly meeting, of discussing pressing and nonpressing issues, and engaging in day-to-day diplomacy results in “inarticulate, practical knowledge” (Pouliot 2008, 258) that forms the background of bilateral or multilateral relations between states and its diplomats. These iterated practices can help to forge and maintain stability by regularizing contact, building trust, and making nonviolent diplomacy seem like the unquestionable, self-evident way of handling disputes. While practices or habit alone are undoubtedly insufficient to deal with Asia's most pressing security concerns, through ad hoc multilateralism they likely exhibit potential as helpful, complementary forces for stability in the region.

Fourth, these ad hoc institutions can also serve institutional growth purposes. In the case of the Tsunami Core Group, even though the institution disbanded after the crisis, the experience spawned the growth of other related institutions in Asia, including the regional tsunami early warning system (US–Japan); the Trilateral Strategic Dialogue (TSD) involving the United States, Japan, and Australia; and the proposal for a quadrilateral (US–Japan–Australia–India) based on the original Core Group concept. In the case of the Six-Party Talks, while the grouping has not resolved the North Korean nuclear problem, the regularized sessions, sometimes lasting over two weeks at a time, provided the parties other opportunities to use the institution to accomplish other business. The United States has also added to or used existing institutions such as ARF or the UN General Assembly to achieve concrete purposes (Agence France–Presse 2006). Thus, ad hoc responses can work better than permanent institutions in overcoming the collective action problem among Asian countries. Ad hoc institutions are flexible in membership, attract those that have most at stake in solving the problem,

and are free from the inefficiencies that accompany formal rules and procedures. They create an environment that allows states to have less obstruction to joining and leaving a group, incentivizing states to participate more readily on a given problem.

38.2.3. Norm 3: Bilateral and Multilateral Institutions Are Mutually Reinforcing

The third norm that dilutes US-China security competition over regional architecture concerns is the place of US alliances in the region. The argument to be made here is that the existing system of bilateral alliances and the emerging multilateral initiatives are not mutually exclusive, but mutually reinforcing. The postwar hub-and-spokes system had for some five decades been the only security architecture in the region. For decades it has provided private goods to alliance partners of both a security and nonsecurity nature. The aggregation of these individual alliances provided public goods to the region in terms of security, freedom of navigation, and political stability. However, the later growth of regional initiatives led many to perceive these two forms of institution as potentially in contradiction. Americans viewed regional initiatives like Mahathir's EAEC as deliberately intended to undermine the alliance network. And others blamed the inability to form effective Asian regional institutions based on the American alliance system. Thus, the development of both bilateral and multilateral institutions was seen as zero-sum in nature: that US bilateral alliances operated at odds with multilateral institutions in Asia. China made this clear when it once referred to the bilateral alliance system as "Cold War anachronisms" that no longer fitted with the region's architectural needs (Shambaugh 2004-5, 8).

However, closer analysis of the region's recent successes suggests that effective and successful multilateral efforts have often been built upon preexisting bilateral relationships. Conceptually, this would appear to make sense. Any collective effort to address a problem or advance a policy agenda among several players may work best when the players already have preexisting patterns of cooperation and consultation and a degree of trust. In the case of bilateral relationships, whether this is in the form of the US-Japan alliance or ROK-China relations, the history of transparency, working together, and joint capabilities can become very useful, if not indispensable, assets for any collective effort.

To return to the 2004 tsunami case, it is a classic example of how multilateralism and bilateralism are tightly intertwined. The Core Group showed how a successful multilateral institution in Asia effectively grew out of the existing network of bilateral US alliances and other bilateral relationships in the region. It would have been hard to imagine a similar level of cooperation among countries without such preexisting ties. Similarly, the TPP proposal in the economic realm would be the most important institutional legacy in Asia for the United States in recent years and would be a key building block to achieving a free trade area of the Asia-Pacific (FTAAP). However, the expansion of TPP to a region-wide free trade agreement rests entirely on the degree to

which the deep bilateral relationships between the United States and both Japan and South Korea can be leveraged to draw Seoul and Tokyo into the negotiations, and may also provide a sturdy foundation upon which to attract China (Goodman et al. 2013). The Six-Party Talks, as well as trilateral consultations such as the Trilateral Strategic Dialogue (TSD)⁷ and US-Japan-ROK coordination, have also benefited largely from an existing base of bilateral relations and are designed to address issues such as climate change, counterterrorism, counterproliferation, UN reform, and disaster relief. By way of comparison, other multilateral groupings that are not grounded in tight bilateral relationships, such as the China-led SCO—which has been hindered by mutual mistrust between Russia and China—have been far less active or successful.

Recently, there have been several other noteworthy examples of multilateral institutions that are based on core bilateral relationships. The Proliferation Security Initiative (PSI) deserves mention, as it is an international coalition designed to halt the trafficking of weapons of mass destruction (WMDs) and related delivery systems and materials to terrorists and to countries of proliferation concern (see Yuan's chapter in this volume). The PSI is a functionally based institution that relies on voluntary actions by member states to use their existing national and international authorities in joint cooperation to interdict illicit movement of WMDs by sea, air, or land. By most accounts, this has been a successful multilateral effort,⁸ with over thirty-seven interdiction exercises involving PSI countries since its inception (Foley 2009, 5–6). Although specifics have not been publicly released, it has had some successes,⁹ and is likely to be bolstered by the United States in the future (White House 2009). The effectiveness of this multilateral institution rested on strong bilateral relationships, especially in Asia. Though the US-led PSI is now a global organization, its core and initial formation rested on eleven countries, all of whom already had close bilateral relations with the United States. Consistent with the principles of functionalism and informality, the PSI is meant to be ad hoc and informal, and is likely to remain so (Department of State 2013). US officials have discouraged talking about PSI as an organization, but rather as a series of common practices among like-minded states regardless of political orientations.

38.3. THE PATCHWORK ARCHITECTURE OF ASIA

38.3.1. Business, Not Civilization

Asia's security architecture is far more significant than merely constituting passive vessels for great power competition. The emerging institutional design is uniquely comprised of elements of Asia's past security structures—structures that were born out of the Cold War but have managed to remain remarkably resilient in the post-Cold War years. Asia's institutional design is, however, also constituted by the rich volume of

subregional and regional initiatives taken by ASEAN nations and other powers in the region. What emerges is a patchwork of bilateral and multilateral groupings that partially overlap in terms of membership and partially intersect in terms of function, in what Francis Fukuyama refers to as “multi-multilateralism” (Fukuyama 2006). Some of these groupings stay together and take on a more formal institutional structure, but others don’t. Some of these include the United States and China, while others only include one or the other.

The model for this sort of regional community is not civilizational, where a particular “Asia-ness” defines the group—for example, Hatoyama’s East Asia Community concept—nor is it based on postwar Western Europe. Instead, it is more akin to a business model—where coalitions form among entities with the most direct interests in solving a given problem. Entities participate because they seek to secure private goods—that is, either profits or the avoidance of losses—but the aggregation of their atomistic efforts precipitates collective benefits for the region and the market. As noted above, the ad hoc, problem-driven nature of these coalitions directly incentivizes members to cooperate and helps to circumvent the collective action problems associated with multilateral organization.

38.3.2. Overlapping and Interlinked Membership

These informal institutions are more often than not overlapping and interlinked in terms of memberships. The United States, Japan, and Australia, for example, may discuss UN reform in the TSD, but Japan, China, and Korea will discuss currency swaps at the Chiang Mai Initiative. And the United States, Japan, and China will discuss counterproliferation in the context of the Six-Party Talks. Even many of the offshoots of ASEAN, one of the most formal institutions in Asia, are fluid in their membership. Depending on the agenda, there will be meetings of just the ten ASEAN member states, ASEAN+3, the East Asian Summit, or the ASEAN Regional Forum. Through these forums, the ASEAN members have brought together East Asian regional states, such as China, Japan, and South Korea, at times when they were unable to do so of their own accord (Evans 2007). Track 2 security forums such as the Council and Security Cooperation in the Asia-Pacific (CSCAP) also exist alongside track 1 security dialogues such as the annually held Shangri-La. What emerges is not a hub-and-spokes conception, nor an integrated East Asian Community, but networks and patchworks of differently configured and overlapping bilaterals, trilaterals, quadrilaterals, and other multilateral groupings that, stitched together, define the regional architecture.

This unique feature of Asian security architecture is also crucial for promoting healthy interstate cooperation. While having one institution that meets on a set periodic schedule could seem preferable at first, having multiple institutions with distinctively different agendas that meet fluidly may be more suitable for this region. Most importantly, it allows states to involve themselves in agendas that most interest them, without conflating their positions on one issue area with another. This feature is most

crucial in getting China to become a more inclusive member of the Asian security architecture (see Shirk's chapter in this volume). Currently, China can address issues regarding North Korea's denuclearization within the Six-Party framework and negotiate a free trade agreement with ASEAN, while participating in an APEC summit held in South Korea, all as separate agendas. If all of these agendas were to be held under one institution, it would be difficult for states not to have their positions on one issue spill over into another issue area, making negotiations more complicated. It is also possible to use positions on one agenda as a form of leverage to push another agenda in a more favorable direction. Also, having a fluid patchwork of institutions is helpful in attracting the most willing and capable states in solving a particular problem.

Some may argue that the geometry of regional groupings described in this chapter is too complex a vision for regional architecture because it has no core, no metrics for coherence, and no single superstructure. A common view is that complexity is suboptimal for multilateral institutions because it decreases efficiency, shortens time horizons, and lacks a preventive capacity. For example, the "hyperactivity" of multiple groupings can be inefficient. At one point during the 2004 tsunami relief efforts there were some 180 international NGOs and 430 national NGOs registered and operating simultaneously. Similarly, in the wake of the 2010 earthquake, Haiti was dubbed an "NGO Republic" for its thousands of NGOs operating within its territory, lacking central coordination and circumventing the government (USIP 2010). In both of these cases efforts often duplicated one another, thereby not constituting the most efficient use of funds. Such duplication also means that one could have many groups working superficially in similar areas; the cost of this is a resulting void in deeper substantive capabilities. Moreover, the proliferation of such groups creates demands that can severely tax the resources of governments and regional organizations, possibly reducing rather than increasing overall capacity to respond effectively to crisis.

When groupings are formed in an ad hoc and immediate fashion, this also means that the time horizons of these groups are likely to be short. Often, relief organizations are driven by their bottom lines rather than by a broader strategic vision (White 2010). The crisis-driven nature of patchworks also means the groupings come together only under a confluence of two conditions: (1) when there is a crisis; and (2) when there is a collective goods provider willing to lead the effort. This is a core problem if such groupings are meant not only to respond to crises but also to create a preventive capacity. Slow-onset disasters highlight the nature of the problem: there is no immediate crisis that spurs action, and while there is clearly a collective good provided by a solution to the problem, there is no country or entity willing to take on the role as the leader. The Mekong River basin is the quintessential example. The Mekong River Commission was created in 1995 to coordinate the actions of upstream and downstream countries. But China chose not to join because it wanted to maintain freedom of action in terms of securing its own private goods from the river. The result is that the MRC is largely ineffective as an institution. Perhaps there will be opportunities for more informal cooperation among an ad hoc group of countries once a near-term crisis materializes, but this would be a suboptimal outcome compared with a longer-term preventive strategy.

But given the underlying historical animosities, the diversity of regime types, and the shifting balance of power, complexity of architecture offers distinct benefits. Conceptually, it creates opportunities, and it does not constrict space for formation of bilaterals and multilaterals. Materially, it helps to mute institutional security dilemmas between countries distrustful of one another. Complexity allows the major powers of Asia to operate in multiple groupings, sometimes with each other, and sometimes exclusively, which helps to circumvent zero-sum competition. For example, a United States–Japan–Australia–India quadrilateral, as proposed by then Japanese prime minister Shinzo Abe in 2006, might incite insecurities in China if it were the only regional grouping available. But Beijing would be engaged with Japan in the context of the APT, with the United States and Japan in the context of a United States–Japan–China trilateral, and with India in the context of the EAS. The point here is not that insecurities disappear merely with membership in these various groupings, but that the complexity and density of interaction of these many groupings readily create channels to reduce anxieties associated with exclusion.

38.3.3. Bilateral Alliances as Thread for Patchworks

Finally, the American bilateral alliance system works as a crucial basis for such patchwork architecture to flourish. Many of the multilateral groupings in Asia spin off of existing bilateral alliances. The US hub-and-spoke system remains a critical component of Asia's future architecture and the broader mission of promoting regional cooperation. Furthermore, the US system of bilateral alliances operates as the thread that keeps the patchwork architecture together. US presence in Asia has acted as a stabilizing force, which contributes to lowering barriers for interaction between states with deep historical animosities such as Japan–South Korea relations (Nye 1995; Cha 1999). When the first US–Japan–ROK Trilateral Coordination and Oversight Group (TCOG) meeting was first held in 1990s, deep mistrust between ROK and Japan pervaded the sessions (Schoff 2005, 8). However, after several group meetings led by US efforts, by June 2003 the three countries successfully produced a joint statement outlining a coordinated policy toward the DPRK. This joint statement was a crucial step toward aligning security policy for the Six-Party Talks. Had South Korea and Japan not maintained existing alliance partnerships with the United States, policy coordination could have been a much more painstaking effort. Today, historical challenges have again impaired trilateral coordination among the allies, but the patchwork enables all parties to interact with each other in different venues, which can help to ameliorate some of the tensions.

38.4. CONCLUSION

The complex geometry of Asia's architecture is neither a single umbrella institution like EAS, nor solely a US-dominated hub-and-spokes alliance structure. Instead it is a

complex collection of different shapes—triangles, quadrilaterals, hexagons—that are all functional, ad hoc, and overlapping. Each of these shapes serves a distinct purpose, contributing to an Asia-Pacific region that is increasingly cooperative, transparent, and peaceful. This variegated architecture is the culmination of positive-sum efforts of existing US bilateral alliances and multilateralism among Asian states. By embodying three central norms of East Asian multilateralism—that the institutions will be multiple; that they will be informal; and that multilateralism and bilateralism will be complementary—states in the region have built an interlocking network of economic and security institutions. This patchwork architecture is largely composed of organizations that are issue-oriented and problem-driven, overlapping, and interlinked among members, and is threaded together by the preexisting US-led bilateral ties in the region. The role of US bilateral alliances in maintaining this cooperative structure is crucial, helping to create new linkages and maintain the salience of many emerging groups. Despite the negative views by some scholars that Asia has failed to achieve regional security cooperation (Friedberg 1993–94), there is ample evidence that multilateralism is thriving in Asia, albeit in its own networked, patchwork manner.

NOTES

1. In 2013, it started to post lower growth rates of 7.5 percent and this seems likely to continue.
2. In 2010 US dollars.
3. My emphasis.
4. Nexon and Wright call this “heterogeneous contracting.” See Nexon and Wright 2007.
5. Chapter 37 by Lind discusses the concept of a security dilemma in depth, but in the military rather than institutional realm.
6. The costs associated with the grouping were eventually borne by China as the host, which Beijing at one point disdained, requesting that they be evenly divided among the six parties.
7. For a good study of the TSD, see Tow et al. 2008.
8. China, Indonesia, Malaysia, and Iran oppose the PSI, disputing the legality of its efforts. For a critical view, see Valencia 2005.
9. US officials also point to an October 2003 operation to seize centrifuge components aboard the German-owned *BBC China* destined for Libya as a successful PSI operation. The US official cited is then undersecretary of state Robert Joseph, Arms Control Association Fact Sheet 2007; and Boese 2008. For other cited successes, see Foley 2009.

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CHAPTER 39

STRATEGIC ASIAN TRIANGLES

MICHAEL J. GREEN

39.1. INTRODUCTION

RESEARCH on the emerging security architecture of East Asia tends to focus on whether the prospects for continued peace depend more on a stable strategic equilibrium rooted in the hub and spokes of American alliances (Gill and Green 2009; Cha 2011; Friedberg 2011) or multilateral cooperation evident in burgeoning forums such as the ASEAN Regional Forum (ARF), the ASEAN+3 (APT) and the East Asia Summit (EAS) (Ikenberry and Tsuchiyama 2006; Acharya and Tan 2006; Calder and Fukuyama 2008). In this debate scholars have largely neglected the actions of states in the vast diplomatic space that exists between the realist balancing behavior of bilateral alliances and the idealist community building of multilateralism. This is the realm of minilaterals; of hedging, norm-building, problem-solving, and positioning by smaller groups of states unable to advance their interests through either bilateral alliances or multilateral forums alone (see also chapter by Cha in this volume). In Asia these minilaterals have increasingly taken the form of trilateral groupings. Trilateral groupings established in recent years have included the US-Japan-Korea Trilateral; the US-Japan-Australia Security Dialogue (TSD); the US-Japan-India Strategic Dialogue; and the China-Korea-Japan Trilateral Summits and Secretariat. In 2010–12 Secretary of State Hillary Clinton called for more such groupings, including a trilateral US-India-China forum and US-Japan-China Trilateral Strategic Dialogue.

Scholarship on the phenomenon of minilaterals is not new. In response to Mancur Olson's classic assertion that large groups are only effective at collective action under hegemonic leadership, subsequent studies noted that postwar collective security institutions such as the North Atlantic Treaty Organization (NATO) and the General Agreement on Tariffs and Trade (GATT) functioned because of "disguised" minilateral coordination among like-minded states rather than simple American hegemony alone (Olson 1968; Kahler 1992). More recent work on the UN Security Council also found that minilateral coordination efforts have become essential to the governance

of the Council because of the divergence between legitimization provided by the UN and the hard bureaucratic reality of navigating national interests in pursuit of Council action (Prantl 2005). Whether the emergence of such minilateral groupings is good for broader multilateral institution-building—because it makes large institutions more effective—or bad—because it counters the principles of universality and nondiscrimination inherent in the postwar purpose of multilateralism—is a subject of ongoing debate among neoliberal scholars.

This debate is particularly important as it applies to Asia, where minilateral—and specifically *trilateral*—statecraft has proliferated. In Asia the question goes beyond the neoliberal debate of whether minilaterals make governance of regional multilateral institutions more effective. There is also a brewing neorealist debate about whether these minilaterals contribute to a stable balance of power or pose the risk of competing blocs that would fuel a security dilemma in the region (Tow 2008). Which is it? Are these new Asian trilateral groupings pathfinders for community building, or are they harbingers of a new Cold War in the region?

This chapter will offer some preliminary answers. The central argument is that trilateralism is producing greater security and stability than mistrust and competition. This conclusion is based on the observation that strategic triangles operating within the existing architecture of bilateral treaties and multilateral forums can provide a soft form of hedging and shaping in ways that minimize the risks of a security dilemma, and do increase the effectiveness of broader multilateral institutions. The conclusion also draws on the theory of competitive trade liberalization, which posits that smaller free trade arrangements can cascade into lower barriers across the system as states continually compete to avoid exclusion from preferential arrangements enjoyed by their competitors. In similar ways, competition among trilateral groupings could lower the barriers to cooperative security in Asia by producing more effective results that attract other states to participate. The chapter elaborates on these points in the conclusion, after first considering why this new trend toward trilateralism has emerged in Asia, and then reviews the major trilateral forums now active in the region.

39.1.1. Why Trilateralism in Asia?

Asia's new trilateralism reflects the diversity of interests, regime types, and threat assessment within the region. While these trilateral forums vary widely in terms of purpose, internal cohesion, and impact on broader security and cooperation, there are four broad drivers behind their emergence.

First, most of the states in Asia perceive obvious deficiencies in the region's umbrella multilateral institutions in terms of effectiveness and consensus on rule-making. In surveys of strategic elites conducted by the Center for Strategic and International Studies (CSIS) in 2009, for example, respondents across the region expressed extremely low expectations about the ability of the ARF, APT, EAS, or any other regional forum to manage security crises ranging from epidemics to nuclear proliferation and interstate

conflict. When asked where their governments would turn if faced with a range of traditional and nontraditional security threats ten years from now, a significant majority of respondents chose treaty alliances, unilateral capabilities, or even global institutions such as the UN or IMF before considering multilateral alternatives within the region (Gill et al. 2009).

The reasons for this skepticism are apparent in the evolution of the region's leading security forum, the ARF. US secretary of state Hillary Clinton invested her time and reputation heavily in the ARF from 2009 through 2012. The goal was in part to encourage China to resolve territorial disputes in the South China Sea through an ASEAN-centered multilateral process that would discourage Beijing from isolating smaller claimants in a series of mismatched bilateral tests of will (see chapter 27). This approach also fits the strategy of significant ASEAN states to enmesh all the major powers in the region within overlapping regional multilateral institutions hosted by ASEAN (see chapter 24); it also provided neutral ground for later powers to operate on the principles of mutual respect for sovereignty, territorial integrity, noninterference in internal affairs, and the settlement of disputes by peaceful means (Goh 2008; Kasim 2005; ASEAN 1976). In this case, however, Beijing did not want its behavior to be moderated by ASEAN-centered multilateralism and—once it was clear the South China Sea issue would be included successfully—colluded with ARF host Cambodia to block consensus on a joint statement in Phnom Penh (Emmerson 2012). This was the first time in forty-five years that ASEAN failed to reach consensus on a joint statement, and in the words of the ASEAN secretary-general, Surin Pitsuwan, it raised serious questions about ASEAN's relations with the big powers, or as he put it, "If we are not fully united and integrated, we can become the victim of external powers" (Pitsuwan 2012). The episode also illustrated that any advantages of a lowest-common-denominator, consensus-based approach are offset by the inability to produce meaningful results on controversial issues contested by a determined power. These structural weaknesses within the broader multilateral forums have given purpose to smaller trilateral groupings that aim to push harder for effective agreements on regional security challenges (Mazza and Schmidt 2012).

States in the region also recognize the divergence of views regarding the appropriate form of East Asia Community they are constructing. While states generally accept ASEAN rules of nonbinding consensus-based outputs for now, there is considerable debate in the region about what norms, rules, and membership criteria should ultimately guide regional architecture (Gill and Green 2009). Future visions range from the narrower East Asia grouping articulated in the 2002 ASEAN+3 leaders' "East Asia Vision" statement, to the more open, liberal, and transpacific architecture described by Australian prime minister Kevin Rudd in 2009 or Secretary of State Hillary Clinton in January 2011 (ASEAN Secretariat 2002; Rudd 2008; Clinton 2011). The process of multilateral community building in the region has spotlighted these divergent visions, giving purpose to coordination among smaller groups of like-minded states.

The third driver of trilateralism stems from deficiencies in the hub-and-spoke system of US bilateral alliances in the region. The United States formed bilateral alliances

in Northeast Asia at the beginning of the Cold War in lieu of a NATO-style collective security arrangement because Japan's leader, Shigeru Yoshida, feared entrapment in another war in Asia, and US secretary of state John Foster Dulles feared Syngman Rhee in Korea or Chiang Kai-shek in Taiwan would use collective security commitments to entrap the United States in an unwanted war with China or the Soviet Union (Cha 2010). In the broader strategy of containment during the Cold War this stove-piping of alliances worked, but it became a liability in the fluid post-Cold War environment (for an alternative perspective, see chapter 38). The first official move toward trilateralization of alliances, other than informal discussions, was the initiation of the US-Japan-ROK Trilateral Coordination and Oversight Group in 1999 in response to North Korea's Taepodong ballistic missile launch the previous year (MOFAT 2012). The US-Japan-Australia Trilateral Security Dialogue followed suit in 2002—at the subcabinet level in 2002 and then full ministerial level in 2005—with US-Japan-India dialogue in 2011 (State 2011).

In part these trilateral forums were established to leverage common values and interests in order to shape the larger regional agenda for security cooperation, as noted above (Tow 2008). Japan, Australia, and Korea all share with the United States a commitment to democratic norms, a favorable balance of power, and an open and inclusive architecture (See Hanson 2012 for Austrian public's high favorability rate towards Japan). India shares with the United States and Japan an interest in maritime security in the Indo-Pacific as well as peaceful nuclear cooperation. In that sense the US alliance-centered trilaterals often act like caucuses within a legislature rather than collective security arrangements aimed at a third party.

At the same time, however, there is no doubt that these US-centered trilaterals are also driven by hedging and external balancing behavior by the participants. As structural realists such as Waltz would expect, states “flock to the weaker side; for it is the stronger side that threatens them,” though in this case they also flock to the United States because it is seen as the far more benign power in terms of balance of threat (Waltz 1979; Walt 1987; Lieber and Alexander 2005). Or as a Democratic Party of Japan (DPJ) strategic study stressed in the wake of Japan's September 2010 confrontation with China over the Senkaku Islands, Japan must continually enhance its security in relation to China by networking with other US allies and like-minded states (Kira and Nagashima 2010). In terms of external balancing behavior, the trilateralization of alliances or strategic partnerships helps to enhance the weaker legs of the triangle, particularly between Japan and Australia or Japan and India, where the United States' role is often as matchmaker between two natural allies that have yet to form close strategic ties. Operational and technological requirements can also drive the agenda for trilateral security cooperation. The TSD emerged at a time when both Japan and Australia were dispatching forces to Operation Enduring Freedom and Operation Iraqi Freedom. More recently, US-Japan-ROK trilateral cooperation progressed after all three sides recognized that Japan and Korea were not able to share critical missile defense and antisubmarine warfare data in the wake of the 2010 *Cheonan* sinking and the April 2012 North Korean *Unha* missile launch.

It is important to note that trilateralism is not only attractive to US allies in terms of external balancing vis-à-vis a threatening North Korea or rising China. To a lesser but significant extent, the trilaterals also reflect uncertainty about US power and purpose in Asia and provide a forum for allies to enhance their shaping of American strategic behavior. As a participant in the TSD and TCOG, the author saw numerous cases where Japan and Australia jointly urged the United States to engage in regional architecture or where Japan and South Korea jointly urged the United States either to enhance or restrain engagement with Pyongyang. American diplomats who report back to Washington what US allies—plural—want often receive a better hearing than when they report what an ally—singular—wants.

The fourth reason trilaterals have proliferated is that they are still seen as consistent with the umbrella multilateral institutions that are essential to broader future community building in the region. Participants in US-centered trilateral groupings have therefore taken great care to avoid steps that might risk overt confrontation with China. None of the trilaterals involving the United States and regional allies or partners have issued binding agreements or made collective security commitments. Nor have any of these US-centered groupings expanded beyond the original three members. When the United States, Japan, India, and Australia formed the “Quad” in January 2005 to provide humanitarian relief after the devastating Asian tsunami, the grouping was quickly disbanded once the UN and other regional actors were able to insert their own assets into Banda Aceh and other stricken regions around the Indian Ocean. The four participating governments were then skeptical of Japanese prime minister Shinzo Abe’s subsequent proposal to form a permanent quadrilateral summit process, lest it appear aimed at China (Abe 2007; Tow 2008).

Moreover, allies and like-minded participants in US-centered trilaterals have often joined parallel trilaterals with China to avoid the appearance of competing blocs. For example, as Japan and Korea were joining with the United States to form TCOG in 1999, the two allies also began exploring the prospect of trilateral summits with China under the aegis of the ASEAN+3 meetings. Similarly, after US-Japan-ROK trilateral security coordination intensified in the wake of North Korean attacks on the *Cheonan* and on Yeonpyeong in 2010, the Korean side announced plans for a free trade agreement (FTA) with China and establishment of a trilateral China-Japan-Korea secretariat, but then quietly rejected US proposals for a similar secretariat to support the US-Japan-ROK trilateral process (METI 2010; MOFA 2010). In a similar pattern, India has joined China-Russia-India trilaterals since 2005 after it signed a historic agreement with the United States to open peaceful nuclear cooperation. The United States also plays this game of reassurance: proposing US-Japan-China and US-India-China trilaterals, though Beijing has been hesitant to move forward on these trilaterals on a “first track” government-to-government basis (Ganapathy 2011). In short, the trilateral groupings—whether centered on common security interests around US allies and partners or economic interests and confidence-building around China—do not foreclose states’ options for participation in multiple overlapping forums that enhance influence and advance a particular aspect of national interests and identity. Indeed,

states carefully calibrate how they dispense their trilateralism, as demonstrated by the Korean decisions on secretariats for its respective trilateral arrangements.

The fifth reason for the rise of trilateralism in Asia is the opportunity it provides for confidence-building among larger states on the edge of strategic competition. The most obvious case is the relationship among the United States, Japan, and China (Curtis 2010). Secretary of State Clinton's 2011 statement on the importance of a US-China-India trilateral was driven by similar concerns. These great power dialogues have produced no long-term outputs in terms of actionable areas of trilateral cooperation, but they have proven attractive as forums to counter the impression of great power competition in moments of crisis or tension. The great power trilaterals also provide a space where contentious issues can be discussed with more candor than in larger forums such as ARF, or in narrower bilateral forums where positions can become more intractable. Ultimately, however, the great power trilaterals are limited by several factors, including concerns that two might align against the third—the United States and Japan versus China, or on some issues China and India versus the United States; the lack of common values, trust, and operating procedures; and the negative reactions of other middle powers in the region whose interests might be affected—Korea on peninsular issues with respect to US-Japan-China trilaterals, for example. As a result, the great power trilaterals thus far have had episodic moments of importance, but relatively little ability to operationalize cooperation or drive the agenda for regional architecture in a sustained way, other than the important role of minimizing division. For the most part, they continue at the second track—think tank or academic level—with government participants carefully joining as observers. Nevertheless, states continue exploring these great power trilaterals and will likely do so into the future.

There is one final question outstanding: why do so many trilaterals exist, instead of quadrilaterals or other cooperative structures? To be sure, there are groupings in Asia such as the Six-Party Talks, the Shanghai Cooperation Organization (SCO), or ASEAN that have more than three members. However, these minilaterals are distinct from the trilaterals because they too suffer from Olson's problem of being too large to be effective; or more to the point, they are too diverse to be effective. The Six-Party Talks have stalled with North Korean violations of past agreements and renewed divergence among the other parties regarding next steps. The SCO has also lost its apparent anti-Western edge as membership and observers have increased. ASEAN has emerged as a formal subregional institution with a common charter and multiple binding agreements, and there the absence of minilaterals points to the relative success of the ten-member organization. Finally, it is apparent that security-oriented minilaterals among like-minded states tend to keep to three members because four or more would suggest a collective security bloc. Neither Washington, nor Beijing, nor the smaller states in the system are willing to risk the security dilemma that might result from numbers greater than three, as Prime Minister Abe's ill-fated Quad proposal demonstrates.

In summary, then, trilateralism has proliferated because of deficiencies in both the region's umbrella multilateral forums and the legacy hub-and-spokes system of bilateral alliances. States join the trilaterals to enhance their influence and strategic ties to

other states, but not in any way that would foreclose necessary economic, political, or security ties with their neighbors. Those trilaterals that advance specific diplomatic, security, or economic interests have proven most substantive and sustainable. And thus far in aggregate, trilateralism has not decisively tilted the region toward either security competition or community building. To answer the question of whether it might do so in future will first require a brief survey of the development and current status of the region's trilaterals.

39.1.2. Current Trilaterals

Asia's new trilaterals can be subdivided into three basic types: (1) *like-minded allies and partners* seeking to shape the emerging architecture and regional balance of power; (2) *economically interdependent neighbors* seeking to accelerate economic and political cooperation and reduce tensions; (3) *great powers* seeking to increase mutual confidence. Most of the trilaterals chosen for this brief survey are government-led. Second-track trilaterals that are encouraged or indirectly supported by governments are also included, since those forums have transformed into government-to-government processes at various points—hence the occasional reference to them as “1.5” track meetings.

39.2. LIKE-MINDED ALLIES AND PARTNERS

39.2.1. TCOG and the US-Japan-ROK Trilaterals

US, Japanese, and Korean officials began holding trilateral coordination meetings at the United Nations in New York after Pyongyang declared its intention to leave the Non-proliferation Treaty in 1993. These meetings were paralleled by informal defense trilateral talks as US, Japanese, and Korean military forces anticipated a possible blockade or other action to enforce expected UN Security Council sanctions in the midst of the crisis. When former secretary of defense William Perry became the Clinton administration's point man for North Korea policy in 1998, he worked to establish a more formal trilateral coordination mechanism on policy toward Pyongyang and on April 25, 1999, announced with his Japanese and Korean counterparts the establishment of the Trilateral Coordination and Oversight Group (TCOG) (Schoff 2005). As with other trilaterals among like-minded allies, TCOG was propelled both by the opportunity to expand influence and by disturbing evidence of disjunctions, in this case the diverging Japanese, American, and Korean intelligence on and responses to North Korea's Taepodong missile launch in August 1998.

The Bush administration intensified the TCOG process, particularly after revelations in October 2002 that the North had been pursuing a clandestine uranium

enrichment program in violation of the Agreed Framework (Department of State 2002). However, after 2006 the TCOG meetings began to phase out in response to Chinese requests that the Six-Party Talks on North Korean denuclearization be conducted without caucuses within the group. Informal trilateral coordination continued without the label “TCOG.” In the wake of the North Korean attacks on the ROKNS *Cheonan* and the island of Yeonpyeong in 2010, trilateral coordination was elevated to the ministerial level, including a joint Washington meeting in December of Secretary of State Hillary Clinton, Japanese foreign minister Seiji Maehara, and Korean foreign minister Kim Sung-han. In this meeting the three ministers “underscored the importance of strengthening trilateral cooperation on economic, political, and security issues,” and reportedly came close to agreeing on an unprecedented collective security statement, which would have acknowledged that an attack on any one of the allies by North Korea would be viewed as an attack on all three (Department of State 2010; Labott 2010). However, the South Korean government eventually backed away from the collective security statement and rebuffed proposals for establishing a trilateral secretariat. Meanwhile, trilateral exercises among the three militaries and meetings among senior defense officials became more regular, including the US-Japan-ROK Nuclear Dialogue, the US-Japan-ROK Defense Trilateral Talks, and US-Japan-ROK trilateral naval exercises (CSIS/JIIA/AIPS 2012; Department of State 2012; Department of Defense 2012).

One major impediment to further institutionalization of trilateral security coordination has been unresolved historical and territorial disputes between Seoul and Tokyo, particularly in relation to the Liancourt—Takehima or Dokdo—lands. These highly political disagreements derailed final approval of Japan-Korea agreements to protect information and provide mutual logistical support in the summer of 2012, both necessary building blocks for further bilateral and trilateral defense cooperation (Choe 2012). In general, the US-Japan-Korea trilateral process is driven by the immediate threat from North Korea. The implications for longer-term strategic relations with China are never far from the surface and are accepted by all three sides, though Korea remains most wary about any shift in focus away from the North or possible confrontation with Beijing.

39.2.2. US-Japan Australia Trilateral Security Dialogue (TSD)

Japanese and Australian interest in enhanced bilateral and trilateral security cooperation flowed from the redefinition of the US-Japan security relationship announced in the April 1996 joint statement by President Bill Clinton and Prime Minister Ryutaro Hashimoto. As US-Japan security cooperation officially expanded to the “areas surrounding Japan,” the Howard government in Canberra took an interest in working with Japan to reinforce the overall network of American alliances in Asia and the Pacific in existence since the Cold War (Satake 2011). Howard’s foreign minister, Alexander Downer, subsequently proposed an official trilateral to the new Bush

administration in 2001, leading to the formal announcement of the Trilateral Security Dialogue (TSD) and the commencement of regular meetings at the level of deputy secretary the next year. As a participant in the first series of TSD meetings, the author finds William Tow's (2008) characterization most accurate:

A major rationale for supplementing the separate US bilateral alliances with Japan and Australia was to strengthen what Australian diplomats characterized as an underdeveloped or "weak third leg" of Australia-Japan security relations. Further, the Bush administration expected regional allies to do more to facilitate evolving US global strategy to fight a war on terrorism, check nuclear proliferation by so-called rogue states, and sustain an acceptable international balance of power against aspiring hegemonic competitors. Creating a stronger Australia-Japan security dyad complied with these expectations.

Early meetings of the TSD focused in particular on the emerging institutional architecture in the Asia-Pacific region, a theme in which Japanese and Australian participants emphasized the importance of a more active US engagement in APEC and other institutions. Those voices had an important impact on US thinking, and helped to account for President George W. Bush's attendance at every APEC summit—in contrast to his predecessor and successor. The TSD was elevated to the ministerial level in 2006 and has continued with little of the ebb and flow of the TCOG. Trilateral defense cooperation has also expanded to include "terrorism, piracy, large scale natural disasters, trafficking in arms, narcotics, and people, cyber threats, a congested and contested space domain, proliferation of missile technology and weapons of mass destruction, and ensuring maritime security and freedom of navigation" (Department of Defence, Australia 2012).

39.2.3. US-Japan-India Trilateral

Although India has focused on East Asia since the "Look East" policy of the early 1990s, it was primarily the US strategic outreach to India in 2001 that drew Tokyo and Delhi closer together. From Washington's perspective, Japan had to be part of any peaceful nuclear cooperation agreement with India, both because of Japan's influence in the Nuclear Suppliers Group (NSG) and because US corporations in the nuclear business—GE and Westinghouse—were in strategic relationships with Japanese counterparts—Hitachi and Toshiba. Meanwhile, India was a natural partner for Japan as Tokyo sought to maintain a favorable strategic equilibrium for the maritime powers in response to China's expanding reach and influence. When a massive tsunami hit the Indian Ocean in December 2004, the United States proposed to India, Japan, and Australia the quick formation of a quadrilateral group to coordinate assistance, taking advantage of the fortuitous presence of the US Seventh Fleet near the epicenter of the disaster and pre-existing relationships among the four navies' leadership (see also chapter 38 for discussion of this initiative). That cooperation probably inspired Japanese prime minister

Abe's 2007 proposal for a formal quadrilateral summit, as noted earlier (Abe 2007). Nevertheless, Japan-India ties continued deepening, particularly with a bilateral security pact in October 2008 that followed a similar bilateral defense agreement between Tokyo and Canberra in March 2007 (Panda and Tuke 2011). Japan also participated in the regular US-India Malabar naval exercises in 2007 and 2012 (Bagchi 2012).

As in other cases, the potential for an official trilateral was first tested at the "second track" or think tank level and not by governments. In this case, the Center for Strategic International Studies (CSIS) in Washington, DC, linked with the Confederation of Indian Industries (CII) in New Delhi, and the Japan Institute for International Affairs in Tokyo for regular annual meetings beginning in 2007 (CSIS 2007). Observers from the three governments participated in the meetings and in December 2011 held the initial "first track" trilateral in Washington, DC, on December 19, 2011. Officials in the talks noted that the three countries "shared values," including democracy, human rights, the rule of law, transparency, open markets, freedom of navigation, and an interest in international development work (Department of State 2011). "There wasn't a moment of dissonance in the whole thing," one US official said. "The challenge now is to figure out what specifically we can focus on" (Rogin 2011). In addition to concerns about Chinese reactions, India's residual nonalignment ideology serves as a break on institutionalization of the trilateral with the United States and Japan, two nations in a treaty-based bilateral alliance. Nevertheless, the trilateralization of US-India-Japan relations is propelled by a convergence of interests with respect to future order and influence in the Asia-Pacific.

39.3. ECONOMICALLY INTERDEPENDENT NEIGHBORS

39.3.1. China-Japan-Korea Trilateral

The leaders of Japan, China, and Korea began joining with counterparts from ASEAN for the ASEAN+3 (APT) summits in 1997. The vision of an East Asian-centered forum had been championed by Malaysia's prime minister Mahathir since the 1980s and was resisted by mainstream foreign policy officials in both Japan and Korea until the 1997 financial crisis increased the enthusiasm in Tokyo and Seoul for a gathering that did not include the United States. Initial topics included trilateral cooperation and led to agreement in Chiangmai, Thailand, in May 2000 for debt-swapping arrangements among the APT countries (see Grimes's chapter in this volume). Korea then officially proposed a separate trilateral summit with Japan and China in 2004, and the first separate meeting of the three leaders was convened in 2008. In 2011 a trilateral secretariat was established in Seoul and in 2012 the three countries agreed to pursue a free trade agreement.

The leaders and foreign ministers' meetings have been marked by tension at times, particularly after the North Korean attack on *Cheonan* reportedly led to emotional clashes between the Japanese and Chinese foreign ministers (*Chosun Ilbo* 2010). The trilateral FTA was also pushed by the Chinese side, in part in response to Japanese prime minister Noda's expression of interest in joining the American-centered TPP (Prime Minister of Japan 2011). The greatest enthusiasm trilaterally is among the finance ministries, which see merit in hedging against the US dollar and increasing their respective influence vis-à-vis the so-called Washington Consensus of free market economics championed by the IMF. Other areas of cooperation include nontraditional security. What is striking about the trilateral cooperation among economically interdependent neighbors is the lack of diplomatic, military, or intelligence cooperation, which characterizes the trilaterals among allies and like-minded states attempting to shape the larger strategic environment in the region. It is also noteworthy that the secretariat is officially called only "The Trilateral Secretariat" because the three proud member nations could not agree on whose name would come first. That said, the trilaterals among allies feature relatively little cooperation on trade and finance, despite the existence of bilateral FTAs with the United States on the parts of Korea and Australia, and Japanese interest in joining TPP.

39.4. MAJOR POWERS IN SEARCH OF CONFIDENCE-BUILDING

39.4.1. US-Japan-China and US-China-India Trilaterals

The strategic triangle at the heart of East Asian security architecture since the end of the Cold War has been among the United States, Japan, and China. Each of the three sides is highly sensitive to improving or worsening relations among the other two. Japanese observers once worried most about entrapment in a Sino-US confrontation during the Cold War and today fear a US-China condominium that would lead to a "Japan passing" Washington. Chinese observers relied on the US-Japan alliance in the 1970s and 1980s to contain Soviet influence, and then after the Cold War China sought a future in which major US alliances in the region would pass quietly into history. Since the Cold War, the United States has generally sought closer alliance ties with Japan to provide greater leverage to engagement of China. However, when Sino-Japanese ties began to deteriorate in 2005 over historical and territorial issues, US officials became concerned about complications to overall US efforts to encourage regional cooperation, particularly regarding North Korea (Kassim 2005). Uncertain that the US government could usefully play a brokering role between an ally and a third party, Deputy Secretary of State Robert Zoellick proposed a second-track US-Japan-China trilateral during a visit to the region in 2006 (Zoellick 2006). A number of US-Japan-China trilaterals

were already well established at this point, including one held by the Asia Foundation (AF, JIIA, and CIIS) 2011). In response to Zoellick's proposal, CSIS, the Brookings Institution, Kezai Koho Center of Japan's business federation Keidanren, and the School of International Studies of Peking University jointly commenced a new trilateral in 2006 focused on confidence-building (Brookings 2006). Senior participants—including Jim Steinberg, who later became deputy secretary of state, and Jeffrey Bader, who became senior director for East Asia at the National Security Council—championed the idea of a first-track trilateral in discussions with China and Japan. Secretary of State Clinton also spoke out on behalf of the proposal (Clinton 2010). However, the Chinese side chose not to respond to the proposal, to the surprise of US officials, who had heard a more forthcoming attitude concerning the trilaterals from Beijing while participating in the second-track meetings (Baker 2008). Beijing also gave no official response to Clinton's similar call for a trilateral among the United States, India, and China.

In the game of positioning and maximizing influence, the confidence-building trilaterals among competing states have proven difficult to institutionalize. For one thing, the agenda would differ little from the agenda at work within other broad multilateral forums. Moreover, the three parties in these confidence-building trilaterals have less ground for caucusing on specific issues within the regional agenda. Nevertheless, at various points even China has seen value in turning to trilateral forums with the United States to help to arrest deteriorating relations with a third power.

39.4.1.1. *China-Russia-India Trilateral Foreign Ministerials*

Since June 2005 the foreign ministers of China, India, and Russia (CIR) have held regular meetings to discuss global development and common interests in Afghanistan and Iran (Singh 2012). The agenda of the ministers has reflected the more famous BRICS process—Brazil, Russia, India, China, South Africa—whereby each of the countries' nonaligned and anti-Western personalities is reinforced. Yet the trilateral process has demonstrated little evidence of common interests with respect to Asia, and beginning in 2009 the impact was largely eclipsed by the formal initiation of the BRICS meetings. Nevertheless, the CIR trilateral is further evidence that states will continue seeking caucuses and groupings that reflect the diverse interests and values within the Asia-Pacific region.

39.5. CONCLUSION: COMPETITIVE SECURITY LIBERALIZATION

The history of conflict in East Asia in the first half of the twentieth century involved rival trading blocs, uncontrolled rivalry between rising and status quo powers, and a failure of dissuasion and deterrence. Could Asia's proliferation of trilaterals represent

the seeds of similar discord in the twenty-first century? Is the Japan-China-Korea trilateral the first step toward autarkic Asian economic order? Are security trilaterals like the TSD harbingers of a new Cold War divide? It is not inconceivable that historians would look back in a century and argue that they were, although in that scenario trilaterals would likely be identified as a symptom rather than the cause of a collapse in regional order. It is far more likely that future historians will look back at this active trilateralism as characterizing an intermediate phase between regional orders, as diverse states sought to hedge and shape an immature architecture still resting uneasily on the stability provided by bilateral alliances and the hope of growing economic interdependence. It is only possible to speculate on what the newer order will look like, but there are reasons for expecting that competition among trilaterals is more likely to ease that transition than exacerbate competition.

To begin with, the security trilaterals centered on the United States provide reassurance to allies anxious about the shifting balance of power, which minimizes their own hedging, and sends signals to Beijing that an overt attempt to overturn the current order could result in more formal collective security arrangements among the powerful maritime democracies, which can have an important dissuasive effect on Chinese behavior. Thus far, the participants in these trilaterals have calibrated their approaches to enhance broader community building and avoid zero-sum competition with China. Moreover, this calibration by the most cautious party of the three can moderate the behavior of the most confrontational. For these reasons, the trilaterals tend to reinforce rather than undermine a stable strategic equilibrium in the region.

Moreover, the competitive aspect of trilateralism has the potential to enhance the effectiveness of community building. This is true of both the security trilaterals and the economic trilaterals. The logic for this argument builds on the emerging theory of competitive trade liberalization, which holds that it is easier for states to offer reciprocity through negotiation on a small-scale, than through “unconditional most-favored nation status” or “open regionalism.” In practice, “the interchange of unilateral, bilateral, sub-regional, regional, and global trade strategies manifests itself in maximizing its mutually supportive utilities” (Chan 2005). Thus,

as countries form and join preferential trade agreements (PTAs) at a rising pace, states that are not parties to these arrangements can face incentives to respond in kind. Various theoretical analyses suggest that, due to these incentives, the creation of a PTA tends to beget the development of additional PTAs and that countries joining these arrangements encourage other states to do likewise. The result is a “positive contagion” of liberalization. (Mansfield 1998, 527)

This dynamic is already evident in the region’s PTAs and FTAs. While some experts have worried about the emergence of blocs (Bergsten 2012; O’Loughlin and Anselin 2006), the competition has thus far been virtuous in Asia. Proposals for an ASEAN+3—Japan, China, Korea—and ASEAN+6—Japan, China, Korea, India, Australia, New Zealand—PTA spurred the United States to propose a more inclusive transpacific Free Trade Area of the Asia-Pacific (FTAAP) in November 2006 (APEC 2006), to launch the

US-Korea KORUS FTA on February 2, 2006 (CRS 2007), and to join the Trans-Pacific Partnership negotiations with New Zealand, Chile, Brunei, and Singapore in November 2009 (Obama 2009). Japan was then incentivized to express official interest in joining TPP, which intensified European negotiations with Japan over a Japan-EU FTA, and Chinese enthusiasm for a trilateral FTA with Japan and Korea. As of 2012 over a dozen economies were actively negotiating in TPP or expressing interest in joining. With US participation, the standards for liberalization will have to build on the high-quality terms of the US-Australia, US-Singapore, or US-Korea FTA. It is evident that agreements like KORUS that set the earliest and highest bar in terms of reducing barriers to trade have had the highest impact on all other negotiations.

The positive dynamics of competitive liberalization could also take hold on the security side. Through the 2004–5 Quad, the United States, Japan, India, and Australia set a high standard for responding to humanitarian disasters that appears to have influenced China's views of its regional role and image. In response to that disaster, Beijing dispatched a PLA medical unit to Aceh too late in the crisis to have any significant role. More recently, China has expanded and become more active in its disaster response capabilities (UNESCAP 2009; PRC 2009). Moreover, close US-Japan-Korea coordination places pressure on Beijing to use its considerable leverage with Pyongyang more proactively, since the alternative path would involve ever closer security ties among the three allies, a strategic future contrary to Chinese expectations. Finally, the US-Japan-Australia and other security trilaterals among like-minded allies demonstrates to China that expansion of unilateral attempts to change the status quo order could lead directly to the containment policy Beijing seeks to avoid. Believers that multilateral institutions and economic interdependence will guarantee security will find this logic too risky, but those who find considerable uncertainty regarding China's future will see advantages in maintaining a series of trilateral security cooperation agreements that increase peer pressure within Asia to produce security goods for the region.

These are preliminary conclusions in a dynamic and unfolding Asia-Pacific region. Ultimately, the trilateral game will require agility, a credible US economy and forward presence, and a continued desire on the part of Beijing not to break with the regional vision of an East Asia Community. Bearing this in mind, the role of trilaterals in the emerging security architecture of Asia will merit further analysis.

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