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Evolving Asian Power Balances and Alternate Conceptions for Building Regional Institutions

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Abstract

The paper aims to examine economic interdependence and balancing power politics, and their mixed implications for regional institution building in East Asia based on the concept of common security. By pointing out the gap between the violent conflict prediction and the stability and prosperity reality following the end of the Cold War, the paper gives analysis to the factors affecting the security relations in the region, including (i) the role of the US, (ii) the rise of the PRC, (iii) ASEAN's efforts at regional cooperation, the (iv) the PRC–Japan rivalry. The author concludes that economic interdependence and regional cooperation in Asia have constrained a power struggle from spiraling out of control, while open regionalism has become a reasonable approach to regional institution building. Finally, the paper makes policy recommendations with respect to principles and steps in moving to a new regional security order.

Keywords: East Asia; Regional Cooperation; Power Politics; Balance of Power; Regional Institutions; Common Security

JEL Classification: F55, F53

1. Introduction

When the Cold War ended in the early 1990s, theorists from different schools made a bleak prediction about the international relations of East Asia. Some bet that East Asia would move toward an unstable multipolar order as the United States (US) reduced its military presence. Japan would be remilitarized, and with rapid economic growth, the People's Republic of China's (PRC) military power would also grow. As a result, all countries in the region would inevitably be engaged in arms races.¹ Aaron Friedberg (1993) represented an influential image of East Asia as a region seemingly "ripe for rivalry." He stressed that Asia lacks stability-enhancing mechanisms of the kind that sustain peace in Europe, such as high levels of regional economic integration and regional institutions to mitigate and manage conflict.² Other pessimists foresaw regional disorder coming from the attempts of the major states to balance a rising People's Republic of China (PRC). These bleak security scenarios would bring forth greater uncertainties to economic growth in East Asia.

More than a decade and a half later, however, East Asia has not descended into an intense power struggle among major powers, and the prediction for a high risk of violent conflict has not come to pass. Instead, while East Asia has become one of the regions with the highest record of growth in the world, albeit with disruption caused by the 1997/98 Asian financial crisis, the economic regionalization and an interim security order rise in the horizon. This East Asia phenomenon has triggered the debate about the theories of balance of power, and as well as about the future development of the region.

The gap between the theoretical predictions and the new reality of East Asia once again shows the complexity of applying theories of international relations in practical policy areas. This background paper would like to answer the following questions: how do different international relations theories characterize the evolution of a power shift in post-Cold War East Asia? How do these theories prescribe the solutions for possible regional security regimes? How do these theories assess the achievements of regional security cooperation represented by efforts centered around the Association for Southeast Asian Nations (ASEAN)? What can be contributed to the designing and improvement of regional security institutions in the future?

2. Contrasting Views of the Evolution of the Power Balance in East Asia

With respect to the evolution of the power balance and the formation of regional security arrangements in East Asia, different theories of international relations contend with each other. Generally speaking, realism assumes that interstate power struggles are the normal condition for international political life, and that a leading power is a prerequisite condition for the growth of regional institutions. Neo-liberal institutionalism tends to

¹ Friedberg (1993), Betts (1993), Segal (1993), and Bernstein and Munro (1997).

² Friedberg (1993).

emphasize the role of properly designed mechanisms to ensure the lifespan and efficiency of regional institutions. And constructivism attaches significance to identity and socialization in the course of cultivating regional institutions.

When people review the predictions made about the post-Cold War East Asia, realism may receive the most criticism for its misleading pessimistic descriptions. Neo-realist theory identifies two types of balancing behavior: “internal balancing” (national self-help), including military buildup directed against a rising power; and “external balancing”, which may involve either the strengthening of old alliances or the forging of new ones, directed against a rising power.³ According to Kenneth Waltz’s theory, which is characterized with “pure power” calculations, Southeast Asian states that are relatively free to choose their alignment as secondary states ought to “flock to the weaker side” so that they can balance against the dominant power in the system, that is, the US.⁴ However, this prediction induced from realism does not conform to reality very well. Southeast Asian states have not aligned with the PRC specifically to balance against greater US power.

Since the mid-1990s, the PRC’s rising and its impact on regional security relations has attracted wide attention. Realists made prediction about how smaller states in East Asia would have to choose between “balancing” against the PRC by joining the US-led coalition, or “bandwagoning” with the PRC. The key to East Asian security is great power politicking and military maneuvering to create a stable regional balance of power. Hence, peace and stability is realized merely through the balancing interactions between the US and the emerging competitor, the PRC.

Though stressing the significance of a distinct and longstanding regional structure in East Asia, which he believes is of at least equal importance to global factors in shaping the region’s security dynamics, Buzan’s main idea belongs to major power-oriented analysis. As he argues, these two major powers in the region and the “internal developments within the PRC and the US” will decide the evolution of the power balance at the regional level in East Asia.⁵ As for smaller states, he insists that the future of interstate relations in the region will be more defined by which way the regional states choose, that is, “the Westphalian principle of balancing or the bandwagoning imperative more characteristic of suzerain–vassal relationships.”⁶

On the question of what kind of regional security order is emerging in East Asia, realists and others disagree. Ahn argues that in East Asia there are two types of security arrangements emerging: one is a US-led loose balance of power, and the other an *ad hoc* concert of powers in Asia. These developments result from the mutual adjustment between the power position of the US and Asian nationalism or regionalism. The US-led loose balance of power mainly works in the area of bilateral relations among four major powers in the region—the US, PRC, Japan, and Russia; and the second

³ Acharya (2003,150).

⁴ Waltz (1979a, 127).

⁵ Buzan stresses that the parallel development at the regional level has not been discussed adequately in Western security literature.

⁶ Buzan (2003).

concert of powers takes place through US support to Southeast Asian states, reflected in countering international terrorism and the proliferation of weapons of mass destruction. Ahn attaches much importance to Asian nationalism and concludes that “the East Asian order is not about to be absorbed into the sphere of US hegemony” because the US hegemonic domination is being challenged by the nationalism of East Asian countries, especially the PRC and Russia. The East Asian balance of power will be loose and multipolar, albeit under US leadership. On the other hand, dismissing the value of growing regional regimes, Ahn believes that despite all good intentions, ASEAN and the ASEAN Regional Forum (ARF), and Asia– Pacific Economic Cooperation (APEC) all remain weak institutions, with ASEAN still lacking a common identity.⁷

Denny Roy insists that Southeast Asian countries are balancing against the PRC, or accommodating, aligning, and even bandwagoning with it.⁸ But now more scholars share a consensus that Southeast Asian states have not balanced against or bandwagoned with the PRC, as expected by realists. Ross points out that smaller East Asian states are generally accommodating the PRC's growing economic and especially military prowess, and it is only those that are less directly vulnerable to the PRC's military power that are strengthening alignment with the US.⁹ The reasons why Southeast Asian states have not adopted these policies has become an interesting topic.

As Goh argues, Stephen Walt's modified notion of “balance of threat” may help to explain Southeast Asian states' reluctance to ally with the PRC to balance against the US.¹⁰ The balance of threat approach argues that it is important to specify the sources of major security threats before choosing balancing acts. Because of reasons such as geographic proximity, historical enmity, territorial disputes, and increasing economic competition, the smaller states in East Asia regard the US as a benign and less threatening offshore power in the region, while many of them distrust Chinese intentions and choose to maintain closer relations with the superpower as a hedge against a potential Chinese threat.¹¹ But Goh added, even with this distrust toward the PRC “...there is little evidence of direct internal or external balancing against the PRC by states such as Indonesia, the Philippines, and Viet Nam, which have the most acute historical, territorial, and political disputes with it.”¹² All of the Southeast Asian allies of the US maintain strategic partnerships with the PRC in the same time as well.¹³ That is to say, the modified approach of balance of threat is useful in pointing to the direction of a threat, but is problematic in finding practical acts of balancing against a threat from the PRC.

⁷ Ahn (2003, 95–107).

⁸ Roy (2005).

⁹ Ross (2006).

¹⁰ Walt (1987).

¹¹ For a detailed discussion of these threat perceptions, see Goh (2007b).

¹² Footnote 11, p.116.

¹³ Footnote 11, p.116.

Some scholars argue that the unique history and culture in East Asia help to explain the gap between balance of power theories and the political reality in the region. Korean-American scholar David Kang argues that it is East Asia's tradition of hierarchical relations that have prevented these smaller states from balancing against the PRC. Kang finds that "Asian states do not appear to be balancing against... the PRC. Rather they seem to be bandwagoning."¹⁴ Believing that international politics is influenced by a succession of hierarchies rather than recurrent multipolar balancing, he insists that prior to the intervention of Western powers, states in East Asia were used to an asymmetrical regional order in which Chinese domination meant relatively little intervention in their affairs, and so was perceived as a source of stability and benefit. More challenging to the understanding of the history of the relations between PRC and the region, Kang holds, "historically, it has been Chinese weakness that has led to chaos in Asia. When PRC has been strong and stable, order has been preserved. East Asian regional relations have historically been hierarchic, more peaceful, and more stable than those in the West".¹⁵ Influenced by this history, East Asian states do not have concerns and fears resembling the forecasts by western scholars of balancing power, and they find themselves more comfortable deferring to a strong PRC than others might think. As a result, the US has found it difficult to implement an outright balancing strategy with substantial support from these countries.¹⁶ In Kang's eyes, the failure of Western scholarship in giving more accurate predictions lies in its essentially Eurocentric approach to Asian security. He calls for scholars to strive for a better match between the theories and the evidence on the ground. A careful study of Asia's different pathway to national sovereignty and regional order would enrich the study of Asian security as well as the field of international relations.

Interesting, Kang's paper generated more debate over the question: will Asia's past be its Future?¹⁷ For example, Acharya dismissed Kang's views as weak literature-based, saying that "his idea of Asia's return to a hierarchical order is confusing and dangerous."¹⁸ Acharya rejects Kang's viewpoint that Asia is not balancing the PRC, but bandwagoning with the PRC. He argues that India is balancing against the PRC; the military buildup of ASEAN states and Japan is also an example of balancing against the PRC's growing power; and the PRC is also part of the reason for the revitalization of US alliances with Japan, Australia, and the Philippines. On the question of bandwagoning, Acharya adopts the definitions of Walt and Schweller. Stephen Walt implies that bandwagoning is "acquiescence to a rising power by a state threatened by it (appeasement)," while Randall Schweller defines bandwagoning as "opportunistic jumping over to the side of the rising power." Acharya argues that there is little evidence showing that either kind of bandwagoning is taking place in Asia. Expanding economic relations between East Asian countries and the PRC are not bandwagoning itself, which are "based on rationalist, absolute gains logic," but rather Kang "confuses economic self-

¹⁴ Kang (2003a, 58).

¹⁵ Kang (2003a, 66).

¹⁶ Kang (2003a and 2003b).

¹⁷ Kang (2003a).

¹⁸ Acharya (2003, 149–164).

interest with bandwagoning...these do no amount to deference.” Acharya holds that though Southeast Asian states do worry about the PRC’s rise, they also think it is “not a threat that requires aggressive balancing responses that would expose them to the perils of security dependency.” At the same time, suspicions of the PRC remain sufficiently strong to prevent opportunistic bandwagoning with the PRC. The Southeast Asian states’ posture can be more accurately defined by the term of "engagement."¹⁹

Scholars differ on how to assess the role of ASEAN and its achievement in building a regional security regime.

On the relationship between balance of power and regional security institutions, the differences are apparent among theorists of different schools on which procedure should get priority. For example, Leifer argued that the existence of a stable balance of power was a prerequisite for successful regional security institutions.²⁰ Khong countered by opining that regional institutions were a critical mechanism for "defusing the conflictual by-products of power-balancing practices" when regional states were trying to forge a stable balance of power.²¹ This difference is meaningful for decision-makers when they think over the designing and implementing of a regional security framework.

Regarding the security order built by ASEAN, the debate is mainly between neo-realists (including realists) and constructivists, around the question of whether ASEAN is strong enough to do that job. Based on some empirical studies, neo-realists tend to view the role of ASEAN as peripheral to great power politicking, what they value as “the real stuff and substance” of international affairs. Their defining of power is to more frequently equate power as force and coercion.²² They argue that it is still premature to judge the transformative function of regional institutions created under the sponsorship of ASEAN. These empirical studies show that in so many of the key "hard" cases of regional security conflicts, the states involved in conflict still tend to rely on bilateral and other avenues, instead of resorting to these institutions as channels for resolving conflict. Some realists argue that insufficient time has passed to allow scholars to test claims of socialization assessment and to assess questions of who is socializing whom.²³ Hence, following this logic, scholars like Jones and Smith criticize ASEAN merely as a talk shop playing into the hands of great power interests. Only a balance of power among major powers is functional in setting a regional order.²⁴ Some moderate or eclectically neo-realists recognize the achievements earned by the ASEAN, but they are still more inclined to attach the balance-of-power factor to the relative success so far.²⁵ They argue

¹⁹ Footnote 18, pp.150–151.

²⁰ Leifer (1996).

²¹ Khong (1997).

²² Eaton and Stubbs (2006).

²³ For these skeptical views and responses to them, see Jones and Smith (2007b); Acharya (2003); Khoo, Smith, and Shambaugh (2005); and Ba (2006).

²⁴ Jones and Smith (2007b).

²⁵ For example, see Emmers (2003).

it is still too early to say that the “alternative forms of order based on more peaceful, less combative principles” have already come to pass.²⁶

On the other hand, constructivists highly value ASEAN, which has played a crucial role in promoting a regional security community, though in a different way not yet described by mainstream theories of international relation.²⁷ Different from neo-realists, constructivists tend to define power neither necessarily as negative-sum nor limited to conflictual situations.²⁸ Acharya and others compare the situations before and after the founding of ASEAN. They argue, when ASEAN was established in the late 1960s, the “outlook for regional security and stability in Southeast Asia was particularly grim.” But since then, ASEAN initiated the peaceful principle of settling disputes among members. There has not been a war between its founding members—Indonesia, Malaysia, Philippines, Singapore and Thailand. In these years, the norms embraced by ASEAN, such as non-interference, non-use of force, and settlement of disputes by peaceful means, have had a somewhat regulative effect in the course of constructing relative peace in the region.²⁹

It may be the right attitude to give more trial time to rising regional institutions. Moreover, regional institutions such as ASEAN should not be analyzed in isolation, but in relation to the realist security strategies that regional states pursue at the same time.

3. The US and East Asia: a Protector or Balancer?

The US is undoubtedly the most important variable in East Asia’s regional security. But some scholars judge that the role of the US in the region is “surprisingly difficult to understand.”³⁰ This is partly demonstrated by the fact that US policies in Asia are not set by a chart of navigation, contain a lot of uncertainties, and are exposed to the effects of different factors.

When the Cold War ended, there was some discussion about the withdrawal of the US military presence and its potential consequences for East Asia. But this possibility was actually never given serious consideration in the US policy circles. Buzan shares the view that a US withdrawal would have had huge consequences for East Asia, not only because this policy would have meant the end of the US’ superpower status, but also because the US plays the largest role in Asian security. To some extent, the US “provides leadership for local fire-fighting over issues such as [Republic of Korea] and [Taipei,China].”³¹ And these sensitive issues are among the factors most likely to disturb peace and stability in the region. More seriously, a US withdrawal from Asia would have

²⁶ Eaton and Stubbs (2006, 139).

²⁷ Acharya (2001).

²⁸ Eaton and Stubbs (2006, 135–155).

²⁹ For example, see Footnote 27.

³⁰ Buzan (2003).

³¹ Footnote 30, p.168.

imminent results, including a remilitarized and even nuclearized Japan, and increasing tension between the PRC and Japan. Hence, this role of the US in a position of “stabilizer” is widely recognized in the region, from Southeast Asia to the PRC. Though the PRC does not think the US role is always constructive, the PRC has expressed that it is not opposed to the US military presence in Asia.³² Up to now, some kind of security dependence has developed in response to the US presence in the region, which reflects the indispensable nature of the US in any regional security arrangement. As Buzan points out, “neither the PRC nor Japan (nor India) has the standing to take up the role of Asian regional leader, and none of them looks likely to acquire it soon. ASEAN cannot by itself provide adequate regional leadership, though its ARF is better than nothing.” It will take a long time for the region to outgrow this dependence on the US.³³

The view that the US could be a stabilizer (or a sheriff or an “honest broker” of regional security) mainly comes from the assumption that the US is a superpower external to the Asian region and, therefore, lacks territorial ambition in the region. This is the broad thinking of Southeast Asian states when they have continued to deepen US involvement and integration into the region, including boosting the US military presence.³⁴

For most of the time since the end of the Cold War, US policy in Asia has suffered from oscillation and reluctance. Out of deep concerns about losing the decisive say in Asian affairs, the US has rejected regional ideas such the East Asia Economic Group (EAEG) proposed by Malaysia in the early 1990s and the Asian Monetary Fund (AMF) proposed by its ally Japan in response to the 1997/98 Asian financial crisis.

On the other hand, some studies have examined the potential negative effects of the US presence in East Asia. Again, Buzan sees the role of the US as more than a stabilizer. He distinguishes between the two kinds of roles played by the US: “protector” and “balancer”. He defines a protector as having to make sacrifices to preserve and strengthen its allies against a larger outside threat, in more or less an altruistic way. A balancer is more likely to expect “its allies to make sacrifices to court its favor.” A realist may assume that since the ending of the Cold War, the role of US has shifted from “playing the more committed Cold War role of protector of the region, to playing the rather less committed one of balancer.” As a balancer, any country placed in this way “will be tempted to manipulate the local divisions to its own economic and political advantage.” Kenneth Waltz even argues that the US itself will come to be seen as a threat by other powers.³⁵ Buzan argues that “(i)n the absence of a superpower rivalry to constrain its behavior, the US still remains constrained from excesses of self-interest both by its economic interests in East Asia, and by the desire to preserve the legitimacy aspects of its superpower status.”³⁶ The dominant position as the only superpower may have spoiled the US into carrying forward an arrogant unilateralist policy, as

³² The PRC’s Ministry of Foreign Affairs expressed this position to the US government privately in 2001 after the crisis in bilateral relations caused by the EP-3 incident. See Shambaugh (2004).

³³ Buzan (2003, 168).

³⁴ Goh (2007a, 150–151).

³⁵ Waltz (1993).

³⁶ Buzan (2003, 168).

demonstrated during the Bush administration.³⁷ To the people who believe politics is economics, the US abused its structural power at the regional level, as well as at the global level, to its own economic and security advantage during the 1997/98 Asian financial crisis and the recent global financial crisis, and surely in the war in Iraq. This phenomenon proves Lord Acton's dictum that "power tends to corrupt, and absolute power corrupts absolutely." When designing the security institutions for Asia, the potential for abuse of power by dominant player(s) should be taken into consideration.

The US' reluctance and rigidities demonstrated in its policy toward Asian cooperative security was accompanied with excessive militarization and unilateralism during the Bush administration. These gestures and policies came at a cost to the US reputation in East Asia and the world. Some Asia experts like Pempel have called for "returning to a more nuanced mix of policy tools," reemphasizing public diplomacy, foreign aid, economic linkages, pandemic assistance, and other non-military policy instruments. More meaningful to the regional security regime, they suggested that the US should be "backing away from containment policies directed against the PRC," and "engaging Japan, the PRC and [Republic of Korea] in non-military ways." For example, Pempel urged for the creation of a trilateral US–Japan–PRC forum to usher the US' Asia policy to move toward multilateral cooperation and to reduce mutual suspicions³⁸ Since the inauguration of the Obama administration, some of these policies have been given serious consideration, and have started to be implemented.

Ideological orientation and an overemphasis on power contribute to the US' Asia policy. To some extent, neo-conservative foreign policy was formulated as the hybrid of the two. For example, it is not a rare case that some scholars called for a concert of democracies to enforce a containment strategy of the PRC. Though it is in the name of freedom and democracy, the most important concern is still the concerns about the power position of the US. Some experts still call for a policy named "ideational balance of power" on the value of democracy. For instance, Green and Twining predict that post-Bush leaders will identify and embrace the promotion of bilateral and multilateral cooperation among Asia–Pacific democracies as central to the US' regional strategy. To them, the most important policy will be democracy promotion and security cooperation among like-minded democracies, which will remain a central objective of American foreign policy in Asia. Such a policy is believed to be able to magnify American power and facilitate US goals. They think the "ideational" balance of power in Asia directly affects the "material" balance of power, and ideology is a source of US soft power in carrying forward a new Asia policy.³⁹ To this author, these policy advices are not different from the failed policies of the neo-conservatives. These policies have been out of date, and if carried forward, merely bring forth division among Asian states and the demise of emerging an cooperative security arrangement.

³⁷ T.J. Pempel (2008b).

³⁸ Footnote 37.

³⁹ Green and Twining (2008).

4. The PRC's Rising and its Implications for the Asian Security Order

The PRC has been a very important topic among scholars and practitioners discussing the regional security arrangement in post-Cold War East Asia. Related questions include the following: How can one evaluate the PRC's foreign policy? Is the PRC a status quo power or a revisionist power? How to get the PRC involved in the regional security regime? As Buzan argues, the PRC "is already central to the security dynamics of the Asian supercomplex." The relations and the regional security regimes will depend on how the PRC will interact with the region, that is, "how quickly (or slowly) its power grows, and how much (or little) its postures and policies arouse fear in its neighbors."⁴⁰ Focusing on the interactions of the relations, this judgment is noteworthy for Chinese decision-makers.

Nevertheless, the PRC's rising is an exaggerated phenomenon. The PRC's rising will be a long-term process, especially when taking into account its per capita gross domestic product (GDP) and serious challenges inside the society, such as overpopulation, environmental degradation, widening gaps of development, and the potential crisis of governance. The exaggeration of the PRC's power and influence started when the Cold War was just ended. For example, the PRC was then considered the biggest winner in security terms with the demise of the Cold War, because the declining penetrative influence of the competition between superpowers actually enhanced the independence of countries in the region.⁴¹ The collapse of the Soviet Union was a two-side story. On one hand, it greatly reduced the threat to the PRC's national security, but on the other hand, the fall of its communist neighbor also threw the PRC into a serious legitimacy crisis in the aftermath of the incident of 4 June 1989. The political security situation related to power legitimacy did not improve until the PRC acceded to the World Trade Organization (WTO) in 2001. Facing internal and external challenges, the PRC government has shown great resilience and ability. The set of core policies was clearly designed to push forward domestic reform and economic growth, and on the international frontline, to be committed to improvement of PRC-US relations and integrated into international institutions. These policies have boosted the PRC's leap forward in every field, which in turn has generated different notions of the PRC as a threat, especially since the mid-1990s.

The exaggerated threat of the PRC comes from the misperception of the national conditions of the PRC, but also from the dynamics of domestic politics in some regional states. The PRC can be a convenient excuse to serve the purpose of consolidating power by political forces, and strengthening a military buildup as well. This observation could apply to Japan and Southeast Asian states, and also to the US.⁴² Hence, when we discuss the implications of the PRC's rising to the regional security arrangement, we

⁴⁰ Buzan (2003, 167).

⁴¹ Footnote 40.

⁴² For the latest study on how the notion of the PRC as a threat has served domestic political interests, see Kuik (2008).

have to bear this point in mind, to tell what is really true from what is politically fabricated.

The new relations between the PRC and ASEAN have been regarded as one of the most important achievements in the cause of regional cooperation in East Asia. Broadly speaking, this new relations helped to reduce negative image of the PRC tarnished by the notions of the PRC as a threat and to prevent the subregion from siding with the U.S. To ASEAN members, these new ties would also improve the security environment and avoid the great burden of being forced to choose between the two major powers. Specifically, there seemed to be two big events which brought the PRC and ASEAN closer to each other: the 1997/98 Asian financial crisis and the PRC's WTO accession in 2001, which further liberalized the mindset of the PRC's leadership. As observed by Shambaugh, 2002 was a landmark year; the ASEAN+PRC summit was held and both sides signed four key agreements, including the Declaration on Conduct in the South China Sea, the Joint Declaration on Cooperation in the Field of Nontraditional Security Issues, the Framework Agreement on Comprehensive Economic Cooperation, and the Memorandum of Understanding on Agricultural Cooperation. At the 2003 summit, the PRC formally acceded to ASEAN's Treaty of Amity and Cooperation, becoming the first non-ASEAN state to do so. The PRC's proactive approach toward ASEAN has brought the effects of competition, witnessing India, Japan, the Republic of Korea (Korea), and others subsequently following suit. At the same summit, ASEAN and the PRC signed the Joint Declaration on Strategic Partnership for Peace and Prosperity, which addressed a wide range of political, social, economic, and security issues. At the 2004 summit between the PRC and ASEAN, Chinese Premier Wen Jiabao put forward two further initiatives: (i) to build upon the 2001 Framework Agreement on Economic Cooperation to establish the PRC–ASEAN Free Trade Area (FTA) to create a free trade area in East Asia, and (ii) to establish an East Asian community (presumably composed only of ASEAN+3 countries) to discuss political and other issues.⁴³ In 2009, both sides finished negotiations over the FTA pact, and since 2010 the largest free trade zone in the world has started to be phased in. The rapid progress in relations between the PRC and ASEAN makes it clear that both sides have greatly benefited from the changed relationship, not only in political and security spheres, but also in trade and investment.

There is a dispute on how to explain the PRC's ASEAN policy adjustment. Realists tend to argue that ASEAN was taken advantage of by the PRC to serve its great power interests. On the other hand, some people believe that the PRC's new policy toward ASEAN is not merely part of a larger charm offensive, but also a fundamental compromise that the PRC has chosen to make in limiting its own sovereign interests for the sake of engagement in multilateral frameworks and pursuit of greater regional interdependence.⁴⁴ To constructivists, this relationship is a vivid example of how the PRC has been "socialized" by ASEAN. By signing ASEAN's 1967 charter and the Declaration on Conduct in the South China Sea, it is believed that ASEAN has formally committed a rising major power to enforcing the principles of nonaggression and

⁴³ Shambaugh gives a good review of the progress of the cooperation between the PRC and ASEAN in the framework of ASEAN+1 taking place before 2004. See Shambaugh (2004).

⁴⁴ Shambaugh (2004, 76).

noninterference in potential conflict.⁴⁵ Regarding this achievement, more scholars care accepting the argument that the PRC has been socialized. For example, as Katsumata argues, from interacting with Southeast Asia in forums such as the ARF, “the Chinese had begun to learn the value of multilateralism...and that they have increasingly been socialized into ASEAN’s norm since then.”⁴⁶ But actually, ASEAN member states are also being socialized at the same time and as a result are reshaping their assessment of the PRC’s intention and policies in the region. To be more accurate, it is a dual-track socialization process, which can be called “mutuality socialization.”⁴⁷

Since the turn of the new century, the PRC has undertaken successful regional security diplomacy. ARF/ASEAN is only one part of the PRC’s regional security diplomacy based on the new concept of “cooperative security.” The other regional efforts include the Shanghai Cooperation Organization (SCO), the Six Party Talks on the nuclear crisis in the Democratic People’s Republic of Korea, and efforts to open security dialogues with the US, Japan, South Asia, and the North Atlantic Treaty Organization (NATO). These security and diplomatic actions have greatly helped improve mutual understanding between the PRC and the outside world, in terms of transparency and confidence building.

5. The ASEAN Way and Regional Security Regime: Enmeshment, Engagement, or Hedging

For a long time, theories of international relations assume that there are only two broad responses to an increasingly strong and potentially threatening great power: states either balance against or bandwagon with that power. The logic is simple. For the balancing school of thought, in order to preserve security, states (particularly smaller ones) tend to perceive a rising power as a growing threat that has to be counter-checked through alliance (external balancing) and armament (internal balancing). If the rising power’s aggregate capability is enhanced by geographical proximity, offensive capability, and offensive intention, balancing is one of the best choices. On the other hand, the bandwagoning school holds that states may choose to accept a subordinate role to the fast-rising power in exchange for profit and to preserve one’s own security and economic interests.⁴⁸

A debate has taken place on how Southeast Asia is responding to the PRC’s rising, as mentioned in the first part of the paper. But most scholars seem to share the opinion that this simple dichotomy of balancing versus bandwagoning does not fit well with the political reality of post-Cold War East Asia. Southeast Asian countries clearly do not want to choose between the two major powers, the US and the PRC. As Evelyn Goh

⁴⁵ Footnote 44.

⁴⁶ Katsumata, Jones, and Smith (2008).

⁴⁷ Several scholars have used the concept of mutuality socialization, see Acharya and Stubbs (2006), and Dent (2002).

⁴⁸ Waltz (1979b), Walt (1985), and Schweller (1994).

argues, ASEAN's avoidance strategy "is not merely tactical or time-buying; instead, Southeast Asian states have actively tried to influence the shape of the new regional order."⁴⁹ That is to say, key Southeast Asian states are not merely waiting for external powers to set up a regional order, they recognize they have the potential to play a big role in building that new regional order.

Some considerations on the side of Southeast Asian states account for why most regional states have rejected pure-balancing and pure-bandwagoning. First, the so-called "PRC threat" remains largely potential rather than actual, so pure-balancing is considered strategically unnecessary. Second, pure-balancing is politically provocative and counter-productive, and an anti-Beijing alliance will certainly push the PRC in a hostile direction, turning a perceived threat into a real one. Third, pure-balancing will squander great economic opportunity coming from the PRC's rapidly growing market.⁵⁰ Fourth, history does matter. An understanding of Chinese history may have partly assuaged the concerns of Southeast Asian states as Kang argued, though the past does not necessarily point to the future.⁵¹ Now more scholars are redefining regional states' response to the PRC's rising as a mixed engagement and hedging strategy.⁵² One may find some similarities between the great power the US and Japan and these smaller regional states.

In order to influence the shape of the new regional order, key Southeast Asian states, as well as ASEAN, are pursuing two main pathways to order in the region: the "omni-enmeshment" of major powers and "complex balance of influence." The "omni-enmeshment" strategy mainly refers to the broader and multidirectional efforts, by which the ASEAN countries involve all major powers in a regional security dialogue or some form of institutions, either through bilateral arrangements or collective arrangements such as ARF. And the "complex balance of influence" implies the Southeast Asian version of indirect balancing in bilateral or triangular relations, "combined with a more ambitious aim of forging a region-wide balance of influence among the major powers using competitive institutionalization and diplomacy."⁵³ These strategies not only have helped to produce a stable power distribution outcome, but also have succeeded in committing the major powers to the norms of behaviors and principles in dealing with interstate conflict. These efforts have helped ASEAN to successfully sustain its leadership in designing the regional security order. Despite much skepticism, the positive role of ASEAN has been acknowledged by more scholars recently, even some among the pessimistic realists. British scholars Barry Buzan and Gerald Segal opined that "(ASEAN) states have constructed a durable security regime that has allowed them to solve and demilitarise a variety of disputes between them."⁵⁴

⁴⁹ Goh (2007a).

⁵⁰ See Amitav Acharya (2003, 150–151).

⁵¹ D. C. Kang (2003), and Acharya (2003).

⁵² Johnston and Ross (1999), Fukuyama and Ikenberry (2005), and Goh (2007b).

⁵³ Goh (2007b).

⁵⁴ Buzan and Segal (1994, 11).

With respect to the role of ASEAN in building a regional security order, some people refer to the "ASEAN way," which is characterized by "informal, consensual, and incremental decision-making and a focus on confidence-building measures."⁵⁵

The ASEAN Way emphasizes consensus, non-interference in members' internal affairs, voluntary enforcement of regional decisions, and insuring sovereignty protection.⁵⁶ With regard to interstate conflicts, it emphasizes peaceful solutions. The dominant understanding of ASEAN-driven regionalism came to assume that, first, a collocation of weak state actors engineered a set of procedural norms and persuaded stronger regional actors to both adopt and adapt to them; and second, these distinctively non-Western procedural norms and processes have informed a practice of socialization that over time constructs new and more inclusive identities, transforms interests, and establishes the lineaments of a regional community.

On other hand, we see signs of the adjustment of the ASEAN Way. For example, coping with terrorism has led to some erosion of the non-interference norm, because transnational cooperation is essential to effectively combating terrorist groups across national borders. Furthermore, in November 2007, ASEAN passed the new Charter which signals movement beyond sovereignty protection to economic, political-security, and socio-cultural communities by 2020. And the new Charter also commits its signatories to democracy (for the first time) and human rights.⁵⁷

The central role of ASEAN in building regional institutions like ARF, ASEAN+3, and the East Asia Summit (EAS), partly results from the rivalry among major powers—the US, PRC, and Japan. With this power rivalry, major powers agree to have ASEAN in the driver's seat for the regional process. Therefore, we could have reasons to argue that with improvement of the relations among these major powers, some changes may take place to the leading role enjoyed by ASEAN. But when witnessing the ups and downs of PRC–Japan relations, it may be advisable to have some reservations about this relatively optimistic future.

6. PRC–Japan Rivalry: A Hindrance to Deepening Regional Cooperation in East Asia

The strategic competition between the PRC and Japan in East Asia can be attributed to many reasons, including security as well as the issues of history and territorial disputes. However, this bilateral competition, on the one hand, has made the regional cooperation process more complicated, and on the other, the economic interdependence network woven by the regionalization of economic activities has substantially constrained the extent of the Sino-Japanese competition.

⁵⁵ Goh (2007a, 123).

⁵⁶ Simon (2008).

⁵⁷ Footnote 56.

The increasing rivalry has taken place in the time of the emergence of the PRC in the regional arena and a rising Japan seeking the status of a great political power to complement its dramatic economic prowess. Since the appreciation of the yen in the 1980s, large-scale investment flows emanated from Japan to other countries in the region, and formed a Japan-centered regional production and investment system based on the so-called "flying geese" economic model. Although it experienced the bursting of an economic bubble and a long recession in what came to be known as the "lost decade" in the 1990s, Japan still has a major influence on the global economy. In this process, Japan set a strategic goal of becoming a normal country by pursuing a status of political power in line with its economic strength. Japan aspires to play a more prominent role in global and regional affairs; hopes to gain a permanent seat on the UN Security Council; and at the regional stage, the country is seeking to define the concept and framework of an East Asian Community, exercising its leadership over the regional institutions. Obviously, Japan's political attempts have gone beyond the role the US wishes Japan to play in East Asia. While the US has asked Japan to assume greater responsibility and burden, it set limitations to Japanese political ambitions, which was exemplified in the case of the proposed AMF, an idea the US was firmly opposed to.

The 1997/98 financial crisis left East Asia with a heavy price to pay and also helped to build a consensus that regional integration and institution-building should be a collective goal in the wake of the disaster. Clearly, in Japan there are different views on this issue, private active and government passive. Prime Minister Koizumi carried forward a policy strengthening the security alliance with the US to balance the PRC's increasing influence. At the same time, the Japanese government made efforts to compete with the PRC over regional integration objectives in East Asia. On the other hand, seeking to deal with a regional perception of the PRC as a threat, the Chinese government made a major adjustment in its Asia policy by supporting the ASEAN-led East Asian regional integration process. The PRC moved much more quickly than Japan in promoting these regional objectives and proposed new ideas of regional cooperation, many of which have become a reality. The PRC first acceded to the Treaty of Amity of ASEAN, reached the South China Sea code of conduct, and struck an agreement with ASEAN committing itself to negotiation of a free trade agreement (ASEAN+1).

Facing the PRC's rise and its proactive posture in terms of regional integration, Japan felt pressure to compete with the PRC and adopted the following measures: (i) signed bilateral or multilateral economic partnership agreements with ASEAN countries, including an FTA deal; (ii) supported the extension of the membership of the East Asia cooperation framework beyond the ASEAN+3 countries to include India, Australia, and New Zealand, which formed the East Asia Summit (EAS); followed the US double-hedge policy toward the PRC (even if the US government announced a policy of "responsible stakeholders" with the PRC in 2005) and strengthened the alliance with the US, as well as with India, Australia, and other countries active in defense cooperation in an attempt to promote a so-called Asian NATO. In March 2007, the government signed the Japan–Australia security agreement with Australia, and it was generally agreed that this agreement was focused on a rising PRC.

However, ironically, Japan's balancing acts against the PRC happened at a time when bilateral relations were deepening, which clearly limited Japan's choices for its security

policy. Deepening bilateral economic cooperation has locked the two countries in a network of interdependence inextricably linking and mutually benefiting both of them. The two economies are highly complementary; the PRC relies on investment and technology from Japan, while the PRC's rapid economic rise has become a big driving force in sustaining Japan's growth. It was the so-called "PRC's special demand," which, to a large extent, pulled the Japanese economy out of the 1990s recession. Obviously, it is Japan's interest to perpetuate this mutual beneficial cooperation and avoid the head-on-head confrontation with the PRC.

The inter-governmental and non-governmental exchanges between the two countries exceed similar exchanges with any other country. For example, 233 sister city agreements were reached between the PRC and Japan through 2006, and more than 4.8 million passengers traveled back and forth between the two countries that year.⁵⁸ The price of breaking such a deep tie would be huge to both sides. The international community does not want to see the Sino-Japanese competition spiral out of control, which would probably lead to great chaos throughout the region. Southeast Asian countries are no longer willing to choose between the two countries, and even the US wants to see a stable relationship because cooperation between Japan and the PRC is important to the settlement of hotspot issues such as the nuclear crisis on the Korean peninsula, which the US is deeply concerned about. A reconciliation of the PRC-Japan relations serves the interests of the US in East Asia.

Monetary cooperation has great potential to tie Japan and the PRC together in closer regional financial cooperation, apart from serving their common interests. The two major financial crises in the last two decades have greatly hit the two countries and the region, and have generated consensus for a regional monetary framework. The common interests and potential benefits from this regional cooperation may have helped to limit the extent of the strategic competition between the two countries. For example, the two financial crises have taught the monetary policymakers in the region that East Asia is over-dependent on the US dollar, and it is time to change to its own regional mechanism to diversify the risks of associating with the US dollar. Some even talk about the possibility of promoting "Asian dollar" objectives. In dealing with the issue of reliance on the US dollar, Japan has come to this understanding earlier than the PRC. As early as 1998, Japan set out for a regional monetary arrangement with some sense of urgency, while the PRC put forward the objectives of reforming the international monetary system in this current crisis. A study points out that the 1997/98 Asian financial crisis was a turning point in Japan's policy on the dollar. The crisis increased the Japanese awareness of the status of over-reliance on the US dollar, and hence promoted the internationalization of the yen and augmented its support to initiatives strengthening regional currencies. As Katada argues, despite the increasing challenges of reliance on the US dollar, the domestic politics of Japan and the Sino-Japanese rivalry for regional leadership may continue to keep the dollar as the leading currency in the region in the medium-term.⁵⁹ In the time between the two crises, Japan, the PRC, and other East Asian countries worked together to adopt a currency swap program, the Chiang Mai

⁵⁸ See Jiabao (2007).

⁵⁹ See Katada (2008).

Initiative, and strengthen Asian local currency bond markets. Furthermore, as a result of the global financial crisis, the region has taken more substantial steps to prevent future crises. Clearly, these achievements are based on some understanding and cooperation between Japan and the PRC as the two economic giants in the region. Actual monetary cooperation has helped to impose restrictions on the Sino–Japanese strategic and security competition.

In past years, under the mixed influence of internal and external factors, post-Koizumi Liberal Democratic Party government leadership made efforts to improve relations with the PRC, reviving the exchange of state visits of leaders. The PRC and Japan are committed to building a relationship of “strategically mutual benefit” and at the same time are cooperating to ameliorate any animus between the two peoples. And with the new government led by Prime Minister Hatoyama of the Democratic Party of Japan, Japan–US, Japan–East Asia, and Japan–PRC relations are entering a period of adjustment. Japan’s new leader has stressed a more equal partnership with the US, put forward a policy calling for building an East Asian Community, and seeks to build a trusting relationship with the PRC. These policy adjustments can bring significant changes to the political, economic, and security structures of East Asia, and the region may be entering a new era of a more balanced and cooperative power relationship.

However, while there are hopes of improving relations between the PRC and Japan in the near future, a complicated mixture of factors has led to the strategic and competitive relationship between the two countries. These factors include different interpretations of modern history; disputes over territory, the continental shelf, and exclusive economic zones in the East China Sea; Japan’s alliance with the US and its potential intervention in the PRC’s reunification with Taipei, China; and the broader context of the rise of the PRC. It would be difficult to solve the strategic distrust between the two major powers of the region in the short-term and the trend of Japan–PRC bilateral relations will remain a force to shape the future of regional cooperation in East Asia.

7. Economic Interdependence and Strategic Competition among Nations: Competition and Complementarities

The establishment of an East Asian security order must adapt to the emerging economic realities of the region. Therefore, it is advisable to examine the process of economic integration in East Asia and its impact on regional security institution prospects.

From the 1980s to the present, intra-regional trade links have continued to grow, with Japan and the PRC as the two crucial driving forces. Following the accelerated appreciation of the yen after the Plaza Accord in 1987, a large number of Japanese enterprises began to invest overseas, leading to the aforementioned flying geese economic model. This system was characterized by Japan serving as a source of technology and capital, and other parts of East Asia as the location of processing and assembly lines. This division of labor brought development opportunities to Southeast Asian countries and greatly enhanced Japan’s economic leadership in East Asia. However, it should be noted that Japan’s regional leadership did not last very long and

that the US market has remained the focus of Japanese companies operating in the region; the so-called Japan–Southeast Asia–US triangular relationship was mainly driven by Japan's outflow of capital and demand in US markets.

The PRC's rapid integration into regional and global production and trading systems has fundamentally changed the geo-economic landscape of East Asia. Since the mid-1990s, the PRC's processing trade has boomed. The PRC's preferential policies to encourage the inflow of foreign investment, cheap labor costs, and expectations of expanding Chinese domestic markets, have together allowed the PRC to become Asia's most dynamic economy. The PRC's rise as a workshop for the world brought more competition to exports from Southeast Asia, and as a result, the notions of a PRC threat were voiced in the region. Some even identified competition from PRC exports as being partly responsible for the 1997/98 Asian financial crisis, in which Southeast Asian countries plunged into deep recession. Clearly, this view is not justified, and the crisis was caused by more complex factors, mainly international capital flows and speculation in regional currencies.

With concerns over a possible threat from the PRC economy after WTO accession on the rise in Southeast Asia, the PRC leadership gave serious thought to the notion of its economy as a threat to the region. They thought over the ways of how to change these views in the region and how to replace notions of the PRC threat with notions of the "PRC opportunity." In this regard, the PRC began to pay more attention to regional diplomacy and for the first time accepted the concept of regional diplomacy to promote regional integration. Hence, the PRC has actively participated in the ASEAN-led East Asian integration process.

Since the 1997/98 Asian financial crisis, the process of regional cooperation in East Asia has been accelerated. The PRC's diplomatic adjustment has undoubtedly strengthened the collective will and determination of the countries in the region to push forward with more economic and political integration efforts.

On a larger scale, the dramatic impact of the 1997/98 Asian financial crisis, inadequate rescues of international monetary organizations, and western bias toward the state-led development model drove the determination of East Asia toward self-help and monetary cooperation. Currency swaps such as the Chiang Mai Initiative as well as an increasing number of FTA negotiations and deals have represented these efforts, despite the fact that the East Asia Free Trade Area (EFTA) is still in the planning stage. With rising awareness of common economic interests and the growth of cooperation mechanisms, the traditional security dilemma has been eased greatly in East Asia. This progress includes a code of conduct over the South China Sea between the PRC and Southeast Asian states.

Having important implications for the region's security relations, the deepening of economic interdependence between the PRC and the US has reshaped their respective assessments of common interests and the direction of bilateral relations. The PRC–US plane collision incident (EP3 incident) in April 2001, coupled with the coming to power of Republican President George W. Bush and his declaration of the PRC as a "strategic competitor," ushered the Sino–US relations to a low point. However, this political

defining of the relations could not change the fact that Sino–US economic relations have grown increasingly important to both sides, which was vividly exemplified by the huge lobbying effort in support of Permanent Normal Trade Relations (PNTR) legislation conducted by the US business community and the Clinton administration in 2000. The looming danger of confrontation between the two big powers and the rapidly increasing economic interests helped relations back onto a normal track. More importantly, the 9/11 incident fundamentally reoriented the US security strategy, from targeting the enemy among major powers to identifying terrorism as its number one security threat.

Since its accession to the WTO, the Chinese economy has been greatly liberalized and achieved tremendous development. Sino–US economic relations have also experienced a great deal of progress. The relative weight of US trade with the PRC has surpassed any other traditional ally in East Asia, including Japan. More important, the PRC has become America's largest creditor nation as the largest buyer of the US treasury bills. The PRC holds the equivalent of USD2.2 trillion in foreign reserve, most of which is in US dollars. The head of the White House's National Economic Council, Lawrence Summers, described this relationship as a "balance of financial terror." These developments imply clearly that PRC–US relations have moved beyond traditional trade relations and into comprehensive and deep relations based on trade, investment, finance, and technical cooperation.

Sino–US economic interdependence has obviously limited the choices of security relations. Seeing the huge cost of potential military confrontation, the two sides focus on more dialogue and cooperation in security relations, although it still takes some time to build strategic trust. First of all, the PRC and US are both reluctant to upset the status quo, which is reflected in their handling of the Taipei,China issue. The two sides have had very good cooperation in resisting pro-independence forces. Secondly, the US does not want to see the further deterioration of the Sino–Japanese relations spiral out of control. Some improvement of the relations between the two Asian neighbors is welcome. Thirdly, the US and the PRC recognize the increasing global significance of their bilateral relations, and the two sides need a collective effort to address climate change and promote the growth of the global economy. The joint statement produced as an outcome of President Obama's visit to the PRC in November 2009 vividly demonstrates common interests and consensus on these global issues.

Though economic interdependence and common interests have strengthened, the competition for strategic influence will still exist among big powers in the region. For example, while the US continues to maintain its strategic alliance relationship with Japan and conduct joint operations with India, the PRC and Russia have also strengthened their strategic partnership of cooperation. Because of the problem of trust, strategic balancing acts will continue on both sides. The so-called Asia–Pacific Community of Democracies, or "Asian NATO," is still a part of some people's advocacy nevertheless.

The rise of the PRC should be mainly defined as an economic rise, and its position as a center of gravity in the global network of trade and investment. Relations between the PRC and Australia, New Zealand, and other countries are more examples showcasing the constraining effects on security relations of expanding economic interests. Increasingly close economic ties has made Australia cautious in responding to Japanese

and American pressure for strengthening their alliance to contain the PRC's growing power and influence. Australia is an ally of the US, while influential in Southeast Asia is obviously the US and Japan to contain the PRC is a potential ally. However, Australia and the PRC are natural trading and investment partners in natural resources and other areas, and meeting the demands of the Chinese market has driven the Australian economy in very important and direct ways. Thus, in August 2004, after a meeting with Premier Wen Jiabao, the Australian Foreign Minister stated that Australia's alliance with the US does not necessarily require Australia to automatically be on America's side over the Taipei,China issue. Though the Australian government subsequently clarified its position, it demonstrated that the Australian government is reluctant to offend the PRC over the Taipei,China issue. At the same time, Australia might be expected to play some kind of bridging role between the PRC and the US.

New Zealand has also been incorporated into the framework of the East Asia Summit, which is perceived by some as having a role in balancing the PRC's influence by embracing more countries such as India, Australia, and New Zealand. However, New Zealand and the PRC have maintained a close relationship, mainly through economic interests. Among the developed countries, New Zealand was the first to recognize the PRC's market economy status, complete WTO talks with the PRC, and start negotiations on and sign a free trade agreement with the PRC. Despite a population of just more than 4 million, New Zealand has won respect from the PRC because of its independent foreign policy.⁶⁰

Sharing a wide range of practical interests and being geographically close to the PRC, Southeast Asian countries are unwilling to choose between the US and the PRC, and do not want to be victims of the Sino–Japanese confrontation. Therefore, though some of them still have no confidence in the PRC, and some territorial disputes have not yet been settled, they are still interested in deepening economic relations. In 2010, the PRC and ASEAN established the world's most populous FTA, an obvious example of the complexity of the relations between the PRC and ASEAN.

The current global financial crisis is accelerating the shift of the global wealth and power, and center of gravity from the Atlantic to the Asia–Pacific region. The global financial crisis caused by the US subprime debt issue weakened the US power position and put the US-led neoliberal globalization model in question. On the other hand, in weathering the financial storm, the Chinese economy has shown great flexibility and become the anchor of stability in the regional economy as a whole. Also in the region, the DPJ government led by Prime Minister Hatoyama is determined to adjust Japan's foreign policy, emphasizing the value of the US–Japan relations on a more equal footing and in working toward the objective of an East Asian Community.

US President Obama's Asia policy has to be reshaped to adapt to the newly changing circumstances in the region. The US is now putting more emphasis on strengthening relations with the PRC; accommodating the demands of the new Japanese government; and accepting the regional integration of East Asia, albeit with a precondition of assuring the US some proper role in the regional process.

⁶⁰ Yang (2009).

Open regionalism. The development of economic interdependence in East Asia has been driven by a region-wide flow of economic factors, which has achieved great progress, but international geopolitical competitions still hamper the formation of the region's political and security cooperation mechanisms. East Asia is characterized by a mismatched development of economic integration and political cooperation. However, if we look into the last decade, one thing is clear that the spillover effects of economic interdependence, as well as the growing common interests and stakes, have greatly helped to relax the possible disruption of inter-state relations caused by the issue of a security dilemma.

Strategic competition and geopolitics has had a complex impact upon the process of regionalization in East Asia. The 1997/98 Asian financial crisis pushed countries to work together through regional cooperation mechanisms. The ASEAN+3 leaders even approved the agenda of the East Asian Community. However, over time momentum was lost due to Sino–Japanese disputes and the goal of ASEAN to maintain its position in the “driver seat” in defining regional integration. As a result, the entire region's integration process has been impeded though competitive liberalization, which has appeared to push forward the cause of free trade in various forms. It is believed that it will take a long period of time to decrease the inter-state strategic competition and formulate an exclusive regional cooperation mechanism similar to the EU's common tariff, common market, and economic and monetary alliances. Judging from the current situation in the region, regional cooperation based on “open regionalism” could continue to fit well with the economic and political realities in East Asia. Correspondingly, the regional security mechanism should be essentially open to all the countries in the region, including the US which has a significant interest in East Asia.

8. Seeking East Asia Regional Security Mechanisms: A Review of Alternative Concepts

Open regionalism should be the proper approach to the cultivation of a regional security order. What kind of mechanism should be built to meet the needs of open regionalism? The discussions about the way of building a regional security mechanism can be categorized into one of the following models:

The first model considers the value of the traditional regional order and its potential implications for today's efforts. These old models include the ancient Chinese tributary system and the Greater East Asia Co-Prosperty Sphere of Japan. For example, some discussions argue that the Chinese tributary system exercised a generally positive influence in the peripheral regions of PRC. Linked to this history, some people are worried about the so-called “signification” of the region. In addition, the tribute system grew out of a special history background, and does not fit the spirit of the current nation-state system. On the other hand, the Greater East Asia Co-Prosperty Sphere was built on military conquest to serve the invaders' own interests. It does not make sense to revive these past models, and would only make the situation in the region more complex.

The second model can be summed up as the Asian doctrine of security regionalism. Asia's rise in the global economy has boosted confidence among some people in Asia. In order to match economic interdependence in the region, they urge for the formation of an Asian doctrine of security regionalism. For example, in March 2004, the Japanese ambassador in New Delhi argued that "the PRC–Japan–India trilateral strategic axis" will help regional stability and prosperity in Asia. He claimed that he conferred with Indian sides on this proposal informally. Sunanda Kisor Datta-Ray, a visiting scholar at the Southeast Asian Institute in Singapore, wrote in the *South China Morning Post* that this was an "Asians' Asian security system." These voices are important and look forward to the settlement of security challenges in the region by Asians themselves.⁶¹ Because this idea seems to exclude the core role the US is playing in the region, it is difficult to obtain support from either the US or those countries which depend on the US to balance the influence of major powers in East Asia.

The third model is the so-called Asian NATO or Asia–Pacific Community of Democracies, both of which would exclude the PRC. This model implies that the rise of the PRC and its rapid economic and military modernization has tilted the balance of power in East Asia to the PRC, and it is necessary to balance the PRC's power by an Asian version of NATO. The originator of this idea is an Indian geo-strategist who suggested that the Asian NATO's main function would be to avoid war, for example over the issue of Taipei, China. The reasoning being that the PRC might one day launch a war to stop Taipei, China's independence and the US would subsequently intervene. Thus, the argument contends, an Asian NATO would be a deterrent to the conduct of war to the benefit of regional security and the PRC itself.⁶² The former associate editor of the magazine *The Economist* explains that since the rise of the PRC and its international expansion is irresistible, the establishment of an Asian European Union or NATO to monitor and regulate Chinese behavior is necessary. Otherwise, a regional arms race could spiral out of control, thereby threatening world peace and stability.⁶³

However, any regional security arrangement excluding the PRC would be difficult to implement. The PRC's relations with East Asia today are totally different from that of the Soviet Union with Western Europe during the Cold War. As a dynamic economic center, the PRC has developed close economic connections across the region. The PRC has even developed a deep interdependence with the US, as argued above. With such market relations, the PRC is capable of imposing a penalty on countries which push forward the strategy of containing the PRC by choosing to open markets to some while shutting the door on others.⁶⁴ The fourth alternative model is to build a universal collective security mechanism in East Asia. A lot of discussion has been spent on the possibility of restructuring the six-party talks into a sub-regional security mechanism in Northeast Asia. But the ASEAN Regional Forum (ARF) holds greater potential to evolve

⁶¹ Pang Zhongying. *ya zhou an quan de di qu hua he di qu zhu yi*. Regionalization of Asian Security and Regionalism. See www.irchina.org/xueren/china/view.asp?id=887

⁶² International Herald News (2004), Trabanco (2009), and Mohan (2008).

⁶³ See BBC Chinese report, news.bbc.co.uk/chinese/simp/hi/newsid_8060000/.../8063991.stm

⁶⁴ Zheng Yong Nian. *zhong guo dang li xing hui ying ya zhou ban bei yue* (China should respond to the idea of Asian NATO in reasonable way.) *Lian He Zao bao*. 27 March 2007.

into a region-wide collective security arrangement when it is strengthened. Or, the ARF could set a solid foundation for building an East Asian Security Community.

The ARF is based on the concept of collective security and its main feature is universal inclusiveness, meaning that all members of the region would join. This mechanism includes the rising PRC as well as the US, which is not an East Asian country but has a significant interest in the region. This arrangement would be in line with the spirit of open regionalism and fit the current political and economic realities in the region. A strengthened ARF is believed to best be able to promote regional peace and stability, and thus the further development of economic and trade integration.

9. Policy Recommendations for Collective Security in East Asia: Principles and Steps

In order to usher in a collective security order in Asia acceptable to every country involved, the following general principles should be observed:

Comply with the spirit and principles of the UN Charter. The regional security mechanism should abide by the following rules: respect for mutual sovereignty, mutual non-interference in internal affairs, respect for the right to equal participation in security matters, and respect for cultural diversity and self-determination principles.

Abandon the zero sum thinking of power politics. To foster a common security concept, a non-exclusive arrangement not targeting any third party should be a basic principle. To exclude one or more countries from a regional security organization is incomplete, and would only cause confusion in the region. The new network of economic interdependence in East Asia shows that the pursuit of absolute security, or the zero sum game power politics, is outdated. Adherence to the principle of common security includes the need for states to exercise self-restraint and recognize each other's legitimate right to have access to security and that military force is not a legitimate means of dispute settlement.⁶⁵ Over the past decade, great progress has been achieved and major powers in the region generally accept the Treaty of Amity of ASEAN, including non-use of force or threat of force to resolve disputes. This progress has created good conditions for a common security system.

The principle of consensus. An East Asian security arrangement concerns all countries in the region, and it is necessary to build consensus based on close and adequate consultations. Any decision, joint declaration, resolution, must take into account the positions and viewpoints of different countries.

The principle of gradual and orderly progress. Acknowledging the differences of positions and interests, the regional security arrangement should adhere to the principle of starting with easier issues and then move toward difficulties, starting with non-

⁶⁵ See Su Hao. *cong ya ling dao gan lan: ya tai an quan he zuo mo shi yan jiu*. From Dumbbell to Olive: A Study of Asia Pacific Security Cooperation Models. Beijing: World Affairs Press. 2003. p.43.

traditional security cooperation and then gradually transiting to a more complex traditional security field. In the traditional security field, the first work should be done on the issue of "negative security cooperation"; with the strengthening of trust and consensus, all sides can gradually become involved in the issues of "positive security cooperation."⁶⁶ One should not expect instant success in institution design, and the blind pursuit of results equivalent to the European Union and NATO should be avoided. At present, to continue to consolidate and expand the ARF would be a wise choice.

Strengthen regional institutional building to build a multilateral security mechanism. Neo-liberal regime theory has taught us that an effective international system is needed to ensure cooperation in implementation. With more experience, the collective security arrangement should be further institutionalized. At present, the ARF is primarily a forum with no teeth, but there is potential for restructuring it into a more binding multilateral mechanism. This work can start with confidence-building measures, and the exclusion of military means to resolve disputes.

Further promote the various forms of security dialogue to cultivate regional identity and an awareness of common security. In this respect, constructivist theory of international relations can give us important inspiration. It argues that a national and regional security environment is not only a physical factor, but also a cultural factor. In the past decade, East Asian countries have largely changed their mutual perception of one another from strangers and enemies to friends and partners. The region should continue with a variety of bilateral and multilateral forums, including strengthening the network of East Asia think tanks as a second-track dialogue, while promoting third-track mechanism to help civil society to participate in regional security cooperation and discussion.⁶⁷ From this perspective, it is apparent that the accusation of meetings and dialogues in East Asia as merely empty talk is short-sighted.

Strengthen defense information exchanges, openness, and transparency; and improve consultation and cooperation in areas of non-traditional security. With the development of globalization and regionalization, non-traditional security threats have largely increased. In the past decade, East Asia suffered from the 1997/98 Asian financial crisis, SARS, avian flu, and other public health crisis, all of which combined to have an impact and cost on the region no less than a regional war would have. Moreover, terrorism, separatism, drug trafficking, smuggling, human trafficking and other transnational crimes, environmental destruction, the proliferation of weapons of mass destruction, the insecurity of sea lanes, and other issues have become security threats to East Asian countries. Region-wide efforts to fight non-traditional security threats should include enhancing national capacity and efficiency.

Security dialogue between major powers and regional security mechanism-building should go hand in hand. Clearly, the enhancement of mutual trust among

⁶⁶ Chinese scholar Hou Hongyu discussed these principles with regard to the question of how to build a security institution in Northeast Asia. See Hong Hongyu. 2006. *Contemporary World*. No.4.

⁶⁷ See Qin Yaqing. *dong ya gong tong ti jian she jin cheng he mei guo de zuo yong*. On the East Asia Community Building and the Role of the United States. 2005. *Review of Foreign Affairs* (Wai Jiao Ping lun). No.6.

major powers would be very helpful to improve the regional security dialogue. For example, a compromise on the form of regional cooperation should be struck in such a way that the US and Japan abandon attempts to build regional security arrangements aimed at isolating and excluding the PRC, while the PRC supports open regionalism that does not seek to exclude the US from any regional economic mechanism. For now, as President Obama and Prime Minister Hatoyama come to power, it may be a good time to seal such a deal.

Improve and consolidate the ARF. The current ARF includes 24 countries, with East Asian security-related countries included. In order to improve this mechanism, big countries should first reach a consensus as to the role they will play in this framework. The discussion and resolution of regional hot-spot issues should be placed in this framework as well. The ARF should be institutionalized progressively, based on improved consultation on regional security issues.

The role of the US in an East Asian security arrangement. In the spirit of open regionalism, the US can play an important role in the construction of the East Asian regional security mechanism. East Asian countries recognize the interests of the US in the region and welcome the country in playing a positive and constructive role. For the US, the biggest challenge is how to deal with the relationship between its own alliance system and the East Asian regional security mechanism. The US should realize that its bilateral defense alliance system was a product of the Cold War, which is far removed from meeting the current situation in East Asia. To expand the US-led defense alliance or establish an Asian NATO can only lead to a split in East Asia, and regional community building would be destroyed. The US can play an active role in terms of using its influence to help solve problems and conflicts such as territorial and water disputes. With a newly framed policy, the US would win more respect from East Asia and protect its influence and interests.⁶⁸

⁶⁸ Footnote 67.

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Evolving Asian Power Balances and Alternate Conceptions for Building Regional Institutions

In this paper, Yong Wang addresses the core issue of finding effective ways to consolidate the political and security foundations of Asia's economic prosperity. The author examines the intertwined effects of economic interdependence and power politics, and the mixed implications for regional institution building in East Asia based on the concept of common security. Policy recommendations on a new regional security order are presented.

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