

EVOLVING ASIAN POWER BALANCES AND ALTERNATE CONCEPTIONS FOR BUILDING REGIONAL INSTITUTIONS

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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, when the United States reduced its military presence. Japan would be remilitarized, and with rapid economic growth, China's military power would grow. As a result, all countries in the region would inevitably be engaged in arms races.¹ Aaron Friedberg represents an influential image of East Asia as a region seemingly "ripe for rivalry." He stresses that Asia lacks stability-enhancing mechanisms of the kind that sustains peace in Europe, such as its high levels of regional economic integration and regional institutions to mitigate and manage conflict.² Other pessimists foresaw the regional disorder coming from the attempts of the major states to balance a rising China. These bleak security scenarios would bring forth greater uncertainties to the economic growth in East Asia.

More than a decade and a half later, however, East Asia has not descended into intense power struggle among major powers, and the prediction of a high risk of violent conflict does not come to truth. Instead, while East Asia has become one of the regions with the highest record of growth in the world though with disruption caused by the financial crisis in 1997-1998, 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 show the complexity of applying theories of international relations in practical policy area. This background paper would like to answer the following questions: how do different IR theories to characterize the evolution of power shift in the post-cold war East Asia? How do these theories prescribe the solutions for the possible regional security regimes? How does these theories assess the achievements of regional security cooperation represented by ASEAN-centered

¹ Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security*, Vol. 18, No. 3 (Winter 1993/94), pp. 5-33; Richard K. Betts, "Wealth, Power, and Instability: East Asia and the United States after the Cold War," *International Security*, Vol. 18, No. 3 (Winter 1993/94), pp. 34-77; Gerald Segal, "The Coming Confrontation between China and Japan?" *World Policy Journal*, Vol. 10, No. 2 (Summer 1993), pp. 27-32; and Richard Bernstein and Ross H. Munro, "The Coming Conflict with America," *Foreign Affairs*, Vol. 76, No. 2 (March/April 1997), pp. 18-32.

² Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia"

efforts? What should we contribute to the designing and improvement of regional security institutions in the future?

Contrasting Views of the Evolution of Power Balance in East Asia

With respect to the evolution of power balance and the formation of regional security arrangements in East Asia, different theories of international relations dispute with each other. Generally speaking, realism assume interstate power struggle is the normal condition for international political life in the anarchy, and a leading power is a prerequisite condition for the growth of regional institutions. Neo-liberal institutionalism tends to emphasize the role of properly designed mechanism to ensure 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 about the post-cold war Asia, realism may have received most critics about its misleading pessimistic descriptions. Neorealist 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 the rising power.³ According to Kenneth Waltz's theory, which is characterized with "pure power" calculations, Southeast Asian states which are relatively free to choose 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 United States.⁴ This prediction induced from realism does not conform to the reality well. Southeast Asian states have not aligned with China specifically to balance against greater U.S. power.

Since mid-1990s, China's rising and its impact on regional security relations has attracted wide attention. Realists made prediction about smaller states in East Asia would have to choose between "balancing" against China by joining the US-led coalition, or bandwagoning with China for its own profits. 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 United States and the emerging competitor China.

Though stressing the significance of a distinct and longstanding regional structure in East Asia---which he believes is of at least equal importance to the global level 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 China and the US" will decide the evolution of 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

³ Amitav Acharya, "Will Asia's Past Be Its Future?" *International Security*, Vol. 28, No. 3 (Winter 2003/04), p.150.

⁴ Kenneth N. Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979), p. 127.

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

⁶ Barry Buzan, "Security architecture in Asia: the interplay of regional and global levels," *The Pacific Review*, Vol. 16 No. 2 2003: 143-173.

On the question of what kind of regional security order emerges in East Asia, realists and others disagree largely. Ahn argues that in East Asia are emerging two process of security arrangement; one is a U.S.-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 U.S. 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 United States, China, Japan, and Russia; and the second concert of powers takes place by the U.S. support to Southeast Asian states, reflected in countering international terrorism and proliferation of weapons of mass destruction(WMD) . Ahn attaches much importance to Asian nationalism, and concludes that “the East Asian order is not about to be absorbed into the sphere of U.S. hegemony” because the US hegemonic domination is being challenged by the nationalism of East Asian countries, especially China and Russia. The East Asian balance of power will be loose and multipolar, albeit under U.S. leadership. On the other hand, dismissing the value of growing regional regimes, Ahn believes that despite all good intentions, ASEAN, APEC, and ARF remain weak institutions; and ASEAN still lacks a common identity, just a talk shop.⁷

Denny Roy obviously insists that Southeast Asia is balancing against China or accommodating, aligning, or even bandwagoning with it.⁸ But now more scholars share a consensus that Southeast Asian states have not behaved to balance against or bandwagon with China, as expected by realists. Ross pointed out that smaller East Asian states are generally accommodating to China's growing economic and especially military prowess, and it is only those that are less directly vulnerable to China's military power that are strengthening alignments with the United States.⁹ Thus, to explore the reasons why Southeast Asian states have not adopted these policies and alternative explanations, have 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 China to balance against the United States.¹⁰ The “Balance of threat” approach argues that it is important to specify the sources of major security threat before choosing balancing acts. Because of the reasons such as geographical proximity, historical enmity, territorial disputes and increasing economic competition, the smaller states in East Asia regard the United States as a benign and less threatening offshore power in the region, and many of them distrust Chinese intentions and choose to maintain closer relations with the superpower the US as a hedge against potential Chinese threat.¹¹ But Goh added, even with this distrust about China, “(y)et there is little evidence of direct internal or external balancing against China by states such as Indonesia, the Philippines, and Vietnam, which have the most acute historical, territorial, and political disputes with it.”¹² All Southeast

⁷ Ahn Byung-joon, “The Strategic Environment: US Power and Asian Regionalism,” Japan Center for International Exchange (ed.) , *ASEAN-Japan Cooperation: A Foundation for East Asian Community* (Tokyo: Japan Center for International Exchange, 2003), pp. 95-107.

⁸ Denny Roy, “Southeast Asia and China: Balancing or Bandwagoning?” *Contemporary Southeast Asia*, Vol. 27, No. 2 (August 2005), pp. 305–322.

⁹ Robert S. Ross, “Balance of Power Politics and the Rise of China: Accommodation and Balancing in East Asia,” *Security Studies*, Vol. 15, No. 3 (July–September 2006), pp. 362–364.

¹⁰ Walt discussed the issue of “balance of threat” in Stephen M. Walt, *The Origins of Alliances* (Ithaca, N.Y.: Cornell University Press, 1987).

¹¹ For a detailed discussion of these threat perceptions, see Evelyn Goh, “Southeast Asian Perspectives on the China Challenge,” *Journal of Strategic Studies*, Vol. 30, No. 4 (August 2007), pp. 809–832.

¹² *Ibid.*, p.116.

Asian allies of the United States maintain strategic partnerships with China 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 threat, but is still problematic in finding practical acts of balancing against China's threat.

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. American Korean scholar David Kang argues that it is East Asia's tradition of hierarchical relations that have prevented these smaller states to balance against China. Kang finds that "Asian states do not appear to be balancing against... China. 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 by China 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 China and the region, Kang holds, "(h)istorically, it has been Chinese weakness that has led to chaos in Asia. When China 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 as much as forecast by western scholars of balance power, and they find themselves more comfortable with deferring to a strong China than others might think. As a result, the United States 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; and a careful study of Asia's different pathway to national sovereignty and regional order would give more chances to enrich the study of Asian security as well as the field of international relations.

Interesting, Kang's paper arose more debate of 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 refused Kang's viewpoint that Asia is not balancing China, but bandwagoning with China. He argues India is in balancing against China; the military buildup of ASEAN states and Japan should be some more balancing against China's growing power; and China is also part of reason for the revitalization of the U.S. alliances with Japan, Australia, and the Philippines. On the question of bandwagoning, Acharya adopts the definitions of Walt and Schweller -- Stephen Walt implies bandwagoning as "acquiescence to a rising power by a state threatened by it (appeasement)" while Randall Schweller means bandwagoning as "opportunistic jumping over to the side of the

¹³ *ibid*, p.116.

¹⁴ David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security*, Vol. 27, No. 4 (Spring 2003), p.58.

¹⁵ *Ibid*, p.66.

¹⁶ David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security*, Vol. 27, No. 4 (Spring 2003), pp. 57–85; "Hierarchy and Stability in Asian International Relations," in G. John Ikenberry and Michael Mastanduno, eds., *International Relations Theory and the Asia-Pacific* (New York: Columbia University Press, 2003), pp. 163–190.

¹⁷ Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks"

¹⁸ Amitav Acharya, "Will Asia's Past Be Its Future?" *International Security*, Vol. 28, No. 3 (Winter 2003/04), pp. 149–164: 150.

rising power," arguing that little evidence shows that either kind of these two bandwagonings is taking place in Asia. Expanding economic relations between East Asian countries and China are not bandwagoning itself, which are "based on rationalist, absolute gains logic"; Kang "confuses economic self-interest with bandwagoning...these do no amount to deference." Acharya holds that though Southeast Asian states do worry about China'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". In the same time, suspicions of China remain sufficiently strong to prevent opportunistic bandwagoning with China. Southeast Asian states posture is more accurately grasped by the term of "engagement."¹⁹

Scholars differ on how to assess the role of ASEAN and its achievement in building 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 to decision makers when they think over the designing and implementing of a regional security framework.

Regarding the security order built by the ASEAN, the debate is mainly between neo-realists (including realists) and constructivists, around the question of "is ASEAN powerful" 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 the 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 to resort to these institutions as channels of 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 talk shops playing into the hands of great power interests. Only balance of power among major powers is functional in setting regional order.²⁴ Some moderate or eclectically neo-realists

¹⁹ Ibid, pp.150-151.

²⁰ Michael Leifer, "The ASEAN Regional Forum: Extending ASEAN's Model of Regional Security," *Adelphi Paper*, No. 302 (London: International Institute for Strategic Studies, 1996).

²¹ Yuen Foong Khong, "Making Bricks without Straw in the Asia-Pacific?" *Pacific Review*, Vol. 10, No. 2 (1997), pp. 289-300.

²² Sarah Eaton and Richard Stubbs, "Is ASEAN powerful? Neo-realist versus constructivist approaches to power in Southeast Asia," *The Pacific Review*, 19:2, pp.135 -155.

²³ For these skeptical views and responses to them, see Jones and Smith, "Making Process, Not Progress"; Amitav Acharya, "Will Asia's Past Be Its Future?" *International Security*, Vol. 28, No. 3 (Winter 2003/04), pp. 149-164; Nicholas Khoo, Michael Smith, and David Shambaugh, "Correspondence: China Engages Asia? Caveat Lector," *International Security*, Vol. 30, No. 1 (Summer 2005), pp. 196-213; and Alice D. Ba, "Who's Socializing Whom? Complex Engagement and Sino-ASEAN Relations," *Pacific Review*, Vol. 19, No. 2 (June 2006), pp.157-179.

²⁴ David Martin Jones and Michael L.R. Smith, "Making Process, Not Progress: ASEAN and the Evolving East Asian Regional Order," *International Security*, Vol. 32, No. 1 (Summer 2007), pp. 148-184.

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

On the other hand, constructivists highly values the ASEAN, which has played a crucial role in promoting a regional security community, though it is in a different pathway not yet described by mainstream theories of international relations.²⁷ Different from neorealists, constructivist 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, the ASEAN initiated the peaceful principle of settling disputes among members. There was no war yet 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 played somewhat regulative effect in the course of constructing relative peace in the region.²⁹

It may be a right attitude to give more trial time to the 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 obviously pursue at the same time.

The U.S. and East Asia: a Protector or Balancer?

The US is undoubtedly the most important variable in the regional security. But some scholars judge that the role of the U.S. in the region is “surprisingly difficult to understand.”³⁰ This partly demonstrated that the US Asia policy is not set by a chart of navigation, still with a lot of uncertainties, exposed to the effects of different factors.

When the Cold War ended, there was some discussion about the withdrawal of U.S. military presence and its potential consequences to East Asia. But this possibility was actually never given serious consideration in the U.S. policy circle. Buzan shares the view that the US withdrawal would have huge consequences to East Asia, not only because this policy would mean the end of US superpower status but also because the US plays the large role in Asian security. To some extent, the US “provides leadership for local fire-fighting over issues such as Korea and Taiwan.”³¹ And these hot spot issues are among the factors most easily leading to the disaster to the peace and stability in the region. More serious, the US withdrawal from Asia

²⁵ For example, see Ralph Emmers, *Cooperative Security and the Balance of Power in ASEAN and the ARF* (London: Routledge, 2003).

²⁶ Sarah and Stubbs, “Is ASEAN powerful? Neo-realist versus constructivist approaches to power in Southeast Asia,” p.139.

²⁷ Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (New York: Routledge, 2000).

²⁸ Sarah Eaton and Richard Stubbs, “Is ASEAN powerful? Neo-realist versus constructivist approaches to power in Southeast Asia,” *The Pacific Review*, 19:2, 2006, pp.135-155.

²⁹ For example, see Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London: Routledge, 2001).

³⁰ Barry Buzan, “Security Architecture in Asia: The Interplay of Regional and Global Levels,” *The Pacific Review* 16, 2 (2003): 143-173.

³¹ Ibid, p.168.

would have imminent results, including a remilitarized and even nuclearized Japan and increasing tension between China and Japan. Hence, this role of the US as some position of "stabilizer" is widely recognized in the region, from Southeast Asia to China. Though the country does not think the US role is always constructive, China expressed the will of being not opposed to the US military presence in Asia.³² Up to now, some kind of security dependence has developed on the U.S. presence in the region, which determines the indispensable part of the US in any regional security arrangement. As Buzan points out, "(n) either China 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 grow out of this dependence on the US.³³

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

For most of the time since the end of the Cold War, the U.S. Asia policy has suffered from oscillation and reluctance. Out of deep concerns about losing the decisive say in Asia affairs, the U.S. rejected the regional ideas such the EAEG proposed by Malaysia in the early 1990s and AMF by its ally Japan during the Asian financial crisis in 1997-1998.

On the other hand, some studies have examined the potential negative effects of the US presence in East Asia to the region. Again, Buzan see the role of U.S more than a stabilizer. He distinguishes the two kinds of roles played the U.S., that is, "protector" or "balancer". He defines a "protector" as having to make sacrifices to preserve and strengthen its allies against a larger outside threat, in one more altruistic way; but a "balancer" is more of expecting "its allies to make sacrifices to court its favour." 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, "In the absence of a superpower rivalry to constrain its behaviour, 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 to carry forward an arrogant unilateralist policy, as demonstrated in the most years of the Bush administration.³⁷ To the people who believe politics is economics, the US abused its structural power in the regional level as well as in the global level to its own economic and security

³² Chinese ministry of foreign affairs expressed this will to the US government privately in 2001, after the crisis to the bilateral relations caused by the incident of EP-3, See David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security*, Winter 2004/05, Vol. 29, No. 3, pp. 64-99.

³³ Buzan, 2003, p.168.

³⁴ Goh, "Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies," pp.150-151.

³⁵ Kenneth N. Waltz, "The Emerging Structure of International Politics," *International Security*, Vol. 18, No. 2. (Autumn, 1993), pp. 44-79.

³⁶ Buzan 2003, p.168.

³⁷ T.J. Pempel, "[The 'Unbungling' of Asia](#)," *Global Asia*, Volume 3, Number 4, Winter 2008.

advantage, in the cases of the Asian financial crisis in 1997-1998 and the Global Financial Crisis in 2008, and surely in the catastrophic Iraqi war. 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 abuse of power by those dominant player(s) should be taken into consideration seriously.

The U.S. reluctance and rigidities demonstrated in the policy toward Asia cooperative security was accompanied with excessive militarization and unilateralism, during the Bush administration. These gestures and policies caused a big cost to the U.S. reputation in East Asia and the world. Some Asia experts like Pempel 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 U.S. should be "backing away from containment policies directed against China", and "engaging Japan, China and South Korea in non-military ways". For example, Pempel urged for creating a trilateral US-Japan-China forum to usher US Asia policy to move toward multilateral cooperation and to reduce mutual suspicions.³⁸ Since the inauguration of the Obama administration, some of these policies are given serious consideration, and have started to be implemented.

Ideological orientation, combined with overemphasis of power, also takes responsibility to the U.S. Asia policy. To some extent, the neo-conservative policy was formulated as the hybrid of the two things. For example, it is not a rare case that some scholars called for a concert of democracies to enforce the containment strategy to China. Though it is in name of freedom and democracy, the most important concern is still the concerns about the power position of the U.S. Some experts still call for a policy named "ideational balance of power" on the value of democracy. For instance, Green and Twining predict that the post-Bush leaders will identify and embrace the promotion of bilateral and multilateral cooperation among Asia-Pacific democracies as central to the United States' 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 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 source of the 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-cons. These policies have been out of date, and if carried forward, merely bring forth division among Asian states and the demise of emerging cooperative security arrangement.

China's Rising and its implications to Asian Security Order

China has been a very important topic when scholars and practicers discuss about the regional security arrangement in the post-Cold War East Asia. The related questions can be the following ones: how to evaluate China' foreign policy? Is China a status quo power or a revisionist power? How to find a proper position to get China involve in the regional security regime? As Buzan

³⁸ Ibid.

³⁹ Michael J. Green and Daniel Twining, "Democracy and American Grand Strategy in Asia: The Realist Principles Behind an Enduring Idealism," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, Volume 30, Number 1, April 2008, pp. 1-28.

argues, China “is already central to the security dynamics of the Asian supercomplex”. The relations and the regional security regimes will depend on the way how China 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 neighbours.”⁴⁰ Focusing on the interactions of the relations, this judgment is noteworthy to Chinese decision makers.

Nevertheless, China’s rising is an exaggerated phenomenon. China’s rising will be a long term process, which is more true when people examine carefully its per capital 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 China’s power and influence started when the Cold War was just ended. For example, China 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 former Soviet Union was two side stories. On one hand, it greatly reduced the threat to China’s national security, but on the other hand, the fall of the Communist neighbor also threw China into a serious legitimacy crisis, just following the aftermath of the June 4th incident of 1989. The political security situation related to power legitimacy was not improved until the time when China was acceded to the WTO in 2001. Facing the internal and external challenges, Chinese government shew 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 the China-US relations and being integrated into international institutions. These policies have boosted China’s leap forward in every field, which in turn caused different notions of China threat, especially since the mid-1990s.

The exaggerated China threats come from the misperception of the national conditions of China, but also come from the dynamics of domestic politics in some regional states. China could be a convenient excuse to serve the purpose of consolidating power position by political forces, and strengthening the military buildup as well. This observation could apply in Japan and Southeast Asian states, but also in the United States.⁴² Hence, when we discuss the implications of China’s rising to the regional security arrangement, we have to bear this point in mind, to tell what is really true from what is politically fabricated.

The new relations between China and the 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 China to reduce the negative image tarnished by the notions of China threat and prevent the subregion siding with the U.S.; to the ASEAN members, this new ties would also improve its security environment and avoid the great burden to be forced to choose between the two major powers. More exactly, there seemed to be two big events which brought China and the ASEAN closer to each other, that is, the Asian financial crisis of 1997-1998 and China’s WTO accession of 2001, which further liberalized the mindset of Chinese leadership. As observed by Shambaugh, 2002 was a landmark year, when ASEAN plus China summit came in, and the both sides signed four key agreements, including the

⁴⁰ Buzan, 2003, p.167.

⁴¹ Ibid.

⁴² For the latest study on how the notion of China threat has served the domestic political interests, see Kuik Cheng-Chwee, “The Essence of Hedging: Malaysia and Singapore’s Response to a Rising China,” *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, Volume 30, Number 2, August 2008, pp. 159-185.

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, China formally acceded to ASEAN's Treaty of Amity and Cooperation (TAC), becoming the first non-ASEAN state to do so. China's proactive approach toward the ASEAN, has brought the effects of competition, witnessing India, Japan, South Korea and others subsequently following suit. At the same summit, ASEAN and China signed the Joint Declaration on Strategic Partnership for Peace and Prosperity, which addresses a wide range of political, social, economic, and security issues. At the 2004 summit between China and ASEAN, Chinese Premier Wen Jiabao put forward two further initiatives: (1) to build upon the 2001 Framework Agreement on Economic Cooperation and Establishment of the China-ASEAN Free Trade Area (FTA) to create a free trade area in East Asia; and (2) to establish an East Asian community (presumably composed only of ASEAN + 3 countries) to discuss political and other issues.⁴³ Until now, the both sides have finished all the negotiations over the FTA pact, and in 2010 the most largest free trade zone of the world will be phased in. The rapid progress in the relations between China and ASEAN makes it clear that the both sides have greatly benefited from the changed relationship, not only in political and security spheres but also in trade and investment fields.

There is a dispute on how to explain China's ASEAN policy adjustment. Realists tend to argue that ASEAN was taken advantage of by China to serve its interests of great power game. On the other hand, some people believe that China's new policy toward ASEAN is not merely part of a larger "charm offensive", but also some fundamental compromises that China 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 China is socialized by ASEAN. By signing the ASEAN's 1967 charter together with the Declaration on Conduct in the South China Sea, it is believed that the ASEAN has formally committed a rising major power to enforcing the principles of nonaggression and noninterference in potential conflict.⁴⁵ Regarding this achievement, scholars currently take a dominance argument that China is socialized. For example, as Katsumata argues, from interacting with Southeast Asia in the occasions 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 the ASEAN member states are also socialized in the same time, as a result reshaping their assessment of China's intention and policies in the region. To be more accurate, it is a dual-track socialization and multiple back-forth process, which can be called "mutuality socialization".⁴⁷

Since the new century, China has undertaken the successful regional security diplomacy. ARF with the ASEAN is only one part of China's regional security diplomacy based on the new

⁴³ Shambaugh gives a good review of the progress of the cooperation between China and the ASEAN in the framework of 10+1 taking place before 2004, See Shambaugh, "China Engages Asia: Reshaping the Regional Order".

⁴⁴ Shambaugh, "China Engages Asia: Reshaping the Regional Order," p.76.

⁴⁵ Ibid.

⁴⁶ [Hiro Katsumata](#), [David Martin Jones](#) and [Michael L.R. Smith](#), "Correspondence: ASEAN, Regional Integration, and State Sovereignty," *International Security*, Volume 33, Number 2, Fall 2008, pp.196-211.

⁴⁷ Several scholars used the concept of mutuality socialization, See Amitav Acharya and Richard Stubbs, "[Theorizing Southeast Asian Relations: an introduction](#)," *The Pacific Review*, 1470-1332, Volume 19, Issue 2, 2006, Pages 125 – 134; Christopher M. Dent, "Reconciling Multiple Economic Multilateralisms: The Case of Singapore," *Contemporary Southeast Asia*, Vol. 24(1), 2002, pp 146-65.

concept of security “cooperative security”. The other regional efforts include Shanghai Cooperation Organization(SCO), the Six Party Talks on the nuclear crisis of North Korea, and the efforts to open security dialogues with the U.S., Japan, South Asia and NATO, etc. These security diplomatic actions greatly help improve the mutual understanding between China and the outside world, in the terms of transparency and confidence building measures.

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. Their logics are simple: for “balancing” school, in order to preserve security, states, the smaller states in particular tend to perceive a rising power as a growing threat that have to be counter-checked by 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, to preserve one’s own security interests and expanding economic interests.⁴⁸

Some debate took place on the way how Southeast Asia is responding to China’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 the political reality of in the post-Cold War East Asia. Southeast Asian countries clearly do not want to choose between the two major powers, the United States and China. As Evelyn Goh 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 regional order, and they recognize they have potential to play a big role in building the 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 “China 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 China in a hostile direction, turning a perceived threat into a real one. Third, pure-balancing will squander great economic opportunity coming from China’s rapidly growing market.⁵⁰ Forth, the history does matter. Understanding of Chinese history may have partly relaxed the concerns of Southeast states as Kang argued, though the past does not necessarily point to the future.⁵¹ Now more scholars redefine the regional states’

⁴⁸ Kenneth Waltz, *Theory of International Politics* (Reading, Mass: Addison-Wesley, 1979); Stephen Walt, “Alliance Formation and the Balance of World Power”, *International Security* 9, no. 4 (Spring 1985): 3–43; Randall Schweller, “Bandwagoning for Profit: Bringing the Revisionist State Back In”, *International Security* 19, no. 1 (Summer 1994): 72–107.

⁴⁹ Evelyn Goh, “Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies,” *International Security* 32.3 (2008), pp. 113-157.

⁵⁰ See Amitav Acharya, “Will Asia’s Past Be Its Future?” *International Security*, Vol. 28, No. 3 (Winter 2003/04), pp.150-151.

⁵¹ David C. Kang, “Getting Asia Wrong: The Need for New Analytical Frameworks,” *International Security*, Vol. 27, No. 4 (Spring 2003), pp.57-85; Acharya, Amitav Acharya, “Will Asia’s Past Be Its Future?”

response to China's rising as the mixed engagement and hedging strategy.⁵² One may find some similarities between the great power like the U.S. 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 regional security dialogue or some form of institutions 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 regionwide 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 involving the major powers committed to the norms of behaviors and principles of dealing with interstate conflict. These efforts have helped for ASEAN to successfully sustain its leadership in architecting the regional security order. Despite much skepticism, the positive role of ASEAN have been acknowledged by more scholars, even some pessimistic realists. British scholars Barry Buzan and Gerald Segal opined that, "The Association of South-east Asian Nations (ASEAN) states have constructed a durable security regime that has allowed them to solve and demilitarise a variety of disputes between them."⁵⁴

With respect to the role of ASEAN in the course of building regional security order, some people refer to the "ASEAN way", characterized with "informal, consensual, and incremental decisionmaking and focus on confidence-building measures".⁵⁵

The "ASEAN Way", emphasizing consensus, non-interference in members' internal affairs and voluntary enforcement of regional decisions, insuring sovereignty protection.⁵⁶ With regard to interstate conflicts, it emphasizes peaceful solution. 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, since the new century coping with terrorism has led to some erosion of the non-interference norm. because transnational cooperation is essential to ensuring effectively combating terrorist groups cross national borders. Furthermore, in November 2007, ASEAN passed the new Charter which

⁵² Johnston and Ross, *Engaging China*, p. 288; Francis Fukuyama and John Ikenberry, *Report of the Working Group on Grand Strategic Choices*, The Princeton Project on National Security (September 2005), pp. 14–25; Evelyn Goh, "Southeast Asian Perspectives on the China Challenge," *Journal of Strategic Studies*, Vol. 30, No. 4 (August 2007), pp. 809–832.

⁵³ Goh, "Southeast Asian Perspectives on the China Challenge"

⁵⁴ Barry Buzan and Gerald Segal, "Rethinking East Asian Security," *Survival*, Vol. 36, No. 2, Summer 1994, p.11.

⁵⁵ Goh, "Southeast Asian Perspectives on the China Challenge," p.123.

⁵⁶ Sheldon Simon, "ASEAN and Multilateralism: The Long, Bumpy Road to Community," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, Volume 30, Number 2, August 2008, pp. 264-292.

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 the ASEAN in building regional institutions like ARF, ASEAN plus three and the East Asia Summit (EAS), partly results from the rivalry among major powers, the U.S., China and Japan in particular. With this power rivalry, major powers agree to have the 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 the ASEAN. But witnessing the ups and downs of the China-Japan relations, most people will believe that it is advised to have reservations about this relatively optimistic future.

China-Japan Rivalry: a Hindrance to Deepening Regional Cooperation in East Asia

China-Japan strategic competition for the position in East Asia can be attributed to many reasons, mainly by the issue of security dilemma as well as the issue 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, we can clearly see that the economic interdependence network woven by the regionalization of economic activities has substantially constrained the extent of the Sino-Japanese competition.

The increasing rivalry between Japan and China has taken place in the time of coincidence of the emergence of China in 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 1980s, a large-scale investment flew from Japan to the countries in the region, and formed a Japan-centered regional production and investment system based on the so-called "flying geese economy" model. Although Japan experienced the economic bubble burst and a long depression claimed as a "lost decade" in the 1990s, Japan still has kept a major influence to global economy. In this process, Japan set a strategic goal of becoming a "normal country", to pursue for the status of a political power in line with its economic strength: Japan aspired to play a more prominent role in the global and regional affairs; hoped to gain the UN Security Council permanent seat; and at the regional stage, the country is seeking to define the concept and framework of East Asian Community, exercising the leadership over the regional institutions. Obviously, Japan's political attempts have gone beyond the role the United States wishes Japan to play in East Asia. While the U.S. asked Japan to assume greater responsibility and burden, it set limitations to the Japanese political ambitions, which was exemplified in the case of the "Asian Monetary Fund" (AMF), an idea the U.S. was firmly opposed to.

East Asian financial crisis of 1997-1998 caused East Asia a heavy price, and helped to build a consensus in the region that a regional integration and institution-building should be the collective goal after the disaster. Clearly, in Japan on this issue, there are different views, private active and government passive. Prime Minister Koizumi carried forward a policy strengthening the security alliance with the United States to balance China's increasing influence; and in the same time, the Japanese government made efforts to compete with China over the regional integration objectives in East Asia. On the other hand, driven by the "China

⁵⁷ Ibid.

threat" notions, the Chinese government made a great adjustment in Asia policy, changing to support the ASEAN-led East Asian regional integration process. Obviously China has moved much quicker than Japan in promoting the regional objectives, and has proposed many new ideas of regional cooperation, many of which have become a reality. China first acceded to the Treaty of Amity of ASEAN, reached the South China Sea code of conduct, and especially struck an agreement with ASEAN committed to negotiation of a free trade agreement (10 + 1).

Facing China's rise and its proactive posture in terms of regional integration, Japan felt pressure to compete with China, and adopted measures as follows:

In catching up with China, Japan signed bilateral or multilateral economic partnership agreement with the ASEAN countries, including a FTA deal;

Support for the extension of the membership of the East Asia cooperation framework beyond 10 + 3 countries, to include India, Australia and New Zealand, which made the "East Asia Summit";

Following the U.S. "double hedge" policy toward China (even if the US government announced a policy of "responsible stakeholders" relationship with China in 2005), Japan strengthened the alliance with the United States, as well as with India, Australia and other countries active in the defense cooperation in an attempt to promote the composition of the so-called "Asian NATO". In March 2007, Japan signed the "Japan-Australia security agreement" with Australia, and it was generally agreed that this agreement was targeted on China.

However, ironically, Japan's balancing acts against China has happened when the bilateral relations has been deepening further, which has clearly limited Japan's choices for its security policy. The deepening bilateral economic cooperation has locked the two countries in a network of interdependence inextricably linking and mutually benefiting each other. The two economies are highly complementary; China relies on the investment and technology from Japan, while China's rapid economic development rise has become a big driving force to sustain Japan's growth. It is the so-called "China's special needs," which, to a large extent, has pulled the Japanese economy out of the 1990s recession. So, to perpetuate this mutual beneficial cooperation, Japan must cautiously avoid the head-on-head confrontation with China.

The inter-governmental and non-governmental exchanges between the two countries have exceeded more than any one country. For example, 233 pairs of sister cities agreements have been reached between China and Japan until 2006, and more than 4.8 million passengers traveled back and forth a year. The price of breaking such a deep tie will be huge to both sides. The international community does not want to see the Sino-Japanese competition out of control, which probably leads to a great chaos throughout the region. Southeast Asian countries are no longer willing to choose between the two countries, and even the United States wants to see a stable relationship between the two countries because the cooperation between Japan and China is important to the settlement of hotspot issues such as the North Korean nuclear crisis which the United States is deeply concerned about. A reconciliation of the China-Japan relations serves the interests of the United States in East Asia.

The monetary cooperation has a great potential to tie Japan and China together toward a closer regional financial cooperation, apart from serving the common interests. The two major

financial crises have greatly hit the two countries and the region, and have raised the consensus for a regional monetary framework. The common interests and great 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 policy-makers in the region that East Asia are over-dependent on the U.S. dollar, and it is time to change to its own regional mechanism to diversify the risks of associating with the U.S. dollar. Some even talk about the possibility of promoting "Asian Dollar" objectives. In dealing with the issue of reliance on U.S. dollar, Japan has come to this understanding earlier than China. As early as 1998, Japan set out for a regional monetary arrangement with some sense of urgency, while China put forward the objectives of reforming the international monetary system in this current crisis. A study points out that the 1997 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 U.S. dollar, and hence promoted the internationalization of the yen and augmented the support to the initiatives of regional currencies. It is believed that, despite the increasing challenges of reliance on U.S. dollar the domestic politics of Japan and the Sino-Japanese rivalry for regional leadership may keep the dollar holding the leading currency status in the region in the medium term.⁵⁸ In the time between the two crisis, Japan, China and other East Asian countries have worked together to adopt the currency swap program the "Chiang Mai Initiative" and strengthen the Asian bond market efforts. And furthermore in this global financial crisis the region has seen more substantial steps to prevent the future crisis. Clearly these achievements are made on a common understanding and cooperation between the two major economies Japan and China. Such cooperation has played a significant role of imposing restrictions on the Sino-Japanese strategic and security competition.

In the past years, under the mixed influence of internal and external factors, post-Koizumi Liberal Democratic Party government leadership made efforts to improve the relations with China, reviving the exchange of state visits of leaders, cheered as the "ice-breaking" and "ice-melting" trips. China and Japan were committed to building a kind of relations of "strategically mutual benefit" and in the same time cooperated to ameliorate the feelings between two peoples. Now, with the new government led by Prime Minister Hatoyama of DPJ, Japan-US relations, Japan-East Asia relations and Japan-China relations enter a period of adjustment. Japan's new leader stresses a more equal partnership with the U.S; puts forward a policy calling for building "East Asian Community" in Asia policy; and in its China policy, builds a trusting relationship with each other. These policy adjustments can bring significant changes in the political, economic and security structures of East Asia, and the region may be entering a new era of more balanced and more cooperative power relationship.

However, while we see hopes of improving relations between China and Japan in near future, we have to bear in mind that a complicated mixture of factors has led to the strategic and competitive relationship between the two countries. These factors include the different interpretation of the modern history; the territorial disputes over the Diaoyu Island, East China Sea continental shelf and exclusive economic zones; US-Japan alliance and its potential intervention in China's reunification with Taiwan; and the broader context of the rise of China and so on. 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 the Japan-China bilateral relations will remain a force to shape the future of the regional cooperation in East Asia.

⁵⁸ See Saori N. Katada, "[From a supporter to a challenger? Japan's currency leadership in dollar-dominated East Asia](#)," *Review of International Political Economy*, 15 (2008:3), 399 – 417.

Economic Interdependence and Strategic Competition among Nations: Competition and Complementarities

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

From the 1980s to the present, the intra-regional trade links have continued to grow, with Japan and China as 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 so-called flying geese model division of labor between Japan and other countries in the region. This system was characterized with Japan as a source of technology and capital, and with other parts of East Asia as the location of processing and assembly lines. This division of labor pattern brought development opportunities to the 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 too long, and that the U.S. market has remained the focus of Japanese companies operating in the region: the so-called Japan-Southeast Asia-the U.S. triangular relationship were mainly driven by Japan's outflow of capital and the demand for the U.S. markets.

China's rapid integration into the regional and global production and trading system has fundamentally changed the geo-economic landscape of East Asia. Since the mid-1990s, China's processing trade has boomed. China's preferential policies to encourage the inflow of foreign investment, cheap labor cost and expectations on Chinese domestic markets, have together allowed China to become Asia's most dynamic economy. China's rise as a workshop for the world brought more competition to exports from Southeast Asia, and as a result, the notions of "China threat" were heard in the region. Some people even believed that the competition of Chinese exports should take part responsibility to 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 over the regional currencies.

With more concerns over the "sucking sounds" of Chinese economy after the WTO accession on the rise in Southeast Asia, the Chinese leadership gave a serious thought to the notion of China economic threat. They thought over the ways how to change the views of the region about Chinese economy, and how to replace the notions of China threat with China opportunity argument. In this regard, China's diplomacy began to pay more attention to regional diplomacy, and it was for the first time to see the country to accept the concept of "regional diplomacy" to promote regional integration. Hence, China has actively participated in the ASEAN-led East Asian integration process and tried to play an active role.

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

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

Having more important implications to the region's security relations, the deepening of economic interdependence between China and the U.S. has reshaped the assessment of common interests and the direction of the bilateral relations. The China-US plane collision incident (EP3 incident) in April 2001, coupled with the coming to power of Republican President George W. Bush who ever declared a strategic adversary relationship between the two countries, ushered the Sino-US relations into a low point. However, this political defining of the relations could not change the fact that the Sino-US economic relations have increasingly important to both sides, which was vividly exemplified by the huge legislation lobbying done by the U.S. 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 the relations back on normal track. More importantly, the 911 incident fundamentally reoriented the U.S. security strategy, from targeting the enemy among major powers to identifying terrorism as its No.1 security threat.

Since the accession to the WTO, Chinese economy has been greatly liberalized and achieved a tremendous development. The Sino-U.S. economic relations have experienced a more in-depth progress. The relative weight of trade with China has surpassed any other U.S. traditional ally in East Asia including Japan; more important, China has become America's largest creditor nation, the largest buyer of the US treasury bills while the country holds 2.2 trillion foreign reserve most of which is in US dollar. Lawrence Summers called this relationship as some "balance of financial terror". All these developments imply clearly that the China-US relations has moved beyond the traditional trade relations, and into those comprehensive and deep relations based on trade, investment, finance and technical cooperation.

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

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

The rise of China should be mainly defined as an economic rise, and as a center of gravity in the global network of trade and investment. The relations between China and Australia, New Zealand and other countries are the other examples showcasing the constraining effects on security relations by expanding economic interests. The increasingly close economic ties with China has made Australia cautiously in responding to Japan and the U.S. urges for strengthening alliance to contain China's growing power and influence. Australia is an ally of the United States, while influential in Southeast Asia is obviously the U.S. and Japan to contain China is a potential ally. However, Australia and China are natural trading and investment partners in natural resources and others, and meeting the demands of Chinese market have driven the Australian economy in very important and direct ways. Thus, in August 2004, after a meeting with Premier Wen Jiabao, Australian Foreign Minister stated that Australia's alliance with the United States does not necessarily require Australia to be automatically on America's side on the Taiwan issue. Though the Australian government made clarification on this position, clearly the Australian government is reluctant to offend China over the Taiwan issue. At the same time, Australia could be expected to play some kind of "bridge" role between China and the US.

New Zealand has also been incorporated into the framework of the East Asia Summit, which is perceived by some people to act as a role of balancing China's influence by embracing more countries such as India, Australia and New Zealand. However, New Zealand and China have maintained a close relationship. Mainly by economic interests, New Zealand was the first country to recognize China's market economy status among the developed countries, the first one to complete WTO talks with China among the developed countries, the first one to start negotiations with China on a free trade agreement among the developed countries, and was the first one to sign a free trade agreement with China among the developed countries. Despite a population of just more than 4 million, New Zealand win respect from China because of its independent foreign policy.⁵⁹

Sharing a wide range of practical interests and being geographically close to China, Southeast Asian countries are unwilling to choose between the United States and China, and do not want to be victims of the Sino-Japanese confrontation. Therefore, though some of them still have no confidence in China's, and territorial disputes have not yet settled, they are still with China to deepen economic relations. In 2010, China and ASEAN will become the world's most populous FTA is an obvious example. This development reflects the complexity of the relations between China and ASEAN.

The current global financial crisis is accelerating the shift of the global wealth and power center of gravity from the Atlantic to the Asia-Pacific region. The global financial crisis caused

⁵⁹ Yang Jian, "China in the South Pacific: hegemon on the horizon?", *The Pacific Review*, 22(2009:2), 139 — 158.

by the U.S. sub-prime debt issue weakened the US power position and put the US-led neoliberal globalization model in question. On the other hand, weathering the financial storm, Chinese economy has shown great flexibility and become the anchor of stability of the regional economy as a whole. Also in the region, the new government led by Hatoyama determined to adjust Japan's foreign policy, emphasizing the value of the US-Japan relations on a more equal footing and of work for the objective of East Asia Community.

Obama's Asia policy has to be reshaped to adapt to the newly changing circumstances in the region. The United States now put more emphasis strengthening relations with China, accommodating the demands of the new Japanese government and more toleration of the regional integration of East Asia, though with a precondition of assuring the US some proper role in the regional process.

Open regionalism

In short, the development of economic interdependence in East Asia has been driven by region-wide flow of economic factors, which has achieved a great progress, but international geopolitical competition still hamper the formation of the region's political and security cooperation mechanisms. East Asia is obviously characterized of 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, and the growing common interests and stakes, have greatly helped to relax the possible disruption of inter-state relations caused by the issue of "security dilemma".

The strategic competition and geopolitics had produced a complex impact upon the process of regionalization in East Asia. The East Asian financial crisis promoted the countries to work together for regional cooperation mechanism. The 10+3 leaders even approved the agenda of East Asia community. However, through the time, the steam to go further was lost, due to the Sino-Japanese disputes and the attention of ASEAN to maintain its "driver" seat in defining the regional integration. As a result, the entire region's integration process has been impeded, though the so-called "competitive liberalization" has appeared to push forward the cause of free trade in various forms. It is believed that it will take a quite long period of time to decrease the inter-state strategic competition and formulate some exclusive regional cooperation mechanism similar to EU's common tariff, common market and economic and monetary alliances. Judging from the current situation in the region, some regional cooperation based on "open regionalism" could continue to fit well the economic and political realities in East Asia. Correspondingly, the regional security mechanism should be essentially open, open to all the countries in this region, including the United States that has a significant interest in East Asia.

Seeking East Asia regional security mechanism: a review of alternative concepts

Open regionalism should be the proper approach to the cultivation of 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 the following models:

The first model discusses the value of traditional regional order and its potential implications to today's efforts. These old models include the ancient Chinese tributary system

and the Greater East Asia Co-Prosperity Sphere of Japan. For example, some discussions argue that the Chinese tributary system exercised a generally positive influence in the peripheral regions of China. Linked to this history, some people are worried about the so-called "signification" of the region. We have to recognize that 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, Greater East Asia Co-Prosperity Sphere was built on the military conquest to serve the invaders' own interests. It does not make sense to revive these past models, and 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 the confidence among some people in Asia. In order to match interdependence in the region, they urge for the so-called "Asian doctrine of security regionalism". For example, in March 2004, the Japanese ambassador in New Delhi argued, "China - 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, an visiting scholar at the Southeast Asian Institute in Singapore, wrote in Hong Kong's South China Morning Post, pointed out 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.⁶⁰ Because this idea seems to exclude the core role the United States is playing in the region, it is difficult to obtain support both by the U.S. and by those countries which depend on the U.S. to balance the influence of major powers in East Asia.

The third model would be attributed to the so-called "Asian NATO" or "Asia-Pacific Community of Democracies", both of which exclude the membership of China. This model implies that the rise of China and its rapid economic and military modernization has tilted the balance of power in East Asia to China, and it is necessary to balance China's power by an Asian version of NATO is. The originator of this idea an Indian geo-strategist suggests that the Asian NATO's main function is to avoid war, because the Taiwan issue could trigger a regional war. China may launch a war against Taiwan's independence and the United States must intervene. Thus, the Asian NATO could be a deterrent to the conduct of war, which is good to regional security and China itself.⁶¹ The former associate editor of the magazine "the Economist" explains that now that the rise of China 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 get out of control, threatening world peace and stability.⁶²

However, any regional security arrangement excluding China is difficult to implement. It is so because China's relation with East Asia today is totally different from that of the former Soviet Union with Western Europe during the Cold War period. As a dynamic economic center,

⁶⁰ 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.

⁶¹ Interview with Nalapat, the originator of the concept of Asian NATO, International Herald News published by Xinhua News Agency, May 11, 2004; José Miguel Alonso Trabanco, 'Is an 'Asian NATO' Really On The US Agenda?' [Global Research](http://www.globalresearch.ca/index.php?context=va&aid=12077), January 28, 2009, see <http://www.globalresearch.ca/index.php?context=va&aid=12077>; C. Raja Mohan, India's Changing Strategic Profile in East and Southeast Asia, a paper presented at the Regional Outlook Forum 2008, organized by Institute for Southeast Asian Studies, January 8, 2008, Singapore, see www.iseas.edu.sg/rof08/s1_raja.pdf.

⁶² See BBC Chinese report, news.bbc.co.uk/chinese/simp/hi/newsid_8060000/.../8063991.stm.

China has developed close economic connections with the region. China has even developed a deep interdependence ties with the US, as argued above. With such a market relations, China is capable to impose penalty to the countries which push forward the strategy of containing China, by choosing to open market to some of them and to shut door to others.⁶³ The fourth alternative model is to build an universal collective security mechanism in East Asia. A lot of discussion has been spent on the possibility to restructure the six-party talks into a sub-regional security mechanism in Northeast Asia. But the ASEAN Regional Forum (ARF) holds the great potential to evolve into the 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 that all the members of the region join it, with universal inclusiveness. This mechanism includes the rising China, but also the United States which is not an East Asia country but has a significant interest in the region. This arrangement is 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 promote regional peace and stability, and thus the further development of economic and trade integration.

Principles of collective security in East Asia

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

Abandon the "zero sum" thinking of power politics, to foster a "common security" concept. Non-exclusive, not targeted at any third party, should be a basic principle. To exclude one or more of any one country a regional security organization is incomplete, and will only cause confusion in the region. The new network of economic interdependence in East Asia shows us that the pursuit of absolute security or the zero-sum game power politics outdated. Adhere to the principle of common security include the need for states to exercise self-restraint, recognizing each other's legitimate right to have access to security, and military force is not a legitimate means of dispute settlement.⁶⁴ Over the past decade, a 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. East Asian security arrangement concerns all countries of the region, and it is necessary to build consensus based in close and adequate consultations. Any decision, joint declaration or the resolution, must take into account the positions and viewpoints of different countries.

⁶³ 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, March 27, 2007.

⁶⁴ 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.

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 and then moving toward difficulties, starting with non-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 issues of "negative security cooperation", and then with the strengthening of trust and consensus each side can gradually involved in the issues of "positive security cooperation."⁶⁵ One should not expect instant success in institution design, and the blind pursuit of the results equivalent to the European Union and NATO should be evaded. At present, to continue to consolidate and expand the ARF is a wise choice.

To 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 ASEAN Regional Forum is primarily a forum with no "teeth", but there is potential to restructuring it into a more binding multilateral mechanism. This work can start with the confidence-building measures, and the exclusion of military means to resolve the 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 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 the mutual perception 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 Thinktanks Network as some "second track" dialogue role, while promoting third track mechanism to help civil society to participate in regional security cooperation and discussion.⁶⁶ From this perspective, we can say for sure that the accusation of the different meetings and dialogues in East Asia as empty talk is short-sighted.

Building East Asian Security Mechanism: Steps Ahead

Strengthen the defense information exchange, implementation of openness and transparency. Improve the consultation and cooperation in the issue 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 Asian financial crisis, SARS, avian flu and influenza and other public health crisis, which caused the impact and cost on the region no less than a regional war. Moreover, terrorism, separatism, drug trafficking, smuggling, human trafficking and other transnational crimes, environmental destruction, the proliferation of weapons of mass destruction, security of sea lanes, the growing threat of piracy and other issues have become security threats to East Asian countries. The region-wide efforts to fight non-traditional security threats should include enhancing national capacity and efficiency.

⁶⁵ Chinese scholar Hou Hongyu discussed these principles with regard to the question how to build a security institution in Northeast Asia. See Hong Hongyu, *Contemporary World*, No.4, 2006.

⁶⁶ 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), *Review of Foreign Affairs(Wai Jiao Ping lun)*, No.6, 2005.

Security dialogue between major powers and regional security mechanism building should go hand in hand. Clearly, the enhancement of mutual trust among major powers will be very helpful to improve the regional security dialogue. For example, a compromise on the form of regional cooperation should be struck in the way that the United States and Japan abandon the attempts of building regional security arrangements aimed to isolate and exclude China, while China supports open regionalism and open-ended regional institution building, which will not seek to dispel the United States out of any regional economic mechanism. For now, as the U.S. president Barack Obama and Japan's new prime minister Hatoyama come to power, it may be a good time to seal such a deal with each other.

Improve and consolidate the ASEAN Regional Forum (ARF). The current ARF includes the 24 countries, and East Asian security-related countries are included. In order to improve the mechanism, big countries should first reach a consensus as to the role to play in this framework; and 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 the improved consultation on regional security issues.

The role of the United States in East Asian security arrangement. In the spirit of open regionalism, the United States can play an important role in the construction of the East Asian regional security mechanism. East Asian countries recognize the interests of the United States in the region, and welcome the country to play a positive and constructive role. For the United States, the biggest challenge is how to deal with the relations between its own alliance system and the East Asian regional security mechanism. The United States should realize that its bilateral defense alliance system was a product of the Cold War, far away from meeting the current situation in East Asia. To expand the U.S.-led defense alliance to establish the so-called "Asian NATO" can only lead to a split in East Asia, and the regional community building will be destroyed. The United States can play an active role in terms of using its influence to help solve the problems and conflicts out of the regionalizing East Asia, such as territorial and water disputes. With newly framed policy, the United States will win more respect from East Asia and keep its influence and interests.⁶⁷

⁶⁷ Ibid.

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