

GLOBAL INSTITUTIONS



Institutions of the Asia Pacific

ASEAN, APEC and beyond

Mark Beeson

Institutions of the Asia-Pacific

The Asia-Pacific is arguably the most important, but also the most complex and contested, region on the planet. Containing three of the world's largest economies and some of its most important strategic relationships, the capacity of regional elites to promote continuing economic development while simultaneously maintaining peace and stability will be one of the defining challenges of the twenty-first century international order.

Intuitively, we might expect regional institutions to play a major role in achieving this. Yet one of the most widely noted characteristics of the Asia-Pacific region has been its relatively modest levels of institutional development thus far. However, things are changing: as individual economies in the Asia-Pacific become more deeply integrated, there is a growing interest in developing and adding to the institutions that already exist.

Institutions of the Asia-Pacific examines how this region is developing and what role established organizations like APEC and new bodies like ASEAN Plus Three are playing in this process. An expert in the field, Mark Beeson introduces the contested nature of the very region itself—should it be the “Asia-Pacific” or “East Asia” to which we pay most attention and in which we expect to see most institutional development? By placing these developments in historical context, he reveals why the very definition of the region remains unsettled and why the political, economic, and strategic relations of this remarkably diverse region remain fraught and difficult to manage.

Mark Beeson is Professor of International Politics at the University of Birmingham. His most recent books are *Securing Southeast Asia: The Politics of Security Sector Reform* (with Alex Bellamy), and *Regionalism, Globalization and East Asia: Politics, Security and Economic Development*.

Routledge Global Institutions

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About the Series

The Global Institutions Series is designed to provide readers with comprehensive, accessible, and informative guides to the history, structure, and activities of key international organizations. Every volume stands on its own as a thorough and insightful treatment of a particular topic, but the series as a whole contributes to a coherent and complementary portrait of the phenomenon of global institutions at the dawn of the millennium.

Books are written by recognized experts, conform to a similar structure, and cover a range of themes and debates common to the series. These areas of shared concern include the general purpose and rationale for organizations, developments over time, membership, structure, decision-making procedures, and key functions. Moreover, current debates are placed in historical perspective alongside informed analysis and critique. Each book also contains an annotated bibliography and guide to electronic information as well as any annexes appropriate to the subject matter at hand.

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Foreword

The current volume is the twenty-fifth in a dynamic series on “global institutions.” The series strives (and, based on the volumes published to date, succeeds) to provide readers with definitive guides to the most visible aspects of what we know as “global governance.” Remarkable as it may seem, there exist relatively few books that offer in-depth treatments of prominent global bodies, processes, and associated issues, much less an entire series of concise and complementary volumes. Those that do exist are either out of date, inaccessible to the non-specialist reader, or seek to develop a specialized understanding of particular aspects of an institution or process rather than offer an overall account of its functioning. Similarly, existing books have often been written in highly technical language or have been crafted “in-house” and are notoriously self-serving and narrow.

The advent of electronic media has helped by making information, documents, and resolutions of international organizations more widely available, but it has also complicated matters. The growing reliance on the Internet and other electronic methods of finding information about key international organizations and processes has served, ironically, to limit the educational materials to which most readers have ready access—namely, books. Public relations documents, raw data, and loosely refereed web sites do not make for intelligent analysis. Official publications compete with a vast amount of electronically available information, much of which is suspect because of its ideological or self-promoting slant. Paradoxically, the growing range of purportedly independent web sites offering analyses of the activities of particular organizations has emerged, but one inadvertent consequence has been to frustrate access to basic, authoritative, critical, and well-researched texts. The market for such has actually been reduced by the ready availability of varying quality electronic materials.

For those of us who teach, research, and practice in the area, this access to information has been particularly frustrating. We were delighted when Routledge saw the value of a series that bucks this trend and provides key reference points to the most significant global institutions. They know that serious students and professionals want serious analyses. We have assembled a first-rate line-up of authors to address that market. Our intention, then, is to provide one-stop shopping for all readers—students (both undergraduate and postgraduate), negotiators, diplomats, practitioners from nongovernmental and intergovernmental organizations, and interested parties alike—seeking information about the most prominent institutional aspects of global governance.

Institutions of the Asia-Pacific

In designing our series, we were careful not to restrict ourselves only to those institutions and related issues that could make a claim to being global. Why? Because of crucial importance to contemporary world politics are a host of regional institutions and non-state actors, all of which we will endeavor to analyze in some way in this series.¹ Among regional organizations whose impacts are noticeable beyond the geographic area covered by their constitutions, those pertaining to Europe loom largest.² There are, however, equally interesting and important stories to be told about the world's other regions. Hence, we have been careful to ensure that the Americas, Africa, and Asia-Pacific all have dedicated volumes.³

Of all of the world's regions, the Asia-Pacific is arguably the least well understood. Part of the problem lies in the conceptualization of the region itself. In many ways, the area encompassed by the Asia-Pacific is three, if not four, regions: East Asia, comprising the economic powerhouses of Japan and China; South East Asia, including the "tiger" economies of South Korea, Singapore, Hong Kong, and Taiwan; and, the Pacific Rim consisting of all of those countries that border the Pacific Ocean from Australasia, Asia, and North and South America. The fourth region that sometimes gets caught up in the mix of Asia-Pacific is the Indian Ocean (India has, since 1991, been pursuing membership of one of the region's most significant organizations, APEC or Asia-Pacific Economic Cooperation). As a result, the Asia-Pacific as a region comprises such a wealth of cultures, political traditions, and economic systems that most hesitate to treat it as a coherent entity. As Karl Deutsch wrote: "For the political scientist the definition of a region is considerably more difficult than the definition of a rose

was to Gertrude Stein. We cannot simply say, ‘A region is a region is a region.’”⁴ While the commonsensical notion of region is related to contiguous geography, it can also be conceived geopolitically, culturally, ideologically, and economically.

The sheer mix of social systems that the Asia-Pacific covers makes a compelling case for studying its institutions. But there are other reasons. Both of the region’s largest institutions—the Association of South East Asian Nations (ASEAN) and APEC—bring together former adversaries. In the case of ASEAN, Malaysia, Singapore, and Thailand share a table with Vietnam, Cambodia, and Myanmar, while APEC brings together the United States, Russia, and China with Southeast Asia, Australasia, and Latin America. Much of the Asia-Pacific, like Europe, owes its post-war development to the financial largess and security umbrella of the United States. The region was sharply divided during the Cold War and was witness to some of the most serious and protracted conflicts that unfolded during that supposedly “long peace.”⁵ The region continues to comprise a variety of distinct economic models. It is, for instance, the birthplace of the often celebrated “developmental state”⁶ and continues to play host to several states that politically, at least, claim to be in some measure communist—most notably Vietnam, China, and North Korea. Much of the region suffered at the hands of, variously, European, Japanese, and American waves of imperialism (a shared experience which imbues the region’s institutions with a strong commitment to sovereignty and self-determination and a wariness of any supranational or integration tendencies). And the region comprises states, regions, and localities of vastly differing levels of economic development and inequalities in income and wealth distribution. It is, in a nutshell, a region and a set of related institutions worthy of serious study.

We were delighted then when Mark Beeson agreed to write this book. Mark is rare among scholars of the global regions. He is one of the few people who has an intimate knowledge of the economic, political, *and* security dimensions of the Asia-Pacific—however problematically that region might be constituted. Unsurprisingly, this expertise and the quality of his work have ensured that he has become a scholar of considerable renown. Mark is currently a professor in the Department of Political Science and International Studies at the University of Birmingham, U.K., having previously taught at Murdoch University, the University of York, Griffith University, and the University of Queensland. He is the author of three major books on the Asia-Pacific, and he has edited four more on the region.⁷ His work has also been published in the very best journals in the field.

Mark has produced a book that offers the reader an intelligent, comprehensive, insightful, and accessible guide to the institutions of the Asia-Pacific. It clearly deserves to be read by all interested in the politics and the political economy of global governance. We heartily recommend it, and we welcome any comments that you may have.

Thomas G. Weiss, The CUNY Graduate Center, New York, USA
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Abbreviations

AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
AMF	Asian Monetary Fund
APEC	Asia-Pacific Economic Cooperation
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ASA	Association for Southeast Asia
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
ASC	ASEAN Security Community
ASCC	ASEAN Socio-Cultural Community
CBMs	confidence-building measures
CMI	Chiang Mai Initiative
CNOOC	China's National Offshore Oil Corporation
CSCAP	Council for Security Cooperation in the Asia-Pacific
DPRK	Democratic People's Republic of Korea
EAEC	East Asian Economic Caucus
EAS	East Asia Summit
EAVG	East Asian Vision Group
EPG	Eminent Persons Group
EU	European Union
EVSL	Early Voluntary Sectoral Liberalization
FTAs	free trade agreements
IAP	Individual Action Plans
IFI	international financial institution
OECD	Organization for Economic Cooperation and Development
IMF	International Monetary Fund
MITI	Ministry of International Trade and Industry
MNCs	multinational corporations

NATO	North Atlantic Treaty Organization
NPT	Nuclear Non-Proliferation Treaty
OPTAD	Organization for Pacific Trade and Development
PAFTAD	Pacific Trade and Development Conference
PBEC	Pacific Basin Economic Council
PECC	Pacific Economic Cooperation Council
PRC	People's Republic of China
SCO	Shanghai Cooperation Organization
SEATO	Southeast Asia Treaty Organization
TAC	Treaty of Amity and Cooperation
WTO	World Trade Organization
ZOPFAN	Zone of Peace, Freedom and Neutrality

Introduction

An exploration of the role of institutions in the Asia-Pacific necessitates some preliminary discussion that other volumes in this series may not. Some readers might reasonably want to know whether regionally-based institutions of the sort that will be discussed in the following pages are actually “global” institutions at all. This objection need not detain us for too long: the boundaries of the “regional” and the “global” are not as precise as they sound, and regional institutions play a key part in the operation and constitution of the overall international system. Few would dispute that the European Union, for example, is a powerful and influential actor on the world stage, even if there are continuing debates about its ability to represent effectively the region as a whole.¹

The European Union’s experience does highlight one other, more specific, problem as far as a discussion of the Asia-Pacific is concerned, however: what is the “Asia-Pacific” and where do its boundaries lie? Indeed, is the idea of the “Asia-Pacific” actually the most useful point of reference to adopt at the outset, or should we focus on a more specific, narrowly defined conception like “East Asia”? Such questions are not simply of concern to cartographers and geographers. On the contrary, the way regions are defined has important political implications, as well as more mundane consequences for the ability of particular institutions to address practical questions of governance and coordination.

East Asia is a region that looks set to be dominated by a resurgent China, while the Asia-Pacific includes the United States, an unambiguously “global” power, and one that often has very specific ideas about the role that regional organizations should play. At the heart of unfolding processes of regional institutionalization, therefore, is a continuing contest to define their role, identity and constituent parts. Because debates about the style, purpose and make-up of regional institutions—be they in East Asia or the Asia-Pacific—have been such a recurring

2 *Introduction*

theme in institutional development, Chapter 1 spells out the historical backdrop that shaped these processes.

Nowhere is the influence of contiguous history clearer than in the development of the Association of Southeast Asian Nations (ASEAN) and the so-called “ASEAN Way,” or the informal, consensus-based approach to international cooperation that is such a distinctive part of politics in Southeast Asia, and which are discussed in Chapter 2. Whatever we may think about the utility or underlying rationale of the ASEAN Way, it is a unique product of the (Southeast Asian) region and one that continues to influence the conduct of international relations in the more broadly conceived Asia-Pacific. At the very least this is an interesting example of the manner in which apparently global geopolitical forces associated with the Cold War and the structural transformation of the international economy may affect institutional development at the regional level. It is also an important comparative example of the way regional institutions can mediate external forces. This interplay between the regional and the global is consequently a recurring theme in the rest of the book.

Chapters 3 and 4 highlight political dynamics at the regional level, although even here the complex, multidimensional nature of such processes makes them difficult to neatly compartmentalize or confine within regional boundaries. Both the ASEAN Regional Forum (ARF) and the Asia Pacific Economic Co-operation (APEC) grouping contain the United States, and are consequently sites in which debates about the constitution of the region are articulated. They are also places in which the relationship between regional institutions and the wider global security and political architectures are played out. Both of these institutions have attempted to encompass quite different views about both the definition and membership of different possible regions, and about the best way of institutionalizing relationships within them. As a consequence, neither institution has been able to exert the influence that some expected or hoped they would.

In Chapter 5, a number of the most recent institutional innovations in the region are considered. Significantly, some of the potentially most important of these, like the ASEAN Plus Three (APT) grouping, have centered on a more narrowly defined East Asian, rather than the broader Asia-Pacific region. It remains to be seen, of course, whether a region which has generated a good deal of skepticism about its capacity to manage its own affairs and institutionalize cooperative relations will actually be able to consolidate this impulse, but it is clear that there is widespread interest in the possibility. Indeed, one of the East Asian region's problems is a surfeit of institution-building, not an

absence. The final chapter assesses the prospects for some of these initiatives.

Despite the fact that it is not clear which, if any, of the various regional institutions that have emerged of late will come to occupy a dominant position in either the Asia-Pacific or the East Asian region, it is clear that this process matters—and not just at the regional level. For all the overblown hyperbole about the “Asian century,”² which some expected might follow what Henry Luce described as the “American century,”³ it remains the case that East Asia contains some of the world’s most dynamic economies, a number of its most combustible strategic flashpoints, and some of its most distinctive political systems. It is also the epicenter of the interaction between China and the United States—a relationship that is likely to exert a defining influence on the evolution of the global system in the twenty-first century. The capacity of regional institutions to manage this relationship and other future challenges like the environment and continuing tensions between China and Japan will have an impact beyond the region itself, whether that is East Asia or the Asia-Pacific.

1 History and identity in the Asia-Pacific

The boundaries and constituent parts of the “Asia-Pacific” region are uncertain and contested. Readers in Europe or North America may find it surprising that ideas about regional identity and boundaries remain comparatively unsettled elsewhere. For all the European Union’s recent problems, it is associated with a range of political practices, levels of economic development, and even cultural influences that give it some sense of collective identity and destiny. Even in North America, which may not have the same level of political integration or common heritage as the EU, the overwhelming dominance of the United States and the importance of its economy to its neighbors gives the North American Free Trade Agreement a certain irresistible momentum, particularly if American policymakers consider it a good idea. In the Asia-Pacific, by contrast, there is a far greater range of potential members in terms of their respective levels of economic development and organization, political practices and structures of government, and even in their respective cultural traditions and backgrounds, something that reduces the ability to act in concert as a consequence. There are dramatic differences in the size of the economies of APEC’s members, for example, before we even begin to think about the way such economies are organized at the political level or integrated into wider structures of international governance, development and security.

As we shall see in Chapter 3, the diversity of APEC’s membership and the scale of its geographic reach have proved formidable challenges to its overall coherence and effectiveness. This has raised difficult questions for policymakers about the optimal size of any institution if it is to prove useful and therefore attractive to potential members. A similar challenge confronts the analyst of regional institutions: where should we direct our attention if we are to keep the discussion manageable and highlight issues of comparative significance? Given that the epicenter of debates about identity in the Asia-Pacific region has

centered primarily on the key nations of East Asia like China, Japan and the ASEAN countries on the one hand, and the U.S.A. and the other “Anglo-American” economies on the other, the discussion throughout the rest of the book will focus primarily on these nations and only consider Latin America, Russia and India in passing. Even this initial narrowing of the focus still leaves us with an intimidatingly broad canvas compared to North America or even the recently expanded EU. To begin to make sense of even this circumscribed notion of the Asia-Pacific and its relation to the alternative idea of East Asia, we need to place both of these possible regions and their respective institutional outgrowths in historical context.

The history of place

To those outside East Asia, one of the most puzzling aspects of the contemporary scene is the seemingly irresolvable disputes about history. This is most evident and important in the tensions between China and Japan.¹ In Europe, former foes Germany and France overcame their differences and became the central pillars of a deeply institutionalized post-war order centered on the EU. In East Asia, by contrast, there is still no consensus about the content of twentieth century history, let alone a definitive process of reconciliation between former foes in the twenty-first.² These old grievances are often used opportunistically by regional elites to further particular national interests and agendas, making the construction of regional institutions more difficult. But it is the fact that such animosities continue to resonate so strongly with the populations of the region, not that politicians might seek to utilize them for their own ends that is so noteworthy. To understand why events that occurred 50 or even 100 years ago might continue to exert such influence, and why the course of regional cooperation is so fraught at times as a result, it is necessary to say something about the history of both East Asia and the wider Asia-Pacific.

The continuing impact of historical forces underlies different perceptions of regional identity and the prospects for intra-regional cooperation. Even when our focus is restricted to what we now think of as East Asia, an area that potentially encompasses China, Japan, Korea, Taiwan and the diverse nations of the ASEAN grouping, it is plain that there is both great variety in the character of the countries under consideration, and a good deal of historical baggage defining both their mutual interaction and their individual place in the region. Although the idea of East Asia is comparatively recent, for most of recorded history, this geographical space has been under the influence

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of China. Despite a widely held belief that the East Asian region is synonymous with instability, if not outright conflict,³ for much of the period of Chinese dominance, the region has been relatively stable. Indeed, East Asia's reputation for conflict and chaos has come about relatively recently, and largely as a consequence of the impact of external forces emanating from Europe and latterly North America. This long-term interaction between "internal" and "external" forces is one of the defining dynamics underlying all regional processes,⁴ but in East Asia's case, it has made the construction of regional identities especially difficult.

The key historical influence on contemporary East Asia (and much of the Asia-Pacific, too, for that matter), has been European imperialism. One decisive consequence of this period was to overturn comprehensively the existing order within what we now think of as East Asia. China's place at the center of the regional order—something that was evidenced by the tributary system rather than any formalized political hierarchy⁵—was completely undermined by European intrusion into the region. Not only was China manifestly unable to cope with the political, economic and especially military challenges European expansion presented, but its great regional rival Japan was. China experienced rapid dynastic decay and the end of its own imperial system, events that inaugurated a "century of shame"; a period that has shaped its subsequent international behavior, and from which it has only recently emerged. Japan, by contrast, proved remarkably adept at learning from the West, adopting an array of social and technological reforms, and rapidly becoming a major military and imperial force in its own right.⁶ Indeed, the alacrity with which it adapted to the "Western standard of civilization" helps to explain not only the success of its integration into the international system, but also its own occasionally ambivalent position within the East Asian region.⁷

The historical transformation in the relative standing of China and Japan would have been galling enough for China on its own, but what made it especially traumatic, and what has made its impact so difficult to accommodate subsequently, was the fact that China became a victim of Japan's imperial ambitions. Japan's brutal occupation of China, which began well before the Second World War, remains one of the defining events of recent East Asian history and something neither country has been able to deal with effectively. On the one hand, generations of Japanese political elites have been unable to acknowledge either the reality of Japan's war-time record or grasp the sensitivity with which such events are viewed in China, Korea and much of Southeast Asia. On the other, Japan's inability to put the past decisively

behind it has been exploited by China in particular as it seeks compensation for, or acknowledgement of, Japan's misdeeds. When seen in the context of regional institution-building, it becomes easier to understand why the tensions between the two great regional rivals are often seen as insurmountable obstacles to greater cooperation.⁸

The other major consequence of the sudden emergence of Japan as a major power on the world stage was its confrontation with the U.S.A. The bilateral relationship between Japan and the U.S.A. is one of the most important in the world, and one that has had an immense impact on the course of regional development.⁹ It is important to emphasize that this interaction predates the actual conflict that occurred during World War II. The U.S.A. was instrumental in forcing Japan to open up to the West in the middle of the nineteenth century, an event that would trigger a domestic revolution in Japan, and a process of rapid modernization that culminated in its own outward expansion and imperialism.¹⁰ Two aspects of this period should be emphasized, as they continue to influence the course of regional development and institutionalization to this day. First, no matter how ill conceived or misguided Japan's conflict with the U.S.A. and its invasion of much of East Asia may have been, it had a powerful and enduring impact on the region. Indeed, the war-time "Greater Co-Prosperity Sphere" that Japan inaugurated marked the first attempt to develop an exclusively Asian form of regionalism.¹¹ If nothing else, therefore, Japan's defeat of the European colonial powers made the re-colonization of the region in the war's aftermath unsustainable and illegitimate.¹²

The second long-term impact of the U.S.A.–Japan relationship has been to nullify Japan's ability to lead East Asia on the one hand, and to keep the U.S.A. structurally and institutionally engaged with the region on the other. Even before World War II the U.S.A. exercised an important influence on the strategic relations of East Asia. As a consequence, it made the idea of a separate East Asian region less useful, partly because East Asia itself was divided by seemingly implacable ideological and strategic divisions. But this did not make the idea of an Asia-Pacific region any more coherent either, except as the most basic geographical indicator. As far as representing a coherent entity was concerned, the Asia-Pacific did not even have the advantage of historical continuity, as the idea of a "Pacific age" is very much a product of the nineteenth century and the growing interconnections that trade and technology facilitated.¹³ One of the key legacies of American influence in the post-war period was the series of bilateral alliances that the U.S.A. established in East Asia as part of the effort to "contain" communist expansion in the region.¹⁴ While this may ultimately have contributed to

the demise of the Soviet Union, for more than four decades it effectively foreclosed any possibility of establishing a genuinely region-wide set of economic, political or strategic relationships of a sort that rapidly took hold in Western Europe. In part this can be explained by the very different attitudes adopted by American policymakers toward East Asia. Not only were American attitudes shaped by the racial attitudes and stereotypes of the time, but the U.S.A.'s strategic interests were seen as actually benefiting from a divided Asian region.¹⁵

In other parts of what we now think of as East Asia, the impact of American power was rather different and in some circumstances, at least, more beneficial. Another of the distinctive features of the East Asian part of the Asia-Pacific is the relative youth of some of its member states. With the exception of Thailand and Japan, all of East Asia was colonized by one European power or another, and most of them were keen to jump on the accelerating bandwagon of decolonization in the aftermath of the World War II.¹⁶ The U.S.A. played an important role in this context: not only did it rapidly shed its own colony in the Philippines, but it also encouraged other imperial powers to do likewise in the reconfigured post-war geopolitical and ideological climate. While it is plain that the U.S.A. had its own strategic interests in pushing decolonization and promoting the creation of independent, pro-capitalist states across the region, it is also clear that this often worked to the benefit of burgeoning independence movements.¹⁷ In Indonesia, for example, there is no doubt that the U.S.A.'s moral suasion and the threat of diplomatic sanctions were instrumental in getting the Dutch to give up their colonial role.

So while the process of decolonization may have been aided by the unintentional impact of Japanese imperialism and the strategic calculations of the U.S.A., this only went part of the way toward creating a more coherent region. True, the myth of European superiority may have been punctured, and the foundations for a more self-confident Asian renaissance may have been laid, but there were major obstacles on the road to national consolidation, let alone any broader process of region-wide cooperation or institution-building. The reality confronting the newly independent states of Southeast Asia was rather forbidding: after the euphoria of independence wore off, the region's newly independent elites were faced with the twin challenges of nation-building and economic development. The former was generally made more difficult by the arbitrary nature of national borders, the complex, multi-ethnic composition of postcolonial societies, and the sheer lack of state capacity with which to meld such disparate parts into a coherent whole.¹⁸

It needs to be remembered that the colonial powers created political structures that answered imperial needs, not those of the periphery. Consequently, colonial rule, especially under the British and the Dutch, was often conducted with minimal resources and impact on extant forms of political organization.¹⁹ When the colonial powers eventually left, they frequently left their former colonies with fairly rudimentary structures of governance. As we shall see in Chapter 2, this general political fragility, and the tenuous hold of newly ascendant political elites over what were often arbitrarily demarcated national boundaries, has led to something of an obsession in Southeast Asia with the consolidation and protection of national sovereignty²⁰—despite the fact that this was in itself an alien idea and an artifact of the expanding international states system.

Baldly stated, the impact of European imperialism and the expansion of the state form it pioneered in Asia was a very mixed experience as far as the region was concerned. Certainly, it has led to the eventual consolidation of more robust, independent political entities across the region—actors that are now potentially poised to play a central role in developing regional institutions—but it was generally achieved at great cost. Not only was the process of colonization and decolonization often traumatic and bloody, but the entire experience had an ambiguous, often negative impact on the economic development of the region, too. Given that many of the institutions of global and regional governance have an overt economic rationale and purpose, it is worth briefly indicating how Asian development has occurred, and why it continues to play an important part in determining the sorts of institutions that are emerging across the region—however it may be defined.

Economic development and governance

Heterogeneity is one of the most widely noted characteristics of the Asia-Pacific region, but there is one quality that became synonymous with its East Asian part: rapid, state-led development. One of the reasons that East Asia has attracted so much attention from academics—and from policymakers attempting to manage its increasingly deep economic interdependence—is that it has defied expectations about the possibility of development outside of the core economies of Western Europe and the United States. In this regard Japan's rapid development to a point where it, too, constituted an advanced, industrialized core economy, initially seemed rather anomalous. After all, it was the first country to industrialize in Asia and its distinctive history seemed to

suggest that it might have been the exception rather than the rule. But as we have already seen, while Japanese imperialism may have been a fairly brutal affair that reflected Japanese national interests rather than any sense of collective Asian destiny, it did have the effect of preparing the way for a more generalized process of industrial development and economic expansion in subsequent years.²¹ Indeed, the recent history of East Asia cannot be understood without taking account of Japan's direct and indirect influence on regional patterns of development.

In the case of Korea and (what is now) Taiwan the impact was direct and profound. Japan rapidly incorporated them both into its expanding empire and established a centralized, powerful state apparatus in each to force the pace of economic development and exploitation. The long-term consequence of this process was to give both countries the capacity to replicate Japan's own style of state-directed economic development. The success of the Japanese model and its impact on Korea and Taiwan, led to widespread attempts across the region to emulate both Japan's rapid economic development and the patterns of bureaucratic organization that appeared to have facilitated it. Singapore and Malaysia, for example, have been assiduous pupils, utilizing aspects of the Japanese model and enjoying impressive levels of development as a consequence. The story of the "East Asian miracle" has understandably attracted much attention as a result, and there is no need to detail this extensively here.²² However, it is important to emphasize a number of aspects of this story that have major implications for current patterns of international relations and institutionalization, which are not always accorded the attention they merit.

First, the East Asian experience was not "miraculous," nor was it of exclusively Asian origin. The developmental state model pioneered by Japan utilized a variety of industry policies that were designed to encourage the development of indigenous industry, primarily by channeling domestic savings to targeted business groups. High levels of saving, investment in education and the bracing impact of minimal social welfare had similarly galvanizing effects on a number of the region's economies. There was, however, another crucial aspect of this experience that owed as much to external factors as it did to any idea of an Asian work ethic: a number of East Asian economies were in the right place at the right time. Indeed, Japan is the key exemplar of this possibility, as it benefited from an expanding global economy, and major aid from the U.S.A., which was intent on creating a successful bulwark against Soviet expansionism in the rapidly escalating Cold War stand-off between the superpowers.²³ Even the outbreak of a "hot" war in Korea had a stimulative effect on the Japanese economy.

In fact most of the pro-capitalist, U.S.A.-oriented economies of the region would benefit from the stimulatory impact of major conflict in the region in Korea and especially Vietnam.²⁴

Second, the application of various forms of state-led intervention generally relied upon the ability of government to direct and work with indigenous business to realize its goals and shape the course of industrial development. At its best such relationships have been described as “embedded autonomy,”²⁵ in which the state is close enough to business to be able to coordinate its policies, but not so close as to risk capture by powerful, “rent-seeking” vested economic interests determined to use political power for their own purposes and profitability. The close government–business relationships that are so characteristic of the Asian region were initially a source of analytical attention, not to say admiration,²⁶ but more recently they have come in for sustained criticism. The principal reason for this transformation was the economic crisis that swept through East Asia in the late 1990s—an episode that will be considered in greater detail in Chapter 3.

Whatever we may think about the efficacy of the deeply interconnected government–business relationships that are so characteristic of much of East Asia, they represent fundamentally different ways of thinking about how economic and political relationships should be organized. Moreover, they remind us of a very different usage of the term “institution.”²⁷ In this case, the process of institutionalization refers to the micro-level, sub-state embedding of particular practices, relationships and ideas about the way economic life should be conducted. The burgeoning literature on different forms of capitalism in Europe, North America and Asia highlights the enduring and differentiated nature of economic organization that persists even in an era that has supposedly become global.²⁸ The point to make at this stage, therefore, is that continuing differences in the way business–government relationships operate, and in the way domestic business is integrated into the global economy, lead to very different ideas about the content and purpose of both domestic and foreign economic policy as a consequence.²⁹ Unless we recognize that importance of domestic actors and their potential to influence national policy toward intra-regional cooperation and institution-building, we shall miss an important part of the story of institutional development in the Asia-Pacific.

The potential salience of this point becomes clearer when we consider a final issue that flows from the rise of East Asia, one that is a continuing source of tension between the “Asian” and “Western” elements of the Asia-Pacific. In this context, it is important to recognize that East Asia’s rise was not an unalloyed boon as far as the U.S.A.

was concerned. True, the creation of successful capitalist economies in Western Europe and East Asia was what the entire post-war Bretton Woods institutional architecture was supposed to achieve, but in Asia's case, it proved to be almost too successful. Although American aid and markets played a critical role in the emergence of the region's highly competitive, export-oriented economies, they would prove to be formidable economic competitors and lead to a long-term decline in the U.S.A.'s relative position.³⁰ Adding ideological insult to economic injury, what would become known as Asia's "newly industrializing economies" managed this feat by repudiating much of the conventional wisdom that the U.S.A. had so assiduously championed through the auspices of the international financial institutions (IFIs) established at Bretton Woods. The economic development that drew so much attention toward the region owed little to the sort of orthodox, liberal economics and politics that the U.S.-sponsored post-war order had been intended to encourage. On the contrary, most of East Asia had attempted to replicate Japan's state-led, mercantilist style of development, rather than the U.S.A.'s market-driven model.³¹

Understandably, perhaps, American policymakers and economic actors have often felt aggrieved at this turn of events. This underlying reality—an enduring clash between different forms of political and economic organization—has been at the heart of different visions of both the sorts of institutions that ought to exist and attempt to manage intra-regional relations, and of the very definition of the region itself. But as long as the Cold War topped the strategic and foreign policy agenda in the United States, American policymakers felt constrained in what they could do: while the Soviet Union provided some sort of alternative to free market capitalism there was always the possibility—however remote—of a defection to the opposing camp. Once the Cold War was over and there was apparently "no alternative" to an increasingly global form of capitalism, then the strategic calculations of the U.S.A. began to change and so did their willingness to tolerate regimes and practices that were at odds with their own ideological position.³² Again, this transformation in the constituent structures of the international system would have major implications for both the nature of the U.S.A.'s engagement with East Asia, the definition of the wider Asia-Pacific region, and for the sorts of institutions that developed as a consequence. Before considering them in any detail however, it is useful to indicate what sort of political regimes emerged in East Asia while the Cold War endured, for these also continue to have an impact on the nature of the regional institutions that have developed there as a consequence.

Comparative politics in the Asia-Pacific

Disagreements about the economic policy—which will be detailed in subsequent chapters—are not the only sources of tension between members of the Asia-Pacific region. The interaction between the western and eastern edges of the Pacific Rim has also highlighted important differences in the forms of government and political practice that are found in the region. Somewhat ironically, and despite a strong normative and rhetorical commitment to the promotion of freedom and democracy, American foreign policy during the Cold War period in particular had the effect of fostering forms of authoritarianism that persist in some parts of the region—a situation that seems to be recurring as a consequence of the “war on terror.”³³ Even in places where politics has seemingly taken a more unambiguous and sustained democratic turn, such as Indonesia, foreign policy generally and ideas about the most appropriate forms of institutionalization in the region have continued to display continuities with the old order. Given that such entrenched, even institutionalized ideas are still shaping expectations about the nature and direction of regional cooperation, it is useful to highlight the various sorts of political arrangements that are found in East Asia in particular.

The key point to make about East Asian politics is that—in the modern period, at least—it has been profoundly influenced by external ideas and events. While this might seem to augur well for potential cooperation between “East” and “West,” it should be emphasized that external influences have often not had the anticipated impact. We have already seen that European expansion profoundly influenced the course of development in, and the relative standing of, the countries of East Asia. We should also remember that some of the most important revolutionary leaders who emerged there in the aftermath of European imperialism, like China’s Mao Zedong and Vietnam’s Ho Chi Minh were profoundly influenced by Western Marxism—something which entrenched the ideological cleavages that were such an implacable obstacle to regional integration for so long. Even now, when ideological differences are no longer such an impediment to regional cooperation, the continuing importance of the Chinese Communist Party (CCP) means that some forms of political reform and consequently some types of regional governance initiatives may be unthinkable.³⁴

The People’s Republic of China (PRC) is simply the most important exemplar of a more generalized phenomenon: the importance—and in China’s case, the endurance—of authoritarian rule. The “strong” states of East Asia have been one of the region’s most frequently noted

features, mainly as a consequence of their apparent role in accelerating the course of economic development. Only in Hong Kong was there little history of authoritarianism and large-scale state interventionism. Even in Japan, a form of “soft” authoritarianism was evident in the early phases of its development, and the country remains something of a one-party state, despite relatively effective and clean democratic practices.³⁵ Such anomalies continue to be the rule, rather than the exception across much of the region and help to account for some of the attitudes toward regional cooperation that have emerged there as a consequence.

This continuity merits emphasis because it is rather surprising. It is not necessary to think that the end of history is at hand, or to believe that the spread of democracy is unstoppable, to take seriously the idea that global politics have changed in significant ways. Clearly, there are novel and evolving patterns of global governance in which new institutions and actors are playing a greater part, which are driven by structural transformations in the inter-state system and by changes in the international economy.³⁶ And yet, when we look at the East Asian region in particular we are reminded that global forces are mediated by local factors, and that nominally similar institutions and forms of governance may operate rather differently in various parts of the world.³⁷

Take the idea of democracy itself, for instance. East Asia is famous (or notorious) not only for the historical prevalence of authoritarianism, but also for the regime types that have evolved in its place. In countries like Malaysia and Singapore, for example, forms of “semi-democracy” have emerged, in which there is electoral contestation, but in which there is no turnover of political elites. Such an outcome is not entirely surprising, given the long-term presence of “strong men” leaders like Malaysia’s Mahathir and Singapore’s Lee Kuan Yew. What is more surprising, perhaps, is that the political structures they helped create have endured after their own departure from the political stage. In other parts of Southeast Asia like the Philippines, they have all the trappings of democracy, including a robust civil society, but the quality of democracy itself is low, corruption and intimidation are rife, and the ability of the government to govern at all, let alone in some sort of putative national interest, is severely compromised.³⁸

In yet other parts of the region, democracy is not established at all, or surprisingly fragile. We may be used to, if not generally happy about, the idea of countries like Burma and Cambodia being run by unpleasant authoritarian regimes, but the unexpected coup in Thailand in 2006 and the re-imposition of military rule there, reminds us that democracy is often a fragile creation and one that cannot be taken for

granted.³⁹ This possibility is especially pronounced at times of stress. Again, this merits emphasis because for all of the region's remarkable and real economic development over the last few decades, continuing economic growth is far from assured. I consider the prospects for the region and its capacity to manage intra-regional economic and political relations in more detail in the final chapter. At this point, however, it is worth spelling out the implications of Asia's authoritarian traditions for cooperative governance at the transnational level.

One of the most important consequences of East Asia's generally non-democratic, state-dominated history, has been a concomitant underdevelopment or (especially in the Philippines' case) marginalization of civil society.⁴⁰ This has two important consequences. First, the forces of democracy in the region may not be as robust or influential as we might expect given the levels of economic development that have already been achieved there. The Singaporean experience, for example, suggests that there is no necessary correlation between economic development and democratic transition. Asian capitalists and the region's rapidly expanding middle classes may be willing to trade off political emancipation for economic prosperity.⁴¹

The second point to make, therefore, is that the state may continue to dominate both the political and to a lesser extent economic life of the nation, placing limits on the sorts of structures of governance that can emerge as a consequence. Not only is it entirely possible that East Asian states will advocate foreign policies and initiatives that do not threaten the positions of established political and economic elites, but their continuing dominance may circumscribe the sorts of cooperation that are possible as a consequence. The more limited development of the non-state sector in Asia as opposed to Western Europe is striking and goes some way to explaining the limited forms of cooperation that are possible in East Asia as a consequence: it is not simply that regional political elites are nervous about non-state actors playing the sort of bigger role in regional governance structures than they do in Europe, but that there simply isn't the same sort of capacity in East Asia to allow such practices and relationships to develop.⁴² In other words, the absence of a thick layer of non-state actors and institutions outside of the state may limit the types of coordination and cooperation that are possible. At the very least, East Asia's very different political traditions, the relative lack of experience with and enthusiasm for transnational cooperation on the part of regional political elites, and the very different expectations that flow from this, may make agreement on institutional development with actors from a legalistic, Anglo-American tradition more difficult.⁴³

Concluding remarks

All regions may be different, but the Asia-Pacific has a number of features that distinguish it and which need to be kept in mind if we want to understand the distinctive course of institutional development in the region. As I have suggested, even the very definition of the region itself—should it be East Asia or the Asia-Pacific?—presents initial problems of organizational and analytical coherence that are not as pronounced elsewhere. As we shall see in subsequent chapters, there is an important, continuing competition to determine which institutions will actually come to dominate the interactions of the region—however it is defined. It is, of course, possible that none of the institutions considered in the rest of this book will play a decisive role in shaping the foreign and domestic policies of countries in the Asia-Pacific or East Asia. This is a possibility that cannot be easily dismissed, as we shall see when we consider the rather modest achievements of ASEAN in the next chapter. And yet the growing interest in developing intergovernmental organizations and cooperative institutions, especially in East Asia, suggests that there is certainly an appetite for institutional consolidation at a political level, and perhaps a growing “need” for such mechanisms as a consequence of the greater economic interdependence that characterizes parts of the region.

The key issue facing the Asia-Pacific region is whether it has enough political and ideological internal coherence to allow it to facilitate and encourage the underlying economic integration that has already occurred. To put this in more formal academic language, the central question is about the ability of policymakers to enhance processes of political cooperation (regionalism) and facilitate the uncoordinated actions of the private sector (regionalization).⁴⁴ Managing the interaction between economic and political processes in a part of the world where they have been deeply interconnected looks like being a major challenge, especially in the East Asian region. In the more expansive Asia-Pacific this process will also need to reconcile fundamental differences of opinion about the purposes to which such institutions should be put, and the basic organizational principals and practices that should inform their activities. To get a sense of just how complex this process can be, and the extent of the compromises that may be necessary to allow even minimal levels of political cooperation to occur, it is illuminating to examine the history of Asia’s most enduring institution: the Association of Southeast Asian Nations.

2 ASEAN

The Asian way of institutionalization?

The history of the Association of Southeast Asian Nations offers an especially illuminating window into processes of institutionalization in the East Asian part of the Asia-Pacific. ASEAN's distinctive *modus operandi*—the “ASEAN way”—has not only attracted great academic interest from admirers and detractors alike, but it has also been copied to some extent by other institutions like the Asia Pacific Economic Cooperation (APEC) forum, as we shall see in more detail in the next chapter. ASEAN has, therefore, managed to exert a degree of influence over both the Southeast Asian region it claims to represent, and over the wider Asia-Pacific region, of which it is a smaller, but a not insignificant sub-region.¹ As a consequence, ASEAN would merit examination simply because of its role in pioneering processes of political coordination and cooperation in a part of the world with a very modest record in establishing such institutions. Indeed, ASEAN has a wider comparative significance in this context as it is perhaps the most enduring organization of its sort to have emerged from the “developing world.”

But ASEAN skeptics, of whom there are many, suggest that its longevity is ASEAN's principal claim to fame, and that for all its durability in the face of often unpropitious circumstances, it really hasn't achieved terribly much.² While there is something in this, as this chapter makes clear, we also need to acknowledge that there has been no conflict between ASEAN members during its existence, and that the organization can reasonably claim to have played some part in this.³ The challenge, of course, is knowing just how much credit to give ASEAN for such favorable outcomes, and how much opprobrium to heap upon it for the region's apparent failures. What we can say with some confidence is that ASEAN played a part in literally putting Southeast Asia on the map and in the consciousness of academics, policymakers and observers from outside the region.⁴ If for no other

reason, therefore, ASEAN provides a revealing exemplar of the way in which institutionalized, regionally based practices can exert an influence over the actions of nationally-oriented policymakers. In other words, even in a region famously preoccupied with maintaining autonomy, sovereignty and warding off external “interference” in domestic affairs, regular patterns of interaction over long periods can shape policy calculations in important ways.⁵

Before looking at the specific history and operation of ASEAN itself, this chapter briefly considers some of its failed institutional precursors in Southeast Asia. In ways that have also been played out with APEC and the more recent ASEAN Plus Three (APT) grouping, ASEAN was preceded by a number of failed experiments in institution-building, experiments which help us to understand the particular challenges of political cooperation and consolidation across national borders in an area plagued by intramural tensions and populated by comparatively “weak” states.

ASEAN’s origins

Although ASEAN’s achievements may seem modest, it is important to recognize that compared with what had gone before, they are not insignificant. After all, the very idea of a distinct Southeast Asian region is still relatively novel, and—in what would become a recurring feature of institutional dynamics in East Asia—owes its existence in part to the activities of external powers and conflicts. “Southeast Asia” only became a distinct, cartographically significant entity as a consequence of Britain’s conflict with the Japanese during World War II and the concomitant need to establish theaters of operation in the “Far East.”⁶ Before this, the highly diverse societies of what we now think of as Southeast Asia had little in common, no appetite for inter-state cooperation at the transnational level, and no sense of the nationhood such a statement implies. Whatever else European colonization may or may not have achieved, therefore, for better or worse, it bequeathed the region similar patterns of political organization. These have enabled the possibility, at least, of inter-state relations and even potential cooperation.

Strategic factors have had an even more enduring impact on the institutional development of the region than colonialism. A telling illustration of this reality was offered by the development of ASEAN itself and its institutional forerunners. The key background condition that provided the motivation to develop both ASEAN and its predecessors was war or the threat of war.⁷ It needs to be remembered that, not only was the independence of Southeast Asia dramatically

accelerated by World War II and the expulsion of the European powers from the region at the hands of the Japanese, but the region's newly independent states also immediately found themselves as bit players in the unfolding drama of the Cold War.⁸

For some parts of East Asia, of course, the Cold War was anything but, and actual conflict broke out in Korea and later Vietnam. It is hardly surprising that this fraught external strategic atmosphere would encourage the new and vulnerable states of Southeast Asia to seek strength in numbers or through alliances with more powerful actors. Security agreements looked even more attractive given the fragile nature of domestic political structures and the outbreak of intra-regional disputes as the inherent contradictions of artificial colonial borders played themselves out. This backdrop of external pressure and internal tension provided the impetus for greater regional cooperation. The most significant attempts to establish regional security mechanisms before ASEAN's inauguration, were the Association for Southeast Asia (ASA), which contained (what was then) Malaya, the Philippines and Thailand in 1961, and MAPHILINDO, which was established briefly in 1963 by Malaysia, the Philippines and Indonesia. While both of these groupings proved to be short-lived and unable to cope with intra-regional disputes between the Philippines and Malaysia over Sabah, and the "Confrontation" between Malaysia and Indonesia, they were, nevertheless, "of" and by the region in a way that bodies like the Southeast Asia Treaty Organization (SEATO), which included major external powers like the U.S.A. and the U.K., were not. As such, these organizations provided indigenous foundations, albeit not terribly deep ones, for the establishment of ASEAN in 1967.⁹

ASEAN's founding members were Indonesia, the Philippines, Malaysia, Thailand and Singapore. Given the tensions that existed between some of these countries prior to ASEAN's establishment, the possibility that they might come together in a formal institution of any sort was no small achievement in itself. The initial ASEAN Declaration (or Bangkok Declaration, as it is also known) is strikingly "aspirational" in tone, and couched in a style that would become familiar over the subsequent years—especially the lack of specificity about how such goals might be achieved. However, given the novelty of the project, and the rather frigid relations that existed between Malaysia and Indonesia in particular, it is perhaps unsurprising that the initial statement of purpose is remarkably bland, open-ended and non-specific. It needs to be remembered that Indonesia under the charismatic but erratic leadership of Sukarno was seen by many as a potentially destabilizing regional presence, a possibility that the Confrontation with Malaysia and the attempted

undermining of the new Malaysian Federation seemed to confirm. The Declaration's emphasis on the promotion of "peace and stability through abiding respect for justice and the rule of law" is consequently entirely understandable.¹⁰

It is also understandable why ASEAN achieved so few tangible outcomes during its first decade of existence. True, relations between members remained peaceful and stable, but as far as the promotion of deeper political and especially economic integration was concerned, little progress was made.¹¹ Yet if we place ASEAN in historical context it becomes easier to understand why. The newly independent states of Southeast Asia were preoccupied with promoting domestic economic development, internal political stability and the complex array of processes associated with nation-building.¹² In these circumstances, any sort of international engagement and cooperation was potentially problematic, but this was especially the case as far as the membership of intergovernmental institutions was concerned. The deeply integrated political structures and the pooling of sovereignty that had developed in Western Europe under the auspices of the European Union were decidedly not what the ASEAN states had in mind when they joined forces. On the contrary, the countries of Southeast Asia have been at pains to protect and reinforce rather than pool their often fragile sovereignty.¹³ As a result, the ASEAN grouping was explicitly designed *not* to replicate the European experience—something that serves as a salutary reminder that we need to be cautious about imposing Eurocentric assumptions about the course of possible regional development in other parts of the world.

The ASEAN way and its limits

From the outset, therefore, ASEAN has operated in ways that are quite unlike its counterparts elsewhere, especially the EU. Unlike the EU, ASEAN's secretariat is small, poorly resourced and relatively powerless. Indeed, ASEAN members have been so antipathetic toward the idea of a powerful, interventionist EU-style commission, that an ASEAN secretariat was not established at all until 1976. Prior to this ad hoc committees took responsibility for practical work and coordination, something that may have insulated individual states from external involvement in domestic affairs, but which necessarily circumscribed the effectiveness of ASEAN itself and drastically limited the possibilities for cooperation.

The underlying logic and operational style of this approach became synonymous with the so-called "ASEAN way." Given that ASEAN's

formation was in large part a consequence of a regional desire to resolve the tensions generated by the Confrontation between Indonesia and Malaysia, and to cultivating collective strength against external threats, it is unsurprising that much attention should have been given to inculcating cooperative norms and prohibiting the use of force in resolving intra-regional disputes. But even amongst scholars sympathetic to the idea of the theory and practice of the ASEAN way, there is an acknowledgement that “it is a loosely used concept whose meaning remains vague and contested.”¹⁴ Jurgen Haacke’s exhaustive study of ASEAN’s diplomatic and security culture identifies three distinct uses of the term in the literature: as a way of resolving regional disputes and confidence-building; as a distinct decision-making process; and—more recently—as a process of identity-building.¹⁵ What is unique about these practices from a comparative perspective is the perceived link between them and traditional regional practices of consensus-finding (*musyawarah*) and consultation (*mufakat*).

In reality, such norms and expectations have translated into a particular form of political interaction that has been predicated on consultation and informal negotiation, and a process which scrupulously avoids the possibility of losing “face.” Rather than the legalistic and potentially confrontational approach that is negatively associated with “Western” multilateralism,¹⁶ the ASEAN way relies heavily on the personal connections of political elites to arrive at mutually acceptable agreements. The entire process is generally non-transparent, unaccountable and, critics claim, a self-serving mechanism designed to underpin the legitimacy of regional elites who have often not been democratically elected. Although Southeast Asia is generally more democratic than it was, it suffers even more acutely from the generalized “accountability deficit” that plagues all intergovernmental organizations.¹⁷ In ASEAN’s case this problem is exacerbated by the fact that it is very much an elite-level organization with little connection to, or support from, national societies. The belated organization and limited impact of the ASEAN Peoples’ Assembly is testimony to the ASEAN grouping’s limited links with, if not outright suspicion of independent civil society organizations.¹⁸

Of rather greater significance and influence have been “track two” organizations like ASEAN-ISIS.¹⁹ Track two organizations have been a distinctive part of institutional development in the Asia-Pacific, as we shall see in the case of APEC as well. In ASEAN’s case, the ASEAN-ISIS network, first established in 1984, has been an important background influence on the development of regional security organizations. ASEAN-ISIS refers to a series of what are described as non-governmental organizations, which act as think tanks and policy entrepreneurs, and

which are noteworthy for their close links to their respective governments in Indonesia, Malaysia, Singapore, and Thailand.²⁰ One of their principal achievements has been to pave the way for the subsequent development of the Council for Security Cooperation in the Asia Pacific (CSCAP), which has proved to be an important source of policy ideas and venue for confidence-building in the Asia-Pacific region.²¹ Even more importantly, these various policy networks helped to bring about the establishment of the ASEAN Regional Forum (ARF), the subject of Chapter 4.

Despite the existence of policy networks like ASEAN-ISIS and CSCAP, ASEAN remains especially prone to criticism because of its perceived inability to put ideas into practice. Critics point to the ineffectiveness of the ASEAN way of voluntarism and consensus which, it has been argued,²² has made it primarily an organization dedicated to conflict avoidance rather than resolution. At the very least, such criticisms help to account for what is otherwise the paradox of ASEAN's simultaneously modest track record and continuing attractiveness.

And yet ASEAN's seemingly limited record of achievement notwithstanding, there has been one episode that is frequently cited as evidence of the organization's effectiveness. Vietnam's invasion of what was then Democratic Kampuchea (and what is now Cambodia) in 1978 was intended to stop cross-border incursions by the Khmer Rouge, but also effectively ended the tyrannical regime of Pol Pot. It also presented ASEAN with a major diplomatic and strategic crisis, and a direct challenge to the organization's capacity to manage regional conflict. ASEAN's ability to respond effectively to this challenge was made more difficult by different views within ASEAN itself about how to proceed, and by the fact that whatever ASEAN decided to do, its actions had to be compatible with the wishes of more powerful actors from outside Southeast Asia. The sobering and constraining reality as far as ASEAN was concerned, was that both China and the United States had major interests in the outcome of Vietnam's conflict with Kampuchea.²³ Consequently, any initiative that ASEAN might develop had to be acceptable to China and the U.S.A. In the event, ASEAN did manage to maintain a high degree of solidarity and coherence toward Vietnam, and its diplomatic efforts to persuade Vietnam to withdraw were plainly influential. Nevertheless, were it not for the fact that this outcome suited the interests of the region's major powers, there is little doubt that what many in ASEAN consider to be its finest diplomatic hour might have unfolded quite differently.

As it was, however, the ASEAN grouping gained a good deal of kudos and diplomatic recognition from its efforts to resolve the Cambodian

conflict. Not only had it seen off a direct, violent challenge to its norms of conflict avoidance and consensus, but it had paved the way for the possible extension of this normative agenda across the wider Southeast Asian region. But diplomatic success had come at some cost. As Acharya points out, by internationalizing the conflict and drawing in the United Nations as well as China and the U.S.A., ASEAN had not only revealed the limits of its own diplomatic influence and capabilities, but it had reinforced those of both the U.S.A. *and* China.²⁴ Given that concerns about the spread of communism and the possible threat posed by China during the Cold War had been key background influences on the formation of ASEAN in the first place, there is no small irony in this outcome. In the intervening period China has continued to be a pivotal concern for ASEAN, although increasingly as a consequence of its economic expansion rather than its military might. Before we consider the implications of East Asia's evolving economic relations, however, it is important to say something further about the evolution of ASEAN itself.

Widening and deepening?

Like the EU, ASEAN has continued to grow. In 1984 the tiny Sultanate of Brunei became a member of ASEAN, and between 1995 and 1999, Vietnam, Laos, Cambodia and—most controversially of all—Burma (or Myanmar) joined (see Box 2.1). While this may have had the effect of realizing the long-desired goal of uniting all of the principal Southeast Asian countries within one organization, it also highlighted the continuing limits of ASEAN's influence. Unlike the EU, the widening process has not been accompanied by a concomitant process of deepening, as ASEAN's members remain nervous about infringements of sovereignty and the possibility that internal political practices will be subject to possibly unfavorable external scrutiny or—worse still—sanction.

At one level the limits of deepening, or greater political cooperation and coordination in the activities of member states, are simply a function of limited state capacity. Laos and Cambodia in particular have struggled to provide the skilled personnel to fulfill their ASEAN obligations.²⁵ Yet, despite the rather limited record of tangible achievement, ASEAN members are involved in a remarkable number of meetings and interactions, that stretch the institutional capacities of some members to the limit. The major forums for ASEAN diplomatic activities have been annual meetings of foreign ministers, which are held on a rotating basis amongst member states. Since 1976, these

Box 2.1 ASEAN members, principles and major initiatives

Members (date of joining)

- Singapore (1967)
- The Philippines (1967)
- Thailand (1967)
- Indonesia (1967)
- Malaysia (1967)
- Brunei (1984)
- Vietnam (1995)
- Laos (1997)
- Myanmar/Burma (1997)
- Cambodia (1999)

Principles

- Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations;
- The right of every state to lead its national existence free from external interference, subversion or coercion;
- Non-interference in the internal affairs of one another;
- Settlement of differences or disputes by peaceful manner;
- Renunciation of the threat or use of force; and
- Effective cooperation among themselves.

Major initiatives

- ASEAN Declaration, Bangkok, August 8, 1967;
- Zone of Peace, Freedom and Neutrality Declaration, Kuala Lumpur, November 27, 1971;
- Declaration of ASEAN Concord, Bali, February 24, 1976;
- Treaty of Amity and Cooperation in Southeast Asia, Bali, February 24, 1976;
- ASEAN Declaration on the South China Sea, Manila, July 22, 1992;
- Treaty on the Southeast Asia Nuclear Weapon-Free Zone, Bangkok, December 15, 1997;
- ASEAN Vision 2020, Kuala Lumpur, December 15, 1997;
- Declaration of ASEAN Concord II, Bali, October 7, 2003.

meetings have been supplemented by increasingly regular summits between heads of government (see Box 2.2). In addition, there are an array of other meetings around issues of functional cooperation in areas like energy, tourism, the environment, and agriculture.²⁶ If nothing else, this plethora of ASEAN-related meetings may facilitate the process of “socialization,” which is seen as such a crucial part of the institutionalization of group norms and confidence-building.²⁷

However, while it may seem uncontroversial to claim that these sorts of regular, institutionalized contacts between the political elites of the region may have a pacific impact on relations between members, it is far less clear that such influence extends beyond national borders. On the contrary, the continuing inability of the ASEAN grouping to bring about progress toward democracy or respect for human rights in Burma, stands as a major indictment of the ASEAN way and a constant source of irritation in ASEAN’s inter-regional relations. ASEAN favored a process of “constructive engagement” with Burma, confident that this would prove more effective than the possible sanctions or ostracism favored by key external actors like the U.S.A. and the EU. But the ineffectiveness of ASEAN’s “outspoken” criticisms of the military regime in Burma following its crackdown on the Buddhist-led pro-democracy movement, is yet another indictment of the ASEAN way.²⁸

It is remarkable that ASEAN members have historically gone to such lengths to defend Burma’s thuggish regime in the face of direct

Box 2.2 ASEAN formal summits

	<i>Date</i>	<i>Country</i>
1st	February 23–24, 1976	Indonesia
2nd	August 4–5, 1977	Malaysia
3rd	December 14–15, 1987	Philippines
4th	January 27–29, 1992	Singapore
5th	December 14–15, 1995	Thailand
6th	December 15–16, 1998	Vietnam
7th	November 5–6, 2001	Brunei
8th	November 4–5, 2002	Cambodia
9th	October 7–8, 2003	Indonesia
10th	November 29–30, 2004	Laos
11th	December 12–14, 2005	Malaysia
12th	January 11–14, 2007	Philippines
13th	November 18–22, 2007	Singapore

American pressure and widespread condemnation from the “international community.” That ASEAN’s political elites were prepared to do so reflects the extreme sensitivity many in the region felt about external interference and what they took to be the patronizing, hectoring stance of the United States in particular.²⁹ Despite an apparent shift in the position of some ASEAN members like Singapore, it is clear that consensus remains elusive and direct action against the group’s most recalcitrant member remains consequently unlikely.³⁰ It is also clear that ASEAN has little capacity to discipline members whose behavior is judged to be beyond even ASEAN’s undemanding standards: neither ASEAN’s small, intentionally powerless secretariat nor its never-assembled “High Council,”³¹ which has notional authority over members, is capable of acting against recalcitrant members.³²

Nevertheless, even within ASEAN itself there has been a growing recognition of the possible limits to the ASEAN way. Even before the latest revolt in Burma that erupted in 2007, a number of earlier regional crises had highlighted its possible shortcomings and led to calls for a different, more effective approach to regional cooperation. The economic crisis that hit the region in late 1997 was a turning point in this regard, and its impact is considered in more detail below, but this was not the only event that provided a major challenge for the ASEAN way and the grouping’s consensual style of decision-making. Political differences between the more liberal and authoritarian members of ASEAN have been thrown into sharp relief by a number of recent developments, leading to calls for a rethink about the way the organization deals with disagreements between members. As we shall see in this chapter and subsequent ones, the economic crisis that began more than 10 years ago was a pivotal event that exposed weakness in existing organizations and sparked interest in developing new ones. Yet even before the crisis struck, leading political figures in Southeast Asia like Malaysia’s deputy prime minister, Anwar Ibrahim and Thailand’s foreign minister, Surin Pitsuwan, had begun to call for a greater degree of internal criticism and debate within the ASEAN grouping as its inadequacies became more apparent.³³

The idea of “flexible engagement” proposed by Pitsuwan represented a direct challenge to established ways of conducting ASEAN business, and opened up the possibility that individual states might publicly criticize the policies of other members—hitherto an anathema in ASEAN. In the wake of the 2006 coup in Thailand, it is worth emphasizing that Thailand had formerly been seen as one of the most progressive ASEAN countries, and a champion of human rights reform, as well as greater governmental transparency and democratization. Seen

in this context, flexible engagement might have been used to signal that ASEAN was not turning a blind eye to human rights violations in Burma, but was developing a mechanism that might actually generate more direct pressure for regime modification if not change.³⁴ Revealingly, however, only the Philippines offered support for Thailand's initiative. The prospect that the possible shortcomings of individual states and their internal political processes might be subject to criticism from other members was too much for most of ASEAN to contemplate. Such external intervention would have been difficult enough to accept at this best of times, because it undermined what had been a cardinal principle of non-interference in ASEAN since its inauguration. However, when the performance-enhanced legitimacy of regional ruling elites had been profoundly undercut by a rapidly escalating economic crisis,³⁵ the likelihood of such far-reaching reforms being implemented became increasingly remote. To understand why the economic crisis represented such a profound political challenge to Southeast Asia, it is necessary to say something about the organization of political and economic activity in the region.

Politics and markets

Political and economic processes are necessarily deeply-interconnected areas of human activity, even if this is not always reflected in the discrete, disciplinary concerns of academia.³⁶ Yet it is clear that economic processes everywhere—even in the most enthusiastically pro-market economies of countries like the United States and Australia—are highly reliant on states to provide a regulatory framework without which private sector activities simply could not take place.³⁷ But even if we recognize that the provision of collective goods like domestic legal systems is something that generally only states can provide, it is still important to recognize that the way states go about this may vary dramatically from one jurisdiction to the next.

Over the last few years increasing attention has been paid to the differences that distinguish nationally based systems of regulation, innovation, development and political organization.³⁸ This literature is especially important in the context of the East Asian part of the Asia-Pacific, as it is a region that has become synonymous with specific and distinctive modes of economic development and political organization. East Asia is home to the celebrated—and more recently, reviled—“developmental state,” which was pioneered by Japan and copied with varying degrees of success across much of the region. Space precludes an exhaustive consideration of this phenomenon and its impact on the

region here,³⁹ but a few salient points are worth highlighting as they help to explain the behavior of some of the key countries of both Southeast and Northeast Asia, and because they continue to be an enduring source of friction between the western and eastern edges of the Asia-Pacific region.

First, whatever the conventional wisdom might have us believe about the appropriateness or otherwise of developmental states at the present time, there is compelling evidence to suggest that they played a central, indispensable role in the remarkable economic transformation that has occurred in East Asia since World War II.⁴⁰ This not only gave particular states the sort of performance legitimacy mentioned earlier, but it had the effect of entrenching a particular approach to policymaking and development that is markedly at odds with much of the “neoliberal” conventional wisdom in the Anglo-American economies. As a result, there has generally been far less ideological hostility toward the idea of powerful, interventionist states in East Asia than there is thought to be in “the West.” The second point to make, therefore, is that views about what constitutes “good” or appropriate policy continue to differ even in an international economic environment that is increasingly characterized by greater degrees of integration and interdependence.⁴¹

Although there is no such thing as a universal East Asian model of economic development, some features of Japan’s developmental approach have been replicated elsewhere and—until fairly recently, at least⁴²—lent support to the idea that there were distinctive, widely followed patterns of political and economic organization in East Asia that distinguished it from other parts of the world. Indeed, for some time, it looked as if East Asia might provide an alternative—and a highly successful one, at that—to the “Western,” neoliberal, market-oriented model; a style of development that appeared incapable of generating sustained growth and development in Africa and Latin America, despite years of direct intervention by powerful external international financial institutions (IFIs) like the World Bank and the International Monetary Fund.⁴³ In stark contrast to the small state, liberalized model promoted by the IFIs, at the center of much of East Asia’s broadly conceived approach to economic development and regulation were not simply governments that took a “hands-on,” interventionist approach to economic management, but political classes who were closely connected to indigenous business elites.⁴⁴

Consequently, in a number of countries in the region, the gap between the government and business was frequently blurred, and the familiar boundaries between the private and public sectors were unclear

or even non-existent, especially in Southeast Asia. In Malaysia, for example, the government is a major investor in many areas of the economy, and uses its control of economic assets to underpin complex structures of patronage and ethnically oriented development. Similarly in Thailand, the political process was dominated until recently by Thaksin Shinawatra, the country's richest businessman, who skillfully employed his economic leverage and "money politics" to rise to the top of the Thai political system. In Indonesia, the Suharto clan used political power to accumulate fantastic personal wealth, which in turn was used to consolidate its political position through patronage and cronyism.⁴⁵ Even in Northeast Asia the close ties between government and business which appeared so vital to economic development in an earlier period, became associated with inefficiency, if not outright corruption. In Japan, for example, where the developmental state undoubtedly underpinned a pace and quality of economic expansion that would not otherwise have been possible, many of the hitherto vital ties between government and business that had allowed the coordination of economic growth to occur, eventually became self-serving and corrupt, leading many observers to conclude that the Japanese model was bankrupt.⁴⁶

There is still some debate about whether this approach is definitively exhausted as far as prospective industrializing countries are concerned.⁴⁷ But even if such arguments were settled, and the neoliberal consensus had enjoyed an unambiguous intellectual triumph, this does not mean that disagreements over policy are necessarily at an end in the Asia-Pacific. On the contrary, despite a good deal of rhetorical endorsement of neoliberal ideas by some of East Asia's policymaking elites, in reality the actual implementation of such policies generally remains partial and contested.⁴⁸ The reasons for this inconsistency and reluctance are not hard to discern, and remain at the heart of disagreements about the reformist agendas of agencies like APEC. Simply put, any reform creates winners and losers, and one of the most important political dynamics within many of the economies of East Asia generally and Southeast Asia in particular is driven by the tensions between domestically and internationally oriented economic actors. The economic and political elites which coalesced around trade and industry regimes that enjoyed state support and protection in relatively insulated national economies are directly threatened by the liberalizing forces of economic and political globalization.⁴⁹

This is one of the reasons why the economic crisis of the late 1990s proved so traumatic. In addition to the more immediate and obvious impact on East Asia's stock markets, currencies and capital flows, the

crisis had other, arguably more enduring impacts that are worth spelling out because they continue to influence the constitution and operation of regional institutions to this day.

The Asian crisis and its aftermath

For both ASEAN and, as we shall see in the next chapter, APEC, the Asian crisis was a major test of their respective capacities to respond to unexpected economic dislocation. Both organizations essentially failed this test. Although ASEAN could perhaps claim that short-term crisis management of this sort was not its primary mission, nevertheless, its own lack of action, and its manifest inability to coordinate the activities of its members, helped to undermine its already limited reputation as an effective organization.⁵⁰ The fact that Southeast Asia in particular was forced to rely on the IMF to bail out the region's distressed economies highlighted the lack of indigenous institutional capacity and, as Chapter 5 demonstrates, paved the way for the development of explicitly East Asian organizations and mechanisms to deal with any future crisis.⁵¹

As far as the ASEAN countries were concerned, however, the crisis and the renewed focus on regional styles of economic governance had a number of important effects. One of the more surprising and potentially most significant consequences of the crisis was to encourage a shift in Southeast Asia's relations with the major powers. One of the key drivers behind ASEAN's original formation had been the hostile Cold War environment and the potential threat posed by communist China. In this context, maintaining good relations with the U.S.A. and ensuring its continuing strategic engagement with the region, were major policy priorities for the ASEAN grouping as a whole. And yet one of the more revealingly outcomes of the crisis was a subtle shift in the relative standing of China and the U.S.A. in relation to the region. Whereas the United States became associated with heavy-handed, opportunistic interventionism in the wake of the crisis as it used the IMF to force the pace of economic reform in the region, China began to be seen as a force for stability, rather than a threat.⁵² The IMF's and the United States' policy interventions had widely been thought to make the crisis worse,⁵³ but China's decision not to devalue its own currency at the height of the crisis, by contrast, was welcomed throughout the region and considered to have been instrumental in stopping the so-called "contagion."

One of the effects of the crisis was to give renewed momentum to trade liberalization negotiations in East Asia. However, even before the

crisis the ASEAN countries had been attempting to establish their trade liberalization credentials through the establishment of the ASEAN Free Trade Area (AFTA).⁵⁴ Established in 1992, AFTA's ostensible goal was to reduce barriers to trade between ASEAN countries, and to attract inward investment as a consequence. But it was also a way for ASEAN to demonstrate its pro-trade liberalization credentials and its ability to drive economic integration. This was crucial because of the damage done to both the region's reputation for economic stability and openness, and to the ASEAN grouping itself. In the aftermath of the crisis and in the more strategically benign post-Cold War environment, the entire rationale and purpose of ASEAN was unclear. Finally making progress on economic integration within the region might, therefore, be one way of re-establishing ASEAN's authority and credibility.

The prospects ought to have been good. After all, some of the work had already been done: One of the most important developments within the wider East Asian region as far as the ASEAN countries were concerned has been the establishment of trans-regional production networks by major multinational corporations, particularly from Japan. Despite some concerns over issues of technology transfer and the influence these more powerful actors were able to exert on the region,⁵⁵ AFTA potentially provided one way of further encouraging and taking advantage of this process and raising the strikingly low levels of intra-regional trade in Southeast Asia. However, implementation has proved problematic, and the Common Effective Preferential Tariff scheme has provided only general guidelines for tariff reductions, and allowed for "substantial flexibility."⁵⁶ This of course, has been both ASEAN's great attraction and the principal source of its institutional weakness: ASEAN must continue to allow its members sufficient opt-out clauses to ensure they will participate, but settling for the lowest common denominator robs agreements of much of their effectiveness.⁵⁷

The politics of ASEAN place a fundamental and seemingly implacable obstacle in the way of economic reform and integration. The underlying material reality is that most of the ASEAN economies are competitive rather than complementary, and they are consequently often locked in struggles to attract the same sorts of investment and penetrate the same sorts of markets. In addition, the politically sensitive nature of high-profile projects that are judged to be of great strategic significance to their respective economies makes the wholesale reduction of tariffs a difficult and still remote prospect. The fate of Malaysia's Proton car project, for example, was not only invested with much personal political capital by former prime minister Mahathir, but it was widely considered to be the backbone of Malaysia's overall attempt

to achieve rapid industrialization in the Japanese fashion. The fact that this particular project no longer seems to enjoy the sort of political support or leverage that it once did, should not blind us to the continuing sensitivities such industries and economic sectors continue to engender.⁵⁸

The difficulties of trade liberalization in sensitive economic sectors like car manufacturing and especially agriculture are not confined to East Asia's "developing" economies in Southeast Asia, however, as the next chapter demonstrates. And yet, despite—or, perhaps, because of—ASEAN's limited capacity to apply leverage to its own members, other forms of trade liberalization agreements are occurring across the region. At one level, this is testimony to the attractiveness of ASEAN as a trade and strategic partner. First China and then Japan have tried to establish preferential trade agreements with the ASEAN grouping. In this context, ASEAN is able to take advantage of the growing fashion for bilateral trade deals,⁵⁹ and of the increased rivalry between China and Japan. Historically, Japan has been a byword for protectionism in the region, and it is hardly a coincidence that it has overcome its own misgivings about such agreements to compete with China for influence in ASEAN. At one level, this is indicative of ASEAN's vulnerability to the actions of its more powerful neighbors as they pursue their own agendas and regional rivalries. At another level, perhaps, such competition offers a way for ASEAN to play off one side against the other and achieve agreements it might not have done otherwise.

And yet, even this apparently rosier scenario is indicative of ASEAN's shortcomings: it is not only the region's external powers that are pursuing bilateral deals and apparently abandoning larger multi-lateral frameworks. Some of ASEAN's own members, notably economically sophisticated, globally oriented Singapore, have also been leading the bilateral charge, in what amounts to an implicit repudiation of AFTA's capacity to bring about rapid tariff reduction and economic integration. In short, economic competition seems to be making the ASEAN way of accommodating the slowest ship in the convoy increasingly anachronistic and unsupportable.

Institutional innovation

Since the "Singapore Declaration" that was issued after the Fourth ASEAN Summit in 1992,⁶⁰ which sought to place ASEAN at the center of the region's post-Cold War strategic architecture, the grouping has tried to make itself more effective. The proposal to institutionalize

formal summit meetings every three years, which emerged at this time, was emblematic of the new intent. But while subsequent summits have been long on rhetoric and lofty intentions, in the words of one seasoned observer of Southeast Asian politics, “efforts to reconcile competitive claims of self-interest and regional cooperation have been disappointing and concrete achievements elusive.”⁶¹

There have been some important attempts to expand both the range of issues ASEAN and its institutional offshoots seek to manage, as well as a significant effort to attach ASEAN to the more powerful Northeast Asian countries, initiatives which are considered in more detail in subsequent chapters. But as we shall see, such developments raise as many problems as they solve for the ASEAN grouping itself: how do the Southeast Asian states operate as a smaller part of a larger, East Asian organization? What purpose does ASEAN actually serve within such an expanded grouping? Can ASEAN remain in “the driving seat,” to borrow some increasingly popular Southeast Asian institutional phraseology, or will they inevitably become passengers in a trans-regional vehicle over which they have less and less control?

One of the most important recent initiatives—the Declaration of ASEAN Concord II—highlights some of these tensions as it seeks to address the difficulty of maintaining coherence and unity while simultaneously expanding the range of policy goals and even the participants. The Declaration, also known as the Bali Concord II, emerged from the ninth summit and announced the intention to create an “ASEAN Community.” The proposed Community would be based upon three “pillars”: an ASEAN Economic Community (AEC), an ASEAN Security Community (ASC) and an ASEAN Socio-Cultural Community (ASCC). The two most potentially important aspects of this process were the AEC and the ASC, but in neither case was it clear how the new institutions would operate in relation to the other extant and proposed regional institutions. Given the plethora of bilateral and multilateral trade agreements that have become such a feature of the region’s economic relations over the last few years, it was not apparent what the relationship would be between the AEC and the proposed free trade area with China, for example. Likewise, the way the ASC would operate in conjunction with the ASEAN Regional Forum (ARF), the subject of Chapter 4, was uncertain. The suggestion that “The ASEAN Security Community shall contribute to further promoting peace and security in the wider Asia Pacific region and reflect ASEAN’s determination to move forward at a pace comfortable to all. In this regard, the ARF shall remain the main forum for regional security dialogue, with ASEAN as the primary driving force,”⁶² did little

to clarify matters, and suggested that the new organization might suffer from familiar problems associated with the lowest common denominator.

In an effort to follow through on this commitment, however, ASEAN established the Vientiane Action Program (VAP) at the following 2004 summit in Laos. Alan Collins argues that this initiative represented the next phase of a long process of ASEAN reconstruction following the Asian financial crisis, with the VAP building on the earlier Hanoi Plan of Action (1998).⁶³ Collins draws attention to the “sense of communality” that flows from these sorts of institutional innovations, and while there may be something in this, there is little tangible evidence to show for ASEAN’s efforts. But there is no lack of ambition or lofty rhetoric on the part of ASEAN’s leaders, something that is clear from what may prove to be a definitive statement of purpose and test of their ability to actually follow through on admirable intentions. The proposed “ASEAN Charter,” first enunciated at the 11th summit, held in Kuala Lumpur in 2005, is perhaps the most ambitious declaration of its type so far, as it promises to “serve as a legal and institutional framework of ASEAN to support the realization of its goals and objectives.”⁶⁴ As Box 2.3 indicates, some of these proposals are, like the Bangkok Declaration, notably aspirational in tone, and the familiar staples of earlier ASEAN declarations. What is of potentially greatest importance, however, is the commitment to “effective implementation as well as compliance with ASEAN’s agreements.” While this proposal is typically lacking in detail, as a statement of intent it is laudable and encouraging. The reality, however, may be less so. The Philippines was reluctant to ratify a Charter that appeared to have little capacity to discipline recalcitrant members like Burma.⁶⁵ The underlying issue as far as an editorial in the *Financial Times* was concerned was that

ASEAN is not, like Europe, a collection of nations with common values, but a collection of regimes with common interests. Those interests, whether they concern foreign policy or the perpetuation of authoritarian rule at home, partly reflect ASEAN’s Cold War origins as an anti-communist security group and are rarely shared by the “peoples of the member states” of ASEAN in whose name the charter is written.⁶⁶

It remains to be seen whether the lofty goals and procedures set out in the ASEAN Charter can actually be realized within the narrower ASEAN grouping, let alone within an expanded framework where the ASEAN states may be overshadowed by their more powerful neighbors. To judge from some of the statements to have emerged from recent

summits, the future looks likely to be bound up with the wider East Asian region, rather than just Southeast Asia. A noteworthy statement to emerge from the 11th summit, for example, was a commitment to the emerging ASEAN Plus Three grouping, in which Malaysia prime minister Abdullah Badawi, speaking as chairman, suggested that “We [the ASEAN states] reiterated our commitment to ensuring that the ASEAN Plus Three process would be the main vehicle for the realization of the East Asian community in the future, and would work closely with our Plus Three partners on this common objective.”⁶⁷ In other words, the future of ASEAN is increasingly seen as bound up with a larger, East Asian grouping of which it will be one component

Box 2.3 The ASEAN Charter (key points)

Purposes

- Maintaining peace and security;
- Preserving nuclear-free status;
- Promotion of single market;
- Commitment to democracy/good government;
- Maintaining ASEAN as “primary driving force” in regional relations.

Principles

- Respect for sovereignty/territorial integrity of members;
- Renunciation of aggression/shared commitment to collective security;
- Peaceful dispute resolution;
- Non-interference in internal affairs of members;
- “Enhanced consultations” on “serious” issues;
- Adherence to rule of law, constitutional government, and democratic principles.

Decision-making

- ASEAN Summit is supreme policymaking body in ASEAN;
- Decision-making based on consultation and consensus;
- Disputes referred to ASEAN Summit.

(Source: Drawn from the Charter of the Association of Southeast Asian Nations. Available at: www.aseansec.org/18030.htm)

part, and perhaps an increasingly less significant one, despite all the rhetoric about being in the driving seat.

Concluding remarks

The fact that ASEAN has survived for so long is impressive, not to be underestimated, and testimony to both the resilience of the organization itself and to the statecraft of its political elites. True, regional diplomacy may always have been primarily about conflict avoidance and conferring a degree of international approval on regimes that might otherwise have attracted greater opprobrium, but the continuity of this project is noteworthy, even if other achievements have been less so. The key question now, of course, is whether sheer survival is sufficient or even justifiable. If the principal outcome of ASEAN's existence is ASEAN's existence, can this be justified in a region where effective state capacity is at a premium and scarce governmental resources might be better directed toward projects of more immediate value to the individual societies of member states? It needs to be remembered that, the "Asian miracle" notwithstanding, per capita incomes in much of Southeast Asia remain low, democratic consolidation remains uncertain and problems of economic development remain pressing.

Despite increased levels of economic interdependence in Southeast Asia, ASEAN has played a marginal and modest role in enhancing a process that has been largely driven by external economic actors. The disparity of economic scale that exists between North and Southeast Asia may help to explain this, but it is striking that ASEAN has shown little ability to overcome national interests and develop a genuinely regional perspective on general development questions. This is, perhaps, all too understandable: demographic pressures, especially when combined with tightly linked political and economic interests, ensure that development-at-all-costs is driven by an overwhelmingly national dynamic. The limits of ASEAN's ability to tackle the trans-boundary tensions that flow from the relentless pressure for continuing economic development are painfully evident in the organization's inability to address the "haze problem," which flows from seemingly uncontrollable deforestation processes in Indonesia in particular.⁶⁸ ASEAN's failure in this context is especially alarming and revealing, given the escalating rapid deterioration in the region's natural environment and the exploitation of its diminishing resources.⁶⁹ Whether any of the other proposed mechanisms for broader regional cooperation will prove any more effective is a moot point, and one that is taken up in the following chapters.

3 APEC

Bigger, but no better?

The Asia Pacific Economic Cooperation (APEC) forum is in many ways the definitive Asia-Pacific organization. Its very name is suggestive of a more broadly conceived view of the region in question, even if it is surprisingly modest about what it might be designed to achieve. APEC's troubled history is illustrative of the difficulty in agreeing on not only the purpose to which institutions should be put, but the very nature of the region they are supposed to represent. Significantly, there is no mention of politics in the organization's title, nor is there any sense of what APEC actually is. As former Australian foreign minister, Gareth Evans, famously quipped, APEC is four adjectives in search of a noun. It has become common to attach the word "forum" to APEC, mainly because of the great sensitivity about what the words "community" or "organization" might imply about both the nature and extent of the region in question, and about the status of other existing institutions like ASEAN. From the outset, therefore, there have been competing views about what APEC should do, who should be in it, and its *modus operandi*; potentially conflicting perspectives that have never been satisfactorily resolved and which have severely limited its effectiveness as a consequence.

However, despite its limited impact on both the practical affairs of the "Asia-Pacific," and its steadily declining importance, APEC provides an important, albeit inadvertent, insight into the difficulties of institution-building in a part of the world that contains very divergent political systems, economies that are wildly different in size and degree of development, and significantly different ideas about what sort of policy frameworks might be appropriate for managing domestic development and intra-regional relations. APEC also illustrates how influential ASEAN has been, even if only in effectively nullifying much of APEC's potential. As we shall see, APEC has somewhat reluctantly borrowed elements of the ASEAN way: such was the price of ensuring

that potential East Asian members actually participated. The consequence has been to undermine APEC's capacity to promote trade liberalization in the way many of its architects had hoped. If nothing else, therefore, APEC provides a case study in the difficulties of institutional consolidation and a reminder that size matters. The principal comparative lesson that flows from this chapter and the preceding one is that, even though ASEAN has suffered from limited state capacity and a relatively impoverished membership, it has endured and exercised some ideational influence because of its relative coherence. APEC, by contrast, began life as something of a compromise and its limited authority has been steadily undermined ever since.

APEC's precursors

Like ASEAN, APEC was preceded by a number of organizations that effectively prepared the way, even if they were not entirely able to overcome all the potential obstacles to its progress. Indeed, when seen in retrospect, it is possible that some of APEC's predecessors may have done more harm than good, in that they may have created expectations and/or patterns of behavior that were either unachievable or inappropriate. Yet despite the failure of these institutional forebears to create an effective institutional inheritance for APEC, their role is important and worthy of attention, if only for what it tells us about the difficulty of imposing particular visions of economic and—by implication, at least—political order.

A number of organizations, composed of political, economic and even academic elites, played a crucial role in APEC's genesis. One of the most important organizations in this context was the Pacific Trade and Development Conference (PAFTAD). Established in 1968, PAFTAD was originally a Japanese initiative designed to support the idea of a Pacific Free Trade Area, proposed by the Japanese economist Kiyoshi Kojima.¹ Given Japan's association with trade protectionism and neomercantilism, this may strike some readers as surprising, but it is part of a long-standing Japanese ambition to encourage trade liberalization in a part of the world upon which its export-oriented economy has been highly dependent. The significance of an increasingly powerful and potentially protectionist European Union had not been lost on Japanese policymakers either, and the development of some sort of regional response assumed greater urgency as a consequence. What is significant about PAFTAD in this context is that it provided a focus around which a nascent "epistemic community" of like-minded economists could coalesce in the late 1960s. This group of aspiring policy

entrepreneurs played an important role in pioneering both the idea of trade liberalization in the Asia-Pacific, and the networks of track two organizations which would become such a distinctive and significant part of institution-building in the region.

For a while it seemed as if such epistemic communities—famously defined by Ernst Haas as being composed of professionals with a “commitment to a common causal model and a common set of political values” that they were determined to translate into public policy²—would come to have a defining influence on both the content of regional public policy and on the every definition of the region itself.³ This seemed even more likely when other organizations were formed, like the Pacific Basin Economic Council (PBEC) in 1967, which included powerful business elites in addition to a somewhat less directly influential coterie of academics. Paradoxically, both the limits and the significance of the ideational dimension to public policy were revealed by Japan’s inability to realize its vision of a more coherent and liberalized Asia Pacific Free Trade Area: on the one hand Japan’s war-time record proved an ideational bridge too far for most of its neighbors still unconvinced by its post-war reinvention of itself as a peaceful and trustworthy regional power. On the other hand, good ideas, or even good intentions, were not enough to overcome either entrenched prejudices or the absence of effective political will in a region that existed largely in name only.⁴

A more tangible manifestation of both the idea of a distinct Asia-Pacific region that included both East Asian and Anglo-American members came in the form of the Pacific Economic Cooperation Council. Founded in 1980, PECC was a direct precursor for APEC in that it contained most of the latter’s eventual members. Styling itself as a “unique tripartite partnership of senior individuals from business and industry, government, academic and other intellectual circles,” who “participate in their private capacity,” it is self-consciously “pragmatic” and policy-oriented.⁵ Much of the style and many of the concerns of PECC would be incorporated in APEC when the initiative was eventually launched by Australian prime minister Bob Hawke in 1989, but the basic shape of and rationale for APEC had been around since the late 1960s. Kojima and the Australian economist Peter Drysdale had suggested establishing the Organization for Pacific Trade and Development (OPTAD), to be modeled along the lines of the Organization for Economic Cooperation and Development (OECD), and this idea paved the way for the institutional developments that followed.⁶

While APEC was the culmination of this process, that such an initiative had to wait for another 20 years highlights how attitudes and the underlying geopolitical reality of the Asia-Pacific had changed in

the intervening years. Crucially, however, before any new ideas could actually begin to drive regional political initiatives, a number of underlying “structural” changes had to take place, changes which made APEC both possible and potentially attractive. First, the waning of the Cold War steadily transformed regional geopolitics. Until the late 1980s, it was simply inconceivable that communist China could be included in any regional multilateral institutional architecture. However, as the Cold War wound down and geo-economics seemed set to become more important than geopolitics,⁷ the possibility of and demand for new institutions to manage growing levels of economic interdependence began to take on a greater urgency. This reconfigured security environment, in which genuinely region-wide political integration in East Asia (and by extension, the wider Asia-Pacific) was finally a realistic possibility, reinforced growing regional economic links and provided the opportunity for the emergence of something like APEC.⁸

Establishing APEC

Australians get much of the credit for establishing APEC. Bob Hawke is generally acknowledged as having played a decisive role in bringing about APEC’s actual realization. Although Hawke certainly believes he was its prime mover,⁹ there is more to it than that. Not only were Australian academics like Drysdale tireless and long-standing proselytizers on behalf of something like APEC, but it is unlikely that such efforts would have come to much were it not for the activities of the Japanese behind the scenes. Significantly, officials at Japan’s powerful Ministry of International Trade and Industry (MITI) recognized that if they were to realize their desired goal of encouraging greater regional economic cooperation, it was more likely to be achieved if Australia rather than Japan took the leading role.¹⁰

Despite this happy meeting of minds, there were still important differences in the initial Australian and Japanese positions, especially as far as the question of membership was concerned. For Australian policymakers confronted with the reality that the economy was increasingly geared toward and reliant on the rapidly industrializing economies of East Asia, some form of institutional engagement with the region, which ensured its status as an insider, was becoming increasingly important.¹¹ For Japan, by contrast, making sure it had continuing access to North American markets at a time of heightened trade tensions was the key priority. Consequently, Hawke’s original proposal, which did not include the U.S.A., was of little interest to either the Japanese or their export-oriented, equally dependent neighbors.

While the exact composition of APEC's membership has been subject to competing pressures and consequently something of a compromise, it has, almost from its inception, had one remarkable feature: APEC is the first multilateral institution to contain the People's Republic of China (PRC), Hong Kong and Taiwan, although the latter has always been known in APEC as "Chinese Taipei" in deference to the mainland's sensitivity about Taiwan's status. South Korean foreign affairs officials deserve much of the credit for bringing this about this "diplomatic coup" and giving the nascent APEC organization greater potential significance.¹² Indeed, in the first few years of APEC's existence, some of the hyperbole and high expectations that accompanied its inauguration were understandable. After all, not only did the organization include the "three Chinas," but it also provided a forum in which Japan could improve its relations with both China and Korea, and the U.S.A. could consolidate an institutionalized presence in the region.

While the inclusion of the most powerful nations of the Asia-Pacific region was potentially very significant, APEC has not been able to build on this political potential. In part this has been a consequence of—until relatively recently, at least—its single-mindedly economic agenda. The inability of APEC's epistemic community of policy entrepreneurs and academics to actually sell the benefits of trade liberalization in a region with a very different historical experience of economic development and entrenched economic interests, has been a perennial problem. Consequently, part of APEC's failure to develop as an effective political body has been a function of competing ideas about what the organization should do, whom it should represent, and about the very identity of the region itself. The consequences of these institutional constraints have proved so debilitating for APEC, that their respective bases merit spelling out.

Perhaps APEC's biggest challenge has been in deciding just which countries should be members. Box 3.1 details APEC's membership and the respective dates individual countries joined. The point to emphasize about this list is its sheer heterogeneity: not only do these countries have vastly different levels of economic development and political systems, but there are few other obvious historical, cultural or even geographic connections that seem likely to provide bases for collective action or interest. Even if we only consider the original members who were present at APEC's inauguration in 1989—Australia, New Zealand, Canada, the United States, the ASEAN countries, Japan, and Korea—there are major differences in outlook, especially about public policy, that separate the East Asians from the rest. As we saw in the last chapter, there are important and enduring differences in the way capitalism is

organized in different parts of the world, and these differences would inevitably need to be accommodated in the way any inclusive, Asia-Pacific based institution would involve. Indeed, some have argued that IFIs like APEC have played a crucial historical role as sites in which there has been a sustained attempt to export neoliberal forms of governance. As one of the most perceptive observers of East Asia's economic development puts it:

As long as the East Asian system operates on the basis of long-term relationships, patient capital and government guarantees, Anglo-American capital is at a disadvantage in these markets. On the other hand, US and UK financial firms know they can beat all comers in an institutional context of arms-length relations, stock markets, open capital accounts and new financial instruments.

Box 3.1 APEC members

<i>APEC members</i>	<i>Date of joining</i>	<i>GDP (in \$US)</i>	<i>Population</i>
Australia	Nov. 6–7, 1989	674 billion	20 million
Brunei Darussalam	Nov. 6–7, 1989	9.5 billion	0.37 million
Canada	Nov. 6–7, 1989	1.18 trillion	33.3 million
Chile	Nov. 11–12, 1994	202.7 billion	16 million
People's Republic of China	Nov. 12–14, 1991	10.2 trillion	1.3 billion
Hong Kong, China	Nov. 12–14, 1991	259 billion	6.9 million
Indonesia	Nov. 6–7, 1989	948 billion	234 million
Japan	Nov. 6–7, 1989	4.2 trillion	127 million
Republic of Korea	Nov. 6–7, 1989	1.9 trillion	49 million
Malaysia	Nov. 6–7, 1989	313 billion	24 million
Mexico	Nov. 17–19, 1993	1.14 trillion	108.7 million
New Zealand	Nov. 6–7, 1989	106.9 billion	4.1 million
Papua New Guinea	Nov. 17–19, 1993	15.4 billion	5.7 million
Peru	Nov. 14–15, 1998	186.6 billion	28.6 million
Philippines	Nov. 6–7 Nov 1989	450 billion	91 million
Russia	Nov. 14–15, 1998	1.7 trillion	141.3 million
Singapore	Nov. 6–7, 1989	141 billion	4.5 million
Chinese Taipei (Taiwan)	Nov. 12–14, 1991	682 billion	22 million
Thailand	Nov. 6–7, 1989	596 billion	65 million
United States	Nov. 6–7, 1989	13 trillion	301 million
Viet Nam	Nov. 14–15, 1998	262 billion	85 million

Therefore the Asian system must be changed to more closely resemble theirs.¹³

Consequently, therefore, there has been an inherent tension amongst APEC members about what form its policy agenda should take and about the degree of enforcement capacity the organization itself should have in bringing any reforms about. Because there has always been a degree of nervousness about the possible impact of a powerful institution emerging in a part of the world preoccupied with protecting national sovereignty, it was perhaps inevitable that APEC's operational style would be something of a compromise and not terribly effective as a result.

Operationalizing APEC

The need for compromise between members with very different histories, capacities, and expectations about what APEC could or should do has shaped its form and style of operations from the outset. For Australia in particular, the inclusion of the dynamic East Asian economies was a clear priority, and there was a willingness to make concessions to ensure their participation as a consequence. This was necessary because Southeast Asian states were especially concerned about the possibility that their own national sovereignty might be infringed by any new organization, or that ASEAN's status as the pre-eminent regional institution might be eclipsed. In order to reassure some of Southeast Asia's more nervous states, therefore, from the outset two fateful compromises were agreed which have constrained the organization ever since. On the one hand, APEC was to replicate the ASEAN way of voluntarism and consensus that had served ASEAN well in achieving political compromise, but, as we saw in the last chapter, had severely limited its ability to actually implement political initiatives. On the other hand, APEC would adopt a similar, Southeast Asian-style approach to institutional consolidation: like ASEAN, APEC has a very small secretariat with a limited capacity to generate policy and no real capacity to ensure its implementation. Since its inception in 1992, the secretariat has had only a few dozen members of staff seconded from member governments, and consequently "can scarcely monitor [APEC activities] let alone provide any leadership."¹⁴

A number of other compromises were agreed to from APEC's inception. One of the biggest difficulties facing APEC was the difference in the levels of economic development amongst member economies. Such differences could potentially have proved fatal given that, from

the outset, APEC's overall rationale—at least as far as the influential epistemic community of economists and public officials from the Anglo-American economies were concerned—was to promote trade liberalization and cooperation.¹⁵ Given much of East Asia's very different developmental history, and a general skepticism about the benefits of wholesale trade liberalization and diminished government “intervention” in the economy, it was clear relatively early in APEC's troubled history that its ambitious reformist agenda was always going to be difficult to achieve.¹⁶ The essence of the subsequent compromise was encapsulated in the so-called “Bogor Declaration,” which emerged from the 1994 meeting. APEC members committed themselves to the goal of “free and open trade and investment in the Asia-Pacific no later than the year 2020.”¹⁷ To achieve this, and to obtain in principle agreement from the “developing economies” in the grouping, a crucial distinction was made between them and the “industrialized economies.” Consequently, the industrialized economies were supposed to achieve “free and open trade” by 2010, with the developing economies following by 2020.

While this may have had the effect of providing APEC's leaders with the sort of “deliverables” that have become such a feature of APEC meetings, it was achieved at some cost. Even at the time, it was not obvious how such an agreement could ever be implemented, or how likely it was that the U.S.A. in particular would be willing to open up its domestic market even further to East Asian economies that already enjoyed massive and expanding trade surpluses—especially when they were not obliged to offer anything in return. Doubts about the feasibility of such agreements were reinforced by their reliance on voluntary, non-binding “Individual Action Plans” (IAPs), and the logic of “open regionalism.” Reflecting the influence of the academic economists that had exerted such an influence over the development of economic cooperation in the Asia-Pacific, the underlying assumption behind, and guiding rationale for, APEC was the idea that trade liberalization primarily benefits the country that undertakes it.¹⁸ In contrast to protectionist trade blocs like the EU, therefore, from the outset APEC was predicated upon a form of non-discriminatory open regionalism, which treated members and non-members in an even-handed manner.

In retrospect, the naivety of some of APEC's most ardent champions is apparent, but even at the time, a number of observers were skeptical about APEC's prospects.¹⁹ After all, if the merits of trade liberalization were so blindingly obvious and the benefits accrued primarily to the liberalizing economy, what need was there for APEC at all? More

importantly, perhaps, how likely was it that any of APEC's members were likely to implement its ambitious trade reform agenda in the face of possibly hostile, adversely affected indigenous economic actors with the capacity to influence domestic policy? Nor were these sorts of political considerations—which were generally conspicuously absent from the abstract, technocratic agenda of APEC's intellectual champions—solely a consequence of the tightly connected Southeast Asian business and political elites considered in the preceding chapter. On the contrary, this was also true of the U.S.A., which has had a notoriously patchy record in following its own rhetoric on the merits of economic liberalization, despite its pivotal role in the IFIs that promote it.²⁰ Many American officials remained highly skeptical about APEC's ability to encourage meaningful trade liberalization, and preferred to rely on the sort of direct, bilateral leverage that had increasingly characterized trade disputes with Japan during the 1980s.²¹ Enthusiasm about trade liberalization was even less likely in the case of Japan itself, which had often not even paid lip service to the reformist agenda, much less actually implemented it; its economy remained highly protected and reflective of the entrenched interests that had grown up around the developmental state.²² As a result, the limits of voluntarism and the potentially immovable nature of domestic political obstacles became especially clear at the Osaka meeting in 1995, the year after expectations had been raised so high in Bogor.

APEC's policy failings

At first blush it might seem that APEC was in the right place at the right time. With the Cold War ended and states everywhere increasingly concerned about cashing in on the apparent benefits of economic integration, and with little meaningful institutional competition in what was widely considered to be the most dynamic economic region in the world—whether this was taken to be East Asia or the more amorphous Asia-Pacific—APEC ought to have proved a major asset for member states. In practice, it has found it very difficult to overcome vested interests and contingent, national forces that have made agreement and implementation of policy initiatives complex and largely unsuccessful—despite claims to the contrary about the achievement various agreements (see Box 3.2). John Ravenhill, in his definitive history of APEC, argues that two episodes during APEC's formative years are particularly illuminating of its weaknesses, especially its “inability to move beyond a common denominator approach.”²³ The two initiatives, which dealt with trade and investment, are worth briefly

revisiting as they mark both the highpoint of APEC's attempts to implement its own agenda, and a telling illustration of its inability to do so (see Box 3.2).

The APEC Investment Code was supposed to encourage and facilitate the sorts of investment flows that have become such a prominent part of the global economy; flows that have actually eclipsed the growth in trade as the entire logic of transnational production processes has changed and evolved.²⁴ One of APEC's most influential bodies, the so-called Eminent Persons Group (EPG), had recommended that APEC develop an investment code that enshrined the principles of transparency, non-discrimination, right of establishment, and national treatment. Embarrassingly for APEC, the creation of the EPG was in itself a recognition that the grouping had not achieved much in its first few years of operation, and that the EPG might provide much needed direction and impetus. While the EPG under the leadership of prominent American economist Fred Bergsten was able to ensure that an agenda of trade liberalization dominated APEC meetings, the proposals were too specific, and Bergsten's leadership too "abrasive" for many of APEC's East Asian members, and often even at odds with the goals of the United States government as well.²⁵

Box 3.2 APEC meetings and milestones

1989—Canberra, Australia: APEC begins as an informal ministerial-level dialogue group with 12 members.

1993—Blake Island, United States: APEC Economic Leaders meet for the first time and outline APEC's vision, "stability, security and prosperity for our peoples."

1994—Bogor, Indonesia: APEC sets the Bogor Goals of, "free and open trade and investment in the Asia-Pacific by 2010 for developed economies and 2020 for developing economies."

1995—Osaka, Japan: APEC adopts the Osaka Action Agenda (OAA) which provides a framework for meeting the Bogor Goals through trade and investment liberalization, business facilitation and sectoral activities, underpinned by policy dialogues, economic and technical cooperation.

1996—Manila, The Philippines: The Manila Action Plan for APEC (MAPA) is adopted, outlining the trade and investment liberalization and facilitation measures to reach the Bogor Goals and the first collective and individual action plans are

compiled, outlining how economies will achieve the free trade goals.

1997—Vancouver, Canada: APEC endorses a proposal for Early Voluntary Sectoral Liberalization (EVSL) in 15 sectors and decides that individual action plans should be updated annually.

1998—Kuala Lumpur, Malaysia: APEC agrees on the first nine sectors for EVSL and seeks an EVSL agreement with non-APEC members at the World Trade Organization.

1999—Auckland, New Zealand: APEC commits to paperless trading by 2005 in developed economies and 2010 in developing economies.

2000—Bandar Seri Begawan, Brunei Darussalam: APEC establishes an electronic Individual Action Plan (e-IAP) system.

2001—Shanghai, People’s Republic of China: APEC adopts the Shanghai Accord, which focuses on “Broadening the APEC Vision.”

2002—Los Cabos, Mexico: APEC adopts a Trade Facilitation Action Plan.

2003—Bangkok, Thailand: APEC agrees to re-energize the WTO Doha Development Agenda negotiations and stresses the complementary aims of bilateral and regional trade agreements.

2004—Santiago, Chile: APEC issues a strong statement of support for progress in the WTO Doha Development Agenda and sets a target date for achieving a breakthrough in negotiations.

2005—Busan, Korea: APEC adopts the Busan Roadmap.

2006—Ha Noi, Viet Nam: APEC Economic Leaders endorsed the Ha Noi Action Plan.

2007—Sydney, Australia: APEC endorses energy and environmental initiatives.

Predictably enough, therefore, the investment principles that eventually emerged were watered-down, non-binding versions of the original EPG proposals, and well short of international benchmarks in the area. APEC’s developing economies were not unreasonably concerned that the proposed investment principles might further erode their already compromised economic sovereignty and further ratchet-up liberalizing pressure from “Western” governments and multinational corporations

(MNCs). Significantly, there was very little pressure for such a code from East Asian MNCs: as we saw in the last chapter, Japanese MNCs had already managed to establish a dominant position at the center of region-wide production networks throughout Southeast Asia in particular. In such circumstances, the creation of the proverbial “level playing field” so beloved of orthodox economists might actually deprive such extant economic actors of significant competitive advantages.²⁶ In Japan’s case, its position was further complicated by bureaucratic turf wars over the direction of Japanese policies, tensions which made it even more difficult for Japan to play a prominent and effective role when it hosted the 1995 Leaders’ Meeting.²⁷

The complex nature of contemporary economic relationships and practices, and the specific national interests they impinge on, was also at the heart of the other great failure of APEC’s formative years: the Early Voluntary Sectoral Liberalization (EVSL) scheme. The EVSL concept was emblematic of the tensions within APEC and the compromised style of policymaking that resulted. The “action agenda” that emerged from the Osaka Leaders’ Meeting was an inherently unlikely mix of collective aspiration and national application.²⁸ In APEC-speak this was “concerted unilateralism”: countries acting cooperatively with a good deal of moral suasion, but ultimately retaining responsibility for the timing or even implementation of any possible trade liberalization initiatives. Nevertheless, this was the underlying dynamic that it was hoped would drive the EVSL initiative endorsed at the Leaders’ Meeting in Vancouver in 1997. APEC members were expected to nominate areas in which they would voluntarily begin the process of liberalization, then senior officials would try to come up with a refined list of sectors that would prove widely acceptable across the grouping as the basis for collective action.

Eventually 15 sectors were identified in which early liberalization could proceed. However, this only highlighted an even more fundamental problem: the nature of the “voluntary” part of the EVSL concept. As Michael Wesley points out:

In developing the package of fifteen sectors, senior officials had argued that each of them balanced the interests of some APEC economies against those of others. Allowing some economies to opt out of aspects of the package would render the process pointless and return a promising initiative to the inertia of concerted unilateralism and the IAP process.²⁹

In reality, countries like Japan found it simply too politically difficult to take on entrenched domestic interests in the agricultural sector and the

powerful Ministry of Agriculture, Forestry and Fisheries that represented them.³⁰ Efforts to turn the EVSL initiative into something more binding were at odds with APEC's consensual principles, and Japan in particular advocated the need for continuing "flexibility" in the application of APEC proposals. This was not a view that went down well with most of the non-Asian members of APEC. The U.S.A. in particular was increasingly disenchanted with the limitations of voluntarism and consensus, a view that reflected profoundly differing ideas about the way policies should be implemented and the degree of obligation that ought to accompany them.³¹ The ineffectiveness of moral suasion was not simply obvious in the case of Japan and a source of irritation for the Americans in particular, but it encouraged the development of "East Asian" perspectives on such issues. The fact that both China and South Korea came to support Japan's arguments for "flexibility" reinforced that idea that there might be a need for an East Asian caucus to represent such views.³² As we shall see in Chapter 5, this belief has been central to the emergence of the region's new institutional architecture.

Emerging difficulties

The possibility that APEC may not be able to represent the interests of its large and highly diverse membership was exacerbated by its own evolution. Like ASEAN, APEC has steadily expanded its already significant membership and geographical reach. As Box 3.1 illustrates, new members were added throughout the 1990s—some of which had only a tangential claim to being members of the sort of "Asia-Pacific" region originally envisaged by Australia and Japan. Perhaps the most problematic new entrant has been Russia, which is arguably a more European than Asian power. Former Australian prime minister and ardent APEC enthusiast, Paul Keating, regarded Russia's inclusion in APEC as an "act of economic vandalism."³³ Keating was conscious of the difficulty APEC already had in achieving consensus let alone coherence, and was concerned that further dilution of its identity through membership expansion would further undermine its credibility and effectiveness. However, Russia's accession is reminder of the importance of the overall geopolitical context in which such decisions are made: given the U.S.A.'s growing lack of enthusiasm for APEC, and the comparative importance it continued to attach to Europe, then the Americans were prepared to use the possibility of Russia's APEC admission as compensation for the eastward expansion of the North Atlantic Treaty Organization.³⁴

Following the accession of Russia, Peru and Vietnam in 1998, a “ten year period of consolidation” was declared, before any decisions about possible future membership would be undertaken. Given that India is one of the would-be entrants, and that its economic and geopolitical significance has rapidly increased in the intervening period, this could present the grouping with fresh challenges. It will be hard for countries like Australia to oppose India’s membership on the pretext that it is concerned about the coherence of the grouping, without jeopardizing an increasingly important bilateral relationship. Indeed, managing the possible tension between multilateralism and bilateralism is a growing challenge for both individual countries and for APEC itself. In much the same way that ASEAN’s AFTA initiative has found it difficult to retain the active support and compliance of members, APEC has been steadily undermined by developments on both the bilateral and multilateral fronts. At a multilateral level, APEC appears increasingly irrelevant. Although it has made some efforts to reinvent itself in the aftermath of the September 11 attacks and the beginning of the “war on terror,”³⁵ as far as its original trade liberalization agenda is concerned, APEC looks somewhat redundant. After all, the World Trade Organization (WTO) exists to perform precisely the same function and, unlike APEC, its members are subject to legally binding commitments, it has effective monitoring procedures, and a dispute mechanism process that can actually impose sanctions.³⁶ In such circumstances it is perhaps unsurprising that APEC itself has allowed the WTO to take prime responsibility for promoting trade liberalization.

As if this were not problem enough for APEC, confidence in any form of multilateralism to promote trade liberalization has dissipated in the aftermath of the troubled “Doha round” of trade negotiations in 2001, which collapsed in acrimony and revealed profound, potentially incompatible views amongst the WTO’s developed and developing economies.³⁷ The failures of both APEC and the WTO to push the trade liberalization agenda did more than anything else to undermine confidence in multilateralism and heighten interest in bilateral agreements.³⁸ Within the space of 10 years, the Asia-Pacific region went from having hardly any bilateral free trade agreements (FTAs), to having nearly 70 in various stages of development by the end of 2005. Equally remarkably, such agreements were not confined to East Asia. On the contrary, one of the most significant forces giving additional momentum was a shift in American policy which, from the early 2000s onwards, saw the U.S.A. striking bilateral agreements with a growing number of partners.³⁹ What was equally noteworthy about the American approach was that there was a self-conscious attempt to link

trade and security issues, using the promise of improved access to American markets in return for a suitably cooperative stance in relation to the United States' strategic policies.⁴⁰

Even former trade liberalization stalwarts like Australia have joined the rush to bilateralism, the symbolism of which has done nothing to enhance APEC's already diminished position. Although Australia has certainly fared better in its bilateral dealings with the U.S.A. than its antipodean counterpart New Zealand, it is, nevertheless, remarkable how much of an economic sacrifice Australia has been prepared to make in order to shore up what Australian governments have seen as the historically vital security relationship.⁴¹ The underlying reality that emerges from the Australian experience—especially under the leadership of John Howard, who was skeptical of multilateralism and unabashedly pro-American—is that geopolitical issues continue to resonate strongly in the Asia-Pacific.⁴²

As far as APEC is concerned, therefore, the challenge is twofold. First, it remains the case that economic principles and even economic objectives remain subordinate to geopolitical concerns—even amongst APEC enthusiasts. Second, the fashion for bilateralism gives renewed life to the protectionists: countries like Japan, which have never been enamored of wholesale liberalization, can either negotiate FTAs with countries like Singapore (which doesn't even have a potentially contentious agricultural sector), or ensure that "sensitive" sectors remain insulated from the sorts of all-encompassing agreements APEC was designed to achieve.⁴³ Some observers, such as Chris Dent, remain sanguine that what he describes as "lattice regionalism," or an increasingly dense pattern of FTA activity, can actually "positively contribute to regionalism processes and to regional community-building generally."⁴⁴ While there may be something in this argument, it is small consolation for APEC: lattice regionalism will do little to enhance its authority or capacity to fulfill the sort of role that other institutions are beginning to take up, as we shall see in Chapter 5.

What is APEC for?

Given the number of potentially competing institutions that are emerging in East Asia and the Asia-Pacific, APEC faces an especially difficult set of challenges. The most fundamental question facing APEC now is about its purpose at a time when it seems incapable of fulfilling its original mandate—trade liberalization—and when other organizations seem better equipped to tackle specific issues such as security or monetary cooperation. Although APEC appears to be making a contribution to

promoting economic and technical cooperation in areas like economic infrastructure, human capital, technology and general business development, in reality much of its activities in these areas are “a triumph of process over substance.”⁴⁵ Projects are often poorly coordinated, lacking in resources, reflective of the particular concerns of their sponsors, and/or lacking specific, quantifiable objectives—shortcomings of which APEC itself is aware, despite the remarkable blandness of its own reports in these areas.⁴⁶

Of course, it might be reasonably claimed that attempts to promote technical cooperation and help the less developed economies to achieve “best practice” are unlikely to be realized in the short term, and should be seen as part of a long-term strategy of education and socialization. Perhaps there is something in this, but it is unlikely to quiet critics who argue that when it comes to APEC’s original agenda and the larger macro-economic challenges which it ought to be ideally placed to address, it has been a failure, and a rather conspicuous one at that. Not only has APEC proved incapable of making a decisive contribution to trade liberalization, but—like ASEAN—it spectacularly failed to provide leadership or assistance during the region’s pivotal recent economic experience: the East Asian financial crisis. On the contrary, APEC left crisis management efforts almost exclusively to the IMF.⁴⁷ While this may have reflected the preferences of the U.S.A., it was a major indictment of what was supposedly the Asia-Pacific’s key economic institution and one that fundamentally undermined its credibility and standing in the region.⁴⁸ If APEC was incapable of providing any response to the greatest economic challenge the region had faced since the Depression, it was not unreasonable to ask what the organization was actually for.

As we shall see in Chapter 5, the Asian financial crisis arguably did more to promote a narrower form of East Asian regionalism than anything since Japan’s abortive, pre-war attempt to forcefully create an East Asian Co-prosperity Sphere.⁴⁹ While much attention was rightly paid to the devastating impact the crisis had on a number of East Asian economies and (to a revealingly lesser extent), its people, it is also important to recognize what a profound blow the crisis exerted on what might unsatisfactorily be described as, the region’s “collective consciousness.” This, after all, was the same region that prior to 1997 had loudly sung the praises of “Asian values,” and suggested that “the West” had much to learn from Asia, not least about the merits of hard work and good governance.⁵⁰ While there was always much that was self-serving, spurious and implausible about the Asian values discourse,⁵¹ it did represent an attempt to give ideational substance to a

region with a famously underdeveloped sense of collective identity. The crisis consequently had an impact on both the material base and ideological superstructure of Southeast Asia—even if its mainly conservative and authoritarian leaderships might not have relished having it described that way.

Despite being almost entirely sidelined by the crisis, APEC embodied the tensions the crisis exposed. Many East Asians were already concerned that the ASEAN way of consensus and voluntarism was being overthrown by the pushy, insensitive and excessively legalistic Anglo-Americans as they tried to turn APEC into a forum for negotiation, rather than discussion.⁵² The crisis confirmed many of East Asia's worst fears: even though APEC itself may not have played much of a role in subsequent events, the potential incompatibility of views within the Asian and Anglo-American camps, which had generated an undercurrent of tension throughout APEC's existence, suddenly burst to the surface. Given that these divisions existed within APEC itself, it becomes easier to understand why APEC was unable to provide any sort of effective response or collective action, and why the U.S.A. might prefer to utilize agencies like the IMF over which it had a more direct influence; especially when such agencies had significant economic leverage to compel compliance on the part of those economies they "assisted."⁵³

Somewhat paradoxically given APEC's modest record of achievement in the economic sphere it was supposed to reorder, there have been assiduous attempts to reinvent APEC, and give it a wider agenda, more "relevant" to contemporary concerns. Predictably enough, the Shanghai Leaders' Meeting held in the aftermath of the September 11 attacks paid particular attention to promoting counter-terrorism measures. Yet, even if APEC's activities were restricted to the economic aspects of counter-terrorism efforts, where its greatest competence and authority supposedly lay, it was not obvious that APEC had the capacity to disrupt the flows of funds to terrorists—one of the key goals enunciated at this gathering. The most recent Leaders' Meetings have continued to develop the security theme, with energy and even the currently fashionable notion of human security making their way up the organization's agenda.⁵⁴ At the most recent Leaders' Meeting in Sydney in September 2007, the leader of the Australian Labor Party, Kevin Rudd, who became Australia's prime minister a couple of months later, made much of the possibility that APEC could play a role in securing the region's increasingly stressed and depleted natural environment.⁵⁵ Laudable as many of these initiatives are, APEC's record in achieving results even in the limited area of economic reform does not inspire

confidence that it will be able to address this even more expansive agenda—particularly when there are other extant or evolving agencies with the desire and perhaps the capacity to take on such issues.

Concluding remarks

For an organization that began with such high hopes, APEC has achieved surprisingly little. In retrospect, some of its most enthusiastic supporters may have allowed themselves to be swept along by the moment, but what a moment it was: the ending of the Cold War and the remarkable economic expansion in East Asia seemed to hold out the possibility of bringing about the best of all possible worlds. In what seemed certain to be a triumphant illustration of the power of market forces and orthodox economics, APEC seemed perfectly placed to extend the benefits of economic development even more widely, uniting the eastern and western sides of the Pacific in a mutually beneficial embrace. This vision was untroubled by the idea that it might not be universally shared. Even where there was some recognition that not everyone quite understood the intricacies of the agenda, there was a widespread optimism on the part of APEC's principal backers that such problems might be overcome by the insights and expertise of Western economics and the practical consequences of trade liberalization.

Alas for the Asia-Pacific's prominent epistemic community, their ideas were never persuasive enough. It was not simply that, as discourses go, the language and principles of neoclassical economics are not exactly inspirational, accessible, or ultimately even necessarily credible, but that they patently ignored and thus diminished much of the East Asian part of the nascent grouping's historical experience. The overwhelming consensus in Asia—and amongst many Western academic observers too, for that matter—is that countries like Japan became rich, not by studiously following the precepts of neoclassical economics and opening up their markets, but by practicing a form of state-led, frequently neo-mercantilist development, that defied current Western orthodoxy.⁵⁶ Japan had already demonstrated a desire to have its distinctive contribution to debates about development taken seriously,⁵⁷ and the attempts by the IFIs and the U.S.A. to discredit the “Asian model” in the aftermath of the crisis, show that at least some members of elite policy communities in the Anglo-American economies recognized how important the *ideological* component of economic governance could be.⁵⁸

Whatever the merits of “Western” or “Asian” models of development may be—notwithstanding that the complexity and diversity of

the underlying economic and political realities beneath these rubrics makes them essentially meaningless—as far as APEC was concerned, they proved too difficult to accommodate within one organization. For all the discussion of convergence that is associated with some of the more overheated discussions of “globalization,”⁵⁹ the reality is that economic activity continues to display important and enduring differences in various parts of the world. Even more importantly, such varieties of capitalism are realized in particular political spaces; and politics famously remains overwhelmingly local and subject to powerful contingent pressures. The failure of APEC’s architects to take due cognizance of this possibility has been at the heart of the organization’s inability to institutionalize meaningful reform or to fulfill the—frequently conflicting and contradictory—hopes of its founders.

4 The ASEAN Regional Forum and security dynamics in the Asia-Pacific

The Asia-Pacific is not only home to some of the world's largest economies, it also contains some of its most important strategic actors and potential "flashpoints." Indeed, the East Asian side of the Pacific is routinely cited as one place in which war is not just possible, but quite likely. In the words of one prominent American strategic analyst, East Asia is a region that is "ripe for rivalry."¹ And yet as we saw in Chapter 2, the East Asian region generally and Southeast Asia in particular have been relatively peaceful for decades, and inter-state war arguably seems *less* rather than more likely as time goes on. How do we account for this apparent paradox? The ASEAN countries might reasonably argue that they have got something to do with it: since ASEAN was established, none of its members have gone to war with each other, and they might claim to have had a pacifying effect on the wider East Asian region. While it is not possible to demonstrate unambiguously that ASEAN was responsible for this happy outcome, it is, nevertheless, a striking coincidence, and one that directs our attention to the possible role played by institutions in bringing it about.

The fact that there is anything to actually examine in East Asia or the Asia-Pacific in this context is interesting and important in itself. After all, ASEAN wasn't established until the late 1960s, and even then it was not conceived of as a specifically security organization—even if security concerns were actually a key part of its underlying rationale. It was not until 1994 and the inauguration of the ASEAN Regional Forum (ARF) that the Asia-Pacific saw the establishment of a genuinely region-wide grouping unambiguously dedicated to facilitating a "security dialogue" and enhancing regional stability. Again, it is worth pointing out that this is a quite different developmental trajectory to that of Europe where, from the outset, overarching geopolitical concerns were a major driving force behind the very idea of regional integration, and the establishment of the European Union was largely a

consequence of strategic, rather than economic concerns.² To account for the very different history of institutional development in the Asia-Pacific, therefore, it is necessary to first consider those unique historical circumstances that have shaped institutional development in the region, particularly during the Cold War. As we shall see, this period played a crucial role in the evolution of East Asia in particular, making the possibility of peace, let alone cooperative security, a fairly remote prospect at times.

The first part of the chapter briefly sketches the general historical contours of regional security relations in the Asia-Pacific. One of the most important developments in this regard has been the increasing importance of the United States as a key strategic actor. Importantly, however, American influence has been overlaid on, and helped to define, extant relations between East Asian nations—the most important of which has been the Sino-Japanese bilateral relationship. The separate but interconnected interactions between the U.S.A., Japan and China are not simply historical curiosities, however: they continue to influence profoundly security relations in the Asia-Pacific to this day. Any institution that seeks to manage relations between the big three—or influence their impact on other countries and potential trouble spots in the region, for that matter—must take account of the historical baggage they bring with them. Perhaps what is most surprising about the region, given its history and the major asymmetries of power that exist within it, is that the ARF exists at all. Even more remarkably, the ARF reflects the influence of some of its smallest and, one might have thought, least influential players: the fact that the ARF subscribes to the “ASEAN way” is evidence of this possibility, but as with ASEAN itself, this way of managing inter-state relations has noteworthy weaknesses as well as strengths. The bulk of the chapter is taken up with exploring how these factors have played themselves out and how the region’s security relations have been affected as a consequence.

Historical legacies in the Asia-Pacific

More than most parts of the world, the Asia-Pacific generally and East Asia in particular are products of their distinctive histories. While this is something of a platitude, it merits repeating, because in East Asia’s case, the imprint of history is so enduring and even debilitating at times. In short, it is not possible to make sense of the region’s contemporary international relations unless we take its history seriously. As we saw in Chapter 1, East Asia’s recorded history stretches back further than anywhere else, and the Chinese in particular have a

heightened consciousness of its duration and their place at the center of international affairs.³ The activities of any regional institution intended to manage security relations will be constrained by this underlying reality and the sensitivities it generates.

It is not just Chinese political elites who take history seriously, however. On the contrary, historical legacies, especially where they have been shaped by war and conquest, continue to influence contemporary inter-state relations, placing limits on the sort of cooperative behavior that is possible as a consequence.⁴ The most important and obstructive relationship in this context is that between China and Japan, and when one considers the history of their relationship in the modern period, it is not hard to see why. As we have already seen, Japan's response to the challenge of European expansion was much more effective than China's: while China was descending into dynastic decline and eventual civil war, Japan found itself propelled to the front rank of the industrializing major powers—something its crushing victory in the Russo-Japanese War (1904–5) confirmed.

But adding injury to insult as far as China was concerned, was not just that their standing in the region relative to Japan had been diminished, but that they had already experienced very tangible evidence of Japan's improved position. The First Sino-Japanese War (1894–95)—which erupted as a consequence of Japan's expansion into Korea, long considered part of China's sphere of influence—dealt a fatal blow to China's crumbling Qing dynasty. Equally humiliating for the Chinese were the terms of the subsequent Treaty of Shimonoseki, which saw Japan gain the Liaodong Peninsula and the island of Formosa (now Taiwan). Further misery and humiliation was to follow for China. In 1931 the Japanese invaded Manchuria, and in 1937, the Second Sino-Japanese War (1937–45) broke out in a conflict that would claim the lives of more than 3 million Chinese soldiers, in addition to some 17 million direct and indirect civilian deaths.⁵ It was not just the epic scale of the carnage that was remarkable, however: even by the blood-soaked standards of the twentieth century, the Sino-Japanese conflict was exceptionally brutal. The "Nanjing massacre" is the most notorious episode in a struggle that culminated in revolutionary change in China and ignominious defeat in Japan.⁶ Japan's inability to acknowledge its actions and responsibility for what occurred is a continuing source of irritation in both China and Korea.⁷

The extent of the sense of injustice on China's part is, perhaps, understandable. Importantly, China's political elites have cultivated and taken full advantage of this sense of grievance to make life diplomatically difficult for Japan in their continuing rivalry for regional

leadership.⁸ Again, the contrast with Europe is striking and instructive: whereas the French and the Germans rapidly put the war behind them and became the mainstays of a unified Europe, the Japanese and Chinese have achieved no such accommodation. However, in Japan's and China's case, mutual antipathy was intensified by the emerging and intensifying geopolitical rivalries of the Cold War. In Europe the emerging Cold War had—largely as a result of American pressure—acted as a spur to integration and pacification. In East Asia, by contrast, American policy had actually exacerbated existing tensions with an additional overlay of ideology and strategic division.⁹ The fact that China had been “lost” to the Western sphere of influence following the victory of the communists under Mao Zedong in the civil war, meant that the region would be effectively divided along ideological lines until the Cold War ended.

At times, of course, the Cold War became exceptionally hot, as major conflicts broke out in first Korea and then Vietnam. We have already seen in earlier chapters how much the Cold War influenced the development of ASEAN itself, and how it directly impacted on countries like Vietnam and Cambodia, providing a major challenge for ASEAN in the process. As far as East Asia as a whole is concerned, the impact of a struggle that began more than 50 years or so ago has still not played itself out: divided Korea is both an anachronistic, fossilized reminder of an earlier period and—more importantly—a continuing threat to the overall stability of the region.¹⁰ It is precisely because of the region's often traumatic place in the frontline of the twentieth century's major conflicts, and because of their enduring legacy in the form of seemingly implacable hatreds and physical divisions, that so many observers remain skeptical about the prospects for continuing stability, let alone enduring peace. If ever there was a region that needed some sort of institutional mechanisms with which to try and engender good relations and understanding, clearly East Asia would seem to fit the bill. As with ASEAN and APEC, the course of institutional development is not uncharted, even in the area of security, so it is worth spelling out how the region's security architecture has evolved and why some of the ARF's predecessors fell by the wayside.

Hubs, spokes, and cycles

The sheer extent of East Asia's recorded history gives intuitive support to the idea that there are cyclical patterns in the international system, manifest by the rise and fall of dynasties and shifts in the relative standing of the region's major powers.¹¹ It has been persuasively

argued that long-run “structural” changes in the international system help to account for the difficulty Japan and China have in reaching a suitable *modus vivendi* and decisively putting the past behind them.¹² The end of the Cold War in particular has thrown up new challenges for both countries as they seek to come to terms with a new order which is more fluid and uncertain, in which both of East Asia’s major powers are strong at the same time—an unprecedented situation in East Asian history. Before considering the implications of this development, and the capacity of regional institutions to accommodate it, we need to consider the nature of the old order it is replacing, as this continues to influence contemporary developments and explains the truncated nature of regional integration hitherto.

The key influence on the development of both the Asia-Pacific’s *and* East Asia’s security architecture in the period since World War II has been U.S. strategic policy. The U.S.A.’s growing power, even “hegemony,” has meant that it has exercised an unparalleled global influence, decisively shaping security relations around the world during the Cold War period. But whereas the United States promoted greater integration and reconciliation in post-war Western Europe, in East Asia it established a set of bilateral, “hub and spokes” strategic relations that effectively foreclosed rather than encouraged regional development.¹³ The most important of these relationships in East Asia was undoubtedly that between the U.S.A. and Japan. Not only was Japan’s own strategic significance dramatically curtailed as a consequence of World War II and its subsequent occupation by the U.S.A., but so was China’s too. True, China had problems enough of its own making as a consequence of the long-running civil war that the communists eventually won. But the fact that it was the communists who prevailed would, of course, exercise a decisive influence on post-war relations, as the U.S.A. sought to “contain” China as part of its larger struggle against global communism.¹⁴

In retrospect, American hegemony has had positive and negative impacts. On the plus side of the ledger, there is no doubt that East Asian development would not have occurred as rapidly as it did without American intervention, aid and assistance. Japan’s place as the central pillar of a reconstructed, successful capitalist economic order in East Asia, would not have come about—or would not have come about as quickly, at least—as it did, without the United States’ decisive role.¹⁵ But while the post-war geopolitical order may have underpinned rapid economic development among sympathetic allies, it did so by further marginalizing countries on the other side of an increasingly entrenched ideological and strategic divide. Much of Indo-China was not only caught

up in the direct conflict of the Vietnam War, for example, but any prospect of economic development was effectively put on hold until the end of the Cold War. Even then, it is not possible to over-emphasize the devastating impact the war had on countries like Cambodia and Laos who were not even direct combatants, but who were the victims of wider geopolitical forces over which they had little control.¹⁶

Indeed, this experience of dependent, reactive or obstructed development was not uncommon in Southeast Asia in particular, which was populated by new, fragile states with little capacity to influence events within the region, let alone in the wider international system. As we saw in Chapter 2, the formation of ASEAN was a direct consequence of this period and the perceived need to seek strength through international cooperation and unity. But even before this, the U.S.-sponsored “San Francisco system” of political–military relationships established in the early 1950s, which stretched across the Asia-Pacific and which included alliances with countries such as Australia, New Zealand, the Philippines, South Korea, Taiwan, and South Vietnam, profoundly shaped the subsequent course of international relations in East Asia. More importantly, according to Kent Calder, the San Francisco system, which had its origins in the eponymous Peace Treaty process of 1950–51, “continues to define the broad profile of Pacific relations in highly distinctive ways.”¹⁷ Despite the fact that some of the earlier expressions of the new, U.S.-dominated international order, such as the Southeast Asia Treaty Organization (SEATO) have fallen by the way-side, some, such as ANZUS¹⁸ have not and remain symbolically important, if nothing else. Even more significantly, perhaps, despite the existence of a new post-Cold War world international order characterized by greater economic integration and a decline in inter-state war,¹⁹ the U.S.A.’s key regional allies—Australia and Japan—are establishing closer strategic ties with each other and with the U.S.A. itself.²⁰

These background considerations, especially the institutionalized, bilateral nature of the region’s extant security architecture, and the enduring salience of relationships that can be seen as containing China, are vital when assessing the impact and potential efficacy of the ARF. The key question is whether the ARF has the capacity to accommodate or indeed overcome extant relationships and alliances that might make genuine region-wide security cooperation impossible.

Origins of the ARF

The establishment of a security-oriented forum or organization with which to try and manage the region’s strategic relations—even in the

narrower East or Southeast Asian sense—confronts some familiar challenges. Not only is the membership and extent of any institution not obvious and potentially a source of contestation (see Box 4.1), but so, too, is its *modus operandi*. One of the key issues as far as the less powerful Southeast Asian states are concerned has been attempting to maintain some sort of control over any putative organization or agreement. The difficulties and implacable structural realities that the ASEAN states must confront were vividly brought home by the experience of the Zone of Peace, Freedom and Neutrality (ZOPFAN), which emerged from an ad hoc meeting of ASEAN foreign ministers in 1971. ZOPFAN was a reactive response to a rapidly changing “external” geopolitical environment, in which the U.S.A. surprised the region and the world with its rapprochement with China on the one hand, and moved toward an exit from Vietnam on the other. Although ASEAN’s goal of neutrality may have been primarily aspirational and indicative, it was ultimately unrealizable and at odds with the behavior of the ASEAN states themselves in the post-Cold War period.²¹

Nevertheless, the groundwork was being laid for a more substantive attempt to develop a genuinely region-wide security architecture, one that would eventually encompass the Asia-Pacific and not just Southeast Asia. As with APEC and the attempt to establish an Asia-Pacific economic grouping, the ARF’s formation was facilitated by “track two” activities, which remain an important part of confidence-building and

Box 4.1 ASEAN Regional Forum members

Australia	Malaysia
Bangladesh	Myanmar
Brunei Darussalam	Mongolia
Cambodia	New Zealand
Canada	Pakistan
China	Papua New Guinea
European Union	Philippines
India	Russian Federation
Indonesia	Singapore
Japan	Thailand
Democratic People’s Republic of Korea	Timor Leste
Republic of Korea	United States
Laos	Vietnam

institutional consolidation in the region. Alan Collins identifies a couple of key catalysts in generating interest in a regional security forum, both of which had their origins outside of Southeast Asia. Mikhail Gorbachev's call in 1987 for a European-style conference on security and cooperation to be established in Asia was followed by more concrete Australian proposals in 1990. Both were rejected by ASEAN as threats to their influence on regional affairs, but there was a general recognition that the Southeast Asian states needed to engage more effectively with the major powers of the wider Asia-Pacific region.²²

In this context two developments were especially significant. First, ASEAN's relations with China were beginning to improve following the resolution of the Cambodian crisis, something China's support for ASEAN diplomacy did much to actually bring about. At the same time the ASEAN states were worrying about a possible decline in America's engagement with the region, concerns that were heightened by the U.S.A.'s withdrawal from its base at Subic Bay in the Philippines in 1992.²³ The combination of apparently rising Chinese power and a reduced commitment to the region on the part of the United States had a galvanizing impact on the Southeast Asian states, especially as they fretted about the implications that China's military modernization might have on the resolution of sensitive security issues in the region.²⁴ In this context, none has proved more sensitive or problematic for the Southeast Asians than the territorial disputes in the South China Sea.

Any discussion of regional security inevitably involves a consideration of the South China Sea as its contested status and China's involvement lead many to see it as a potential flashpoint.²⁵ There are a number of conflicting territorial claims centering on the microscopic Paracel and Spratly Islands, put forward by Vietnam, the Philippines, Malaysia, Brunei, Taiwan and, of course, the People's Republic of China. It is the possibility that these islands may sit atop oil and gas fields that gives them particular significance in a region that is rapidly depleting its resources. Despite China's distance from the islands and the relative lateness of its claims, it aggressively moved to occupy some of the low-lying reefs in the late 1980s, sparking a brief naval conflict with Vietnam. Subsequently, China has upset the Philippines, which is closest to the disputed reefs, by building structures on the reefs in support of their sovereignty claims.²⁶ Significantly, the Philippines was not able, nor was ASEAN willing to confront China as a consequence of its aggressive behavior.²⁷

China's growing strategic threat and Southeast Asia's limited ability to counter it is widely seen as providing one of the most important drivers behind the establishment of the ARF. While this may be true, it

is also important to note that China has thus far been at pains to renounce the use of force in resolving conflicting territorial claims in South China Sea, something Bates Gill sees as a “critical step forward from previous Chinese positions.”²⁸ Whether it is the ARF that has actually been responsible for socializing China into less confrontational forms of behavior as its architects hoped is less clear, but the principles upon which the ARF has operated are distinctive and merit spelling out, nevertheless.

Implementing the ARF agenda

Like APEC, the key questions confronting the ARF were about membership and method. Who should be in it, and how should it operate? Although the first meeting in 1994 did not provide definitive answers to these questions, Mely Caballero-Anthony suggests that the engagement of ASEAN’s “dialogue partners” in a new multilateral format was a “huge leap from ASEAN’s ‘old’ modalities that emphasized regional autonomy as expressed through the ZOPFAN framework.”²⁹ The inclusion of the Asia-Pacific’s major powers in the form of the U.S.A., China, Russia and Japan, as well as other important players like South Korea, Australia, New Zealand, Canada, India and the European Union, certainly gave the putative organization remarkable potential reach and coverage (see Box 4.1). And yet, North Korea³⁰ and Taiwan were especially conspicuous initial absentees, given that both are routinely cited as possessing the potential to feature in any resurgence of inter-state conflict in the Asia-Pacific region. Moreover, the very diversity of geographic reach of the participants inevitably threatened to undermine cohesion and focus from its inception.

Compounding this initial question about the range and relevance of the ARF’s prospective membership, was the need to keep ASEAN notionally “in the driving seat.” Significantly, the first ARF meeting resolved to adopt the principles of the ASEAN Treaty of Amity and Cooperation (TAC) to provide a code of conduct and guide to behavior. While this was a potentially important development in that the TAC included a provision that intramural disputes would be resolved by the “ASEAN High Council,” in reality the High Council has never been convened and participants could veto its actions even if it had been.³¹ In other words, from the outset, the ASEAN way of non-interference and sovereignty protection were at work in spirit if not explicit practice. Despite the previously discussed potential limitations of the ASEAN way and its preference for voluntarism and consensus, it was felt that this form of multilateralism had more chance of success

than some of its institutional predecessors like SEATO, which was unable to demonstrate “either a viable political purpose or a military function.”³² Consequently, and in contrast to the never-invoked, essentially military relationships such as the Five-Power Defence Arrangements, between the U.K., Australia, New Zealand, Singapore and Malaysia, the ARF explicitly lacked any formal military dimension.

To understand just how distinctive the ASEAN approach is, and what its implications for the course of regional security practices are, it is worth quoting one of the shrewder observers of the ARF’s development:

Within ASEAN, security has always been addressed through consultation and dialogue rather than through conventional collective security and formal mechanisms for settling disputes. This is the essence of the so-called ASEAN model to which Indonesia made a major conceptual contribution in pioneering and promoting “national resilience” with security conceived of in non-military terms.³³

This merits emphasis for a number of reasons. First, it has been widely recognized that “Asian” conceptions of security are generally far more comprehensive than those of Western or Anglo-American nations, and include concerns about economic and political security, as well as its more conventional military aspects.³⁴ As with APEC, there is consequently an inherent potential for a clash over goals and styles of operation of any putative organization that seeks to include members from across the Asia-Pacific. The second reason for emphasizing the role of Indonesia in particular and the continuing influence of the ASEAN way more generally, is that it helps to explain the institutionalized obstacles that exist toward reform in much of East Asia. In Indonesia’s case, for example, the economic and political role of Indonesia’s military means that any regional-level agreements must take care not to infringe on sensitive domestic issues that involve the economic role and political position of the military.³⁵

The other point that is worth making about the ARF’s inaugural meeting and the style of operations it developed (see Box 4.2) is that it was conducted at the foreign minister level. It has remained so ever since, and this places a significant limitation on what the organization is capable of achieving and actually agreeing to as a consequence. But as we saw with APEC, even where there is a heads of state meeting built into an organization’s operations, this is no guarantee that it will actually achieve anything of significance as a result. In the ARF’s case, the fact that it was conceived as “ASEAN writ large” by the ASEAN

states,³⁶ and deliberately eschewed a secretariat, meant that it would inevitably be limited in its application, and as much about conflict avoidance as it was about conflict resolution.

The second meeting of the ARF, which took place in Brunei in 1995, mapped out an “evolutionary” agenda for the organization, which—in familiar-sounding ASEAN-speak—was to be undertaken at “a pace that was comfortable to all participants.”³⁷ The ARF’s development was seen as having three distinct phases: first, the promotion of confidence-building measures (CBMs); second, the development of preventative diplomacy instruments; and finally, the development of conflict resolution mechanisms. It should be recognized that a good deal of progress has been made in developing CBMs, and much attention has been paid to the ASEAN grouping’s potential normative function in promoting particular practices and values amongst its members.³⁸ There are, indeed, at least two reasons for taking such claims seriously: first, the fact that Southeast Asia and the wider East Asian region have been free of major inter-state conflict while the ARF has been in existence is at least indicative of an improved security environment—even if it is difficult to unambiguously attribute this to the activities of the ARF.

The other reason for taking the ARF’s claims to having some normative and socializing impact seriously is the transformation in the

Box 4.2 ARF meetings

<i>Title of meeting</i>	<i>Venue</i>	<i>Date</i>
14th ASEAN Regional Forum	Manila	August 2, 2007
13th ASEAN Regional Forum	Kuala Lumpur	July 28, 2006
12th ASEAN Regional Forum	Vientiane	July 29, 2005
11th ASEAN Regional Forum	Jakarta	July 2, 2004
10th ASEAN Regional Forum	Phnom Penh	June 18, 2003
9th ASEAN Regional Forum	Bandar Seri Begawan	July 31, 2002
8th ASEAN Regional Forum	Hanoi	July 25, 2001
7th ASEAN Regional Forum	Bangkok	July 27, 2000
6th ASEAN Regional Forum	Singapore	July 26, 1999
5th ASEAN Regional Forum	Manila	July 27, 1998
4th ASEAN Regional Forum	Subang Jaya	July 27, 1997
3rd ASEAN Regional Forum	Jakarta	July 23, 1996
2nd ASEAN Regional Forum	Bandar Seri Begawan	August 1, 1995
1st ASEAN Regional Forum	Bangkok	July 25, 1994

behavior of China.³⁹ In a remarkably short space of time, China has changed from a prickly outsider to one of the most enthusiastic and active supporters of multilateralism in the region—a position that stands in marked contrast to that of the U.S.A.⁴⁰ However, the fact that China participates in a range of other multilateral organizations is also suggestive of a more diffuse process of institutional learning, one in which the Chinese themselves are, of course, the pivotal players. Indeed, it is entirely plausible to argue that the approach to multilateral institutions on the part of Chinese policymaking elites is instrumental, and designed to advance national interests in the face of the overwhelming material dominance of America's regional hegemony.⁴¹ Nevertheless, supporters of the ARF might justifiably claim that China's participation in the organization has played some role in making China a good regional citizen.

The ARF's declining relevance?

While there may be something in the idea that the very existence of the ARF has had a normative impact on its members, it is also noteworthy that the ranks of ARF admirers are noticeably thinning, and not just within the academic community. Revealingly, Japan's position has shifted from being one of the ARF's most enthusiastic and energetic supporters, to one of increasing skepticism. Takeshi Yuzawa has detailed this transformation in Japanese attitudes, in which Japan has moved from a position as one of the ARF's original prime movers, to one in which Japan's ARF policy "has become more tentative and less energetic."⁴² Put simply, Japanese policymakers have become increasingly disappointed and skeptical about the potential for the ARF to develop CBMs or preventative diplomacy mechanisms that will actually lead to concrete outcomes and changes in behavior on the part of member states. Japan's change of views highlights some familiar problems, albeit with a novel and important twist.

In the same way that APEC was broadly divided between the Anglo-American and East Asian economies, ARF members have divided between those members that favor greater transparency and openness in security issues, and those that are more reluctant to expose themselves to increased external scrutiny. As a consequence, the CBMs that have been agreed to and implemented have been "severely limited in scope."⁴³ Unlike the divisions in APEC, however, the split in the ARF is not a straightforward division between different sides of the Pacific. On the contrary, on traditionally conceived security matters at least, Japan lines up with the "Western" nations. At one level this defection

from the “Asian” camp owes something to Japan’s historical ambiguity about its own sense of identity and uncertainty about its place in East Asia.⁴⁴ At another, however, Japan’s ambivalence is a product of the much greater importance that is attached to the bilateral relationship with the U.S.A., something the U.S.A. has been keen to reinforce when Japanese support for the alliance is thought to be wavering.⁴⁵ The consequence, as Chris Hughes points out, is that “Japan’s continued prioritization of the bilateral alliance as the core of its security policy has meant that it has tended to treat regional multilateral frameworks as, at best, supplementary to the alliance and, more usually, as entirely subordinate.”⁴⁶

The increasingly tepid support for the ARF from one of the region’s most important strategic actors would be problem enough for the organization, but Japan’s declining enthusiasm is symptomatic of wider problems. Two of the region’s most intractable security issues—the “war on terror” and the continuing strategic impasse on the Korean peninsula—are simply not capable of being dealt with by the ARF. Given that North Korea has actually been admitted to the ARF the grouping ought to have been ideally placed to provide a forum in which the Korean question might have at least been discussed, if not effectively resolved. In reality, however, the ARF confronts the same limitations that have hamstrung APEC: “North Korea’s admission actually prevented the ARF from initiating a serious discussion on the issue as ASEAN’s principle of not handling contentious security issues between members for avoiding intramural tensions was applied to the case.”⁴⁷

Paradoxically, while the ARF has certainly placed terrorism at the top of its agenda, it has had the effect of preventing it from dealing with other important issues.⁴⁸ At one level, the priority attached to the war on terror simply reflects that capacity of the U.S.A. to shape the strategic priorities of the region’s other actors, be they in the Asia-Pacific or in East Asia.⁴⁹ However, what is equally significant is that, as far as the U.S.A. is concerned—and China, too, for that matter—the ARF is not the forum of choice as far as the resolution of regional security problems is concerned. We have already seen how China has assiduously avoided any multilateral resolution of its claims to sovereignty in the South China Sea, recognizing that it has far more leverage bilaterally. But what is of perhaps even greater long-term significance is the fact that both China, the U.S.A., Russia, and Japan have chosen to establish a separate mechanism within which to discuss the fate of the Korean peninsula.

Established in 2003 in the wake of North Korea’s withdrawal from the Nuclear Non-Proliferation Treaty (NPT), what became known as

the “Six Party Talks” were designed to try and achieve some sort of accommodation between the U.S.A. and North Korea in particular. In the aftermath of September 11 and North Korea’s designation as part of the “axis of evil,” relations between North Korea and the U.S.A. became predictably frosty, especially as a consequence of North Korea’s—possibly understandable, in view of what happened to Iraq—enthusiasm for developing its nuclear weapons program. Although progress in resolving this issue has been modest and characterized by much backsliding and uncertainty, the development of the Six Party Talks is especially significant in the context of a discussion of Asia-Pacific institutionalization for a number of reasons.

First, the Six Party Talks are indicative of the continuing proliferation of institutional mechanisms in the Asia-Pacific. But as with APEC, it is not clear whether the larger scale and scope of the ARF actually leaves it well placed to deal with the particular challenges of potential conflict between members; clearly the participants of the Six Party Talks are not confident that the ARF is the right venue to resolve the Korean issue. What is equally of note is that China has played a pivotal role in the Six Party Talks, partly as a consequence of its historically close relationship with the Democratic People’s Republic of Korea (DPRK), and partly because of its growing enthusiasm about the skilful utilization of multilateral forums to improve its international standing and image.⁵⁰ The position of the United States, by contrast, looks increasingly inept: not only has the increasingly unilateral approach to foreign policy that characterized the Bush administration been widely resented around the world, but its Korean policy has come to symbolize the potential shortcomings of this strategy. As Michael Mazzarr puts it,

ends, means, and the balance between them—were not lucidly expressed or rigorously debated at the most senior levels of the U.S. government. The result was a strategic muddle, a swirling debate not guided by any clearly calculated long-term vision. And after six years, the process has wound up almost exactly where it started—except now North Korea appears to have tripled the amount of nuclear weapons material in its possession and has become a declared nuclear power.⁵¹

Strategic relations in the Asia-Pacific

Given the historical importance and impact of the U.S.A. on the Asia-Pacific, it is important to say something more about America’s recent strategic policy and the possible implications this may have for patterns

of regional institutionalization, especially in the area of security relations. What is of particular significance here is the widely noted shift toward more unilateral policies,⁵² especially but not exclusively in the pursuit of strategic goals. Although it is quite possible that a new American administration will adopt a more cooperative, less unilateral approach to foreign policy, the administration of George W. Bush has had a major impact on regional relations, some of which may help to determine longer-term interactions between East Asia and the U.S.A.

The Bush administration's approach to foreign policy has been simultaneously familiar and novel. For all the attention given to some of the apparently new features of American foreign policy, there is also a good deal of continuity at the heart of American foreign policy. Andrew Bacevich makes the important point that American power has always been applied to the pursuit of U.S. interests, especially opening up the world to American influence, even if the rhetoric may have varied from time to time.⁵³ Important as this observation may be in making sense of the long-term, unparalleled impact of American hegemony,⁵⁴ it is equally important to recognize that policymakers in the U.S.A. may seek to apply this power and influence in different ways at different moments. In this context, the dramatic contrast between the early period of American dominance when it underpinned the establishment of the multilateral Bretton Woods institutions and the present situation when American policymakers are far less enthusiastic about, and constrained by, multilateral institutions is instructive.⁵⁵

It is not just in East Asia or the Asia-Pacific that American foreign policy has displayed a striking ambivalence about multilateralism. The Bush administration has refused to participate in a range of international forums and conventions, such as the International Criminal Court, the Kyoto Protocol, as well as a series of agreements to limit the use of small arms, land mines, and biological weapons. The influence of "neoconservative" thinking and the concomitant desire to exploit the presumed advantages that flow from American primacy have been widely noted, and are central to the embrace of a more unilateral policy position.⁵⁶ Of particular importance in the context of the present discussion is the fact that the U.S.A. is increasingly ambivalent about the worth of the ARF as a vehicle for pursuing its strategic interests. As T. J. Pempel points out, because of its preoccupation with strategic issues in the Middle East, the U.S.A. has been "largely AWOL in Asia" and "dismissive of the ARF."⁵⁷ However, it is not simply the fact that the U.S.A. has developed an antipathy to the potential constraints inherent in multilateralism that is worthy of note here: not only has the United States been less enthusiastic about international

institutions, but it has reinforced its predilection for unilateralism with an increased emphasis on militarism.⁵⁸

The most important manifestation of this increasing willingness to use military power to pursue essentially national interests was, of course, the invasion of Iraq, which occurred without the support of the United Nations and in the face of widespread international criticism. But there are other, more subtle applications of the “Bush doctrine” that are especially relevant to East Asia.⁵⁹ On the one hand, the U.S.A. has, as we have seen, adopted a generally confrontational attitude to “rogue” states like North Korea. But American policy toward potential rivals like China has, at times, also been more assertive. In China’s case, however—as with policy toward North Korea—there has been a good deal of inconsistency, reflecting the different perspectives that exist within the U.S.A. about how to deal with China.⁶⁰ From the perspective of regional strategic relations and the development of institutions, however, what is possibly of greatest significance in the long run, is that America has sought to respond to the challenge of a rising China by reinforcing its alliance relationships with Australia and Japan.⁶¹ Although Australia in particular has been at pains to stress that the alliance is not being consolidated with its most important economic partner in mind, there is little doubt that China is the target of renewed strategic attention and cooperation.⁶²

Given Australia’s historical ties with the U.S.A. it is unsurprising that, like Japan, it would continue to privilege security interests above economic ones. What is more surprising, perhaps, is the extent of sacrifices this has involved and the potential impact this has had on other issue areas. Not only has Australia been prepared to jeopardize its economic relationship with China and its reputation as an independent actor in the Asia-Pacific region, but it has also been willing to incur direct economic costs as a consequence. We have already seen how the multilateral system that APEC embodied has been undermined by the growth of bilateral trade deals throughout the region. What is equally noteworthy is that the growth of economic bilateralism has been reinforced by, and self-consciously tied to, the strategic goals of the U.S.A. The “securitization” of American foreign policy has seen compliant allies like Australia offered preferential trade deals, while former friends like New Zealand are snubbed.⁶³ The significant point to note here is not whether the calculation of the national interest is justified or rational,⁶⁴ but that the nature of regional relations and the concomitant salience of regional institutions have been profoundly affected by shifts in American foreign policy priorities and the manner in which they are pursued.

Concluding remarks

Security dynamics in the Asia-Pacific display some familiar concerns, but ones that are realized in quite distinctive ways. Perhaps the most decisive influence on the Asia-Pacific's recent history has been the role played by the U.S.A. in the period since the World War II. Rather than integrating the region, as it did in Western Europe, in East Asia the principal impact of American power was to divide the region and make any possibility of the cooperative institutionalization of security relations impossible for much of the post-war period. Only in the aftermath of the Cold War has the prospect of genuinely region-wide processes of institutionalization been possible, and even then its realization has generally been compromised and incomplete. And yet, while it is possible to be critical of the limitations of the ASEAN way and the need to adopt initiatives that are predicated upon the lowest acceptable common denominator, it remains the case that the Asia-Pacific region has been surprisingly peaceful. Given the history of East Asia and the continuing assumptions about the region's inherent instability, this is no small achievement.

Whether ASEAN or the expanded ARF deserves the credit for this is, however, a moot point. The ARF has very limited capacities and little leverage—other than moral suasion—over its members. It is also significant that it has shown little ability to actually address the region's principal potential flashpoints in the Taiwan Strait, the South China Sea or on the Korean Peninsula. It is also significant that in the Six Party Talks an alternative mechanism has actually been developed to try and address security issues in Korea, one in which China has played an increasingly prominent part. The rise of China, and its increasingly adroit diplomacy and enthusiastic support for and participation in multilateral institutions is the other striking aspect of recent regional relations. True, China has skilfully avoided being too constrained by multilateral mechanisms where its vital interests are considered to be at stake, as in the South China Sea; but it is also plain that it has become an important and engaged player in the East Asian region's evolving institutional architecture.

In large part this is a consequence of generational change in China and the emergence of a much more sophisticated, externally oriented policy elite that is increasingly comfortable participating in international forums, and increasingly able to pursue China's "national interest" on a wider international stage.⁶⁵ In part, however, China's rise is a consequence of changes in American foreign policy that have occurred under George W. Bush and the negative impact they have had on the standing of the U.S.A. in the international system. Growing antipathy

toward the United States has been one of the most striking and widely noted developments of recent years, and East Asia has not been an exception in this regard. Despite the fact that there is a widespread desire for the U.S.A. to remain strategically engaged in the region—not least as a way of off-setting the rise of China—the authority of the U.S.A. and the legitimacy of its policies have been undermined by the conduct of the “war on terror” and the increasing unilateralism this has involved.⁶⁶ The marginalization of institutions in which the U.S.A. has been a participant has been especially evident in those with a membership drawn from the Asia-Pacific.

This lack of American enthusiasm and commitment has not gone unnoticed in East Asia. Indeed, it is precisely the apparent ineffectiveness of institutions like APEC and to a lesser extent the ARF that has led to the development of new institutions with a narrower, East Asian focus, a process that is examined in the next chapter. But before we consider recent developments that are oriented primarily toward economic issues, it is worth emphasizing one of the most important comparative points that emerges from the present chapter: the idea that we can consider either economic or strategic policy in isolation is increasingly insupportable. The history of the Asia-Pacific and especially East Asia provides a powerful reminder of the reality that regional processes occur in specific geopolitical circumstances.⁶⁷ Although the principal focus in this chapter has been the ARF, it is important to recognize that this institution could not have existed at the height of the Cold War when the region was profoundly divided along ideological lines. Similarly, the remarkable economic development that has taken place in East Asia and which has encouraged greater political cooperation has been profoundly influenced by wider strategic concerns.

Changes in the underlying structure of the international system—of which the end of the Cold War has plainly been the most important—have been central to the development or non-development of regional processes. Such changes remind us that the impact of regional institutions that have emerged in their aftermath may be marginal: one of the most striking, unpredicted and welcome aspects of the contemporary international system has been the dramatic decline of inter-state war, something that is evident across much of the world. It is entirely possible, therefore, that East Asia may have been relatively peaceful even without the ARF. Indeed, given the ARF’s modest track record and limited ability to address key regional pressure points, this seems like a not unreasonable conclusion. It is all the more remarkable, therefore, that there has been an upsurge of interest in developing regional institutions, albeit ones with a narrower membership base.

5 The new institutional architecture

The record of institutional development and achievement in the Asia-Pacific thus far has been modest at best. True, there have been a number of important institutional initiatives, of which ASEAN is arguably the most enduring and perhaps the most important, but they have generally not had a major influence on the conduct of inter-state relations. Whether the focus has been on economic integration or security cooperation, the impact of regional institutions seems rather limited, although we need to acknowledge that such influences are possibly subtle and thus difficult to quantify. The diffusion of norms and the processes of socialization and learning associated with institutions are notoriously difficult to capture, and it is easy to underestimate the long-term impact such organizations may have in shifting perceptions and improving relations between members.¹ What we can say with some confidence is that the operational styles and circumscribed agendas of extant institutions necessarily limit their immediate potential impact: extreme sensitivity about national sovereignty has meant that the very continuation of any institution has been partly dependent on its not threatening national autonomy.

Given the limited track record of institutions with either an East Asian or an Asia-Pacific identity, therefore, it is perhaps surprising that organizations like ASEAN, APEC or the ARF carry on at all, let alone provide a template for further institutional development. Paradoxically enough, however, the number of institutional initiatives, especially in East Asia, has actually expanded of late. Indeed, in some ways the Asia-Pacific generally and East Asia in particular may be suffering from too much of a good thing as far as institutional innovation is concerned, as an array of organizations compete for influence and authority. Such cross-cutting claims to competence and representation might be a problem anywhere, but they are especially challenging in East Asia because of the limited bureaucratic capacities of some of the

newer nations of Southeast Asia. States like Cambodia and Laos have struggled to play a full and active role in the plethora of meetings associated with ASEAN; they threaten to be overwhelmed by the array of new organizations that currently fill the institutional horizon and the representational obligations they imply.

Nevertheless, there are a number of potentially very significant institutions taking shape in East Asia, which may ultimately reshape intra- and inter-regional relations. These organizations may prove to be important not simply because of their possible functional role in addressing collective action problems,² but because of the part they may play in actually helping to constitute and give a sense of identity to the region itself. The most important development in this regard has been the self-conscious exclusion of the United States from a number of recent institutional initiatives. Should this trend continue it will help to consolidate the idea of East Asia at the expense of the Asia-Pacific; it may also have important long-term geopolitical consequences and affect the relative standing of the U.S.A. and China. The most important of these new initiatives at this stage seems likely to be the ASEAN Plus Three (APT) grouping, which includes China, Japan and South Korea, in addition to the original ASEAN countries. Like ASEAN and APEC, APT was preceded by other attempts at institutional and political consolidation around a notion of East Asian identity, and before considering the APT grouping itself, this chapter analyses these earlier efforts. Following an examination of the APT, its origins and associated institutional offshoots, consideration is given to some of the other initiatives that have emerged recently. Even if it is not possible to be certain which of these organizations is likely to prove the most important, or what impact it is likely to have, the continuing interest in institutional development suggests that such processes are likely to prove significant parts of the region—however it is defined.

The beginnings of East Asian regionalism

It needs to be re-emphasized that the development of a self-consciously East Asian region had to wait for propitious circumstances. Until the Cold War was over and there was at least the prospect of closer international ties and cooperation across the entire region, the idea of an East Asian grouping was simply impossible.³ But even when the sorts of major structural changes to the international system that occurred as a consequence of the end of the Cold War were actually in place, it would take a similar shift in political practice before such changes could be given expression. In other words, just because the international

relations system had suddenly ceased to be defined by a bipolar stand-off between the capitalist and communist camps, this was not going to automatically lead to an outbreak of regional institutionalization.

There were, however, powerful forces at work that were making such an outcome increasingly attractive to some of East Asia's political elites. As we have already seen, one reason for the general interest in establishing institutions like APEC was the growth of regional organizations in other parts of the world. The increasing international presence of the European Union had focused the minds of policymakers around the world, and given greater impetus to regional initiatives everywhere.⁴ What remained to be decided was the shape of such organizations and the purposes to which they would be put. One of the reasons that APEC has struggled to implement its goals and generate widespread support in the Asia-Pacific is simply that a number of influential East Asian figures have been highly skeptical about its agenda and capacity to represent a distinctively "Asian" perspective.⁵

There has been no more influential figure in this regard, and no more hostile critic of what he took to be "Western dominance" than Malaysia's former prime minister, Mahathir bin Mohamad. Mahathir established a high profile during the 1990s as the leader of one of Southeast Asia's most successful economies, and took pains to point out that Malaysia had achieved its success by following a Japanese model of state-led development, rather than the free market orthodoxy that was promoted by institutions such as APEC.⁶ More than that, though, Mahathir was one of the most prominent advocates of "Asian values," or the idea that there was something culturally distinctive about East Asia, and that this accounted for its remarkable economic development. Critics were quick to point out that hard work, "family values" and respect for authority were not necessarily ubiquitous or exclusively Asian virtues, and that the Asian values rhetoric was frequently employed to justify authoritarianism and political repression.⁷ Nevertheless, Mahathir embodied a more assertive expression of regional views and a general increase in what some called "the Asianization of Asia."⁸

It was against this backdrop of successful economic development in East Asia, which had generally been achieved with high levels of state involvement in the economy, that Mahathir began to promote the idea of an East Asian Economic Caucus (EAEC). Originally proposed in 1990, EAEC was envisaged as operating within the wider APEC grouping as a way of giving APEC's Asian members the opportunity to develop distinctive perspectives that more accurately reflected their particular circumstances and historical experiences.⁹ Unsurprisingly

enough, given the influence Japan had exerted on Malaysia's own approach to economic development, Mahathir continued to "look East" and encouraged Japan to take the lead in driving the development of EAEC and championing Asian interests.¹⁰ Equally unsurprisingly, perhaps, Japan's extreme reluctance to do anything that might jeopardize its pivotal relationship with the U.S.A. and the economic and strategic ties embedded within it, meant that Japan was unable to respond to Malaysia's overtures.¹¹

Since the Second World War Japan has continued to find it difficult to take a leadership role in the region. The combination of lingering regional antipathy, domestic infighting over policy, and the priority attached to ties with the United States meant that Japan has frequently been unable to act independently or decisively.¹² In the case of EAEC this problem was compounded by the response of the United States and key allies like Australia, who saw the emergence of EAEC as a direct threat to APEC in particular and to "Western" influence in the region more generally, and consequently did everything they could to discourage it.¹³ As a result, EAEC was effectively snuffed out, although the East Asian countries did begin to act in concert as a group because of their participation in the Asia-Europe Meeting (ASEM).¹⁴ While the ASEM has not really achieved a great deal in terms of tangible outcomes, meetings between the European Union and "East Asia" were symbolically important attempts to shift the center of gravity in world affairs away from the U.S.A., and did have the effect of consolidating a more coherent sense of East Asian identity.¹⁵ Equally importantly, perhaps, ASEM helped pave the way for the re-emergence of EAEC, albeit under another name. EAEC's eventual reappearance as the APT grouping tells us much about the changing shape of both East Asia and of its relations with the U.S.A.

The political economy of ASEAN Plus Three

As we saw in Chapter 2, the East Asian financial crisis had a profound impact on the region. This could be seen most graphically in the region's plummeting currencies, massive outflows of capital, and the dramatic declines in living standards that accompanied economic downturn in the most badly affected countries such as Thailand and especially Indonesia. Indeed, so severe was the impact of the crisis in both of these countries that it eventually triggered regime change. But even in those countries not as badly or directly hit by the crisis, there was a widespread recognition that East Asia was exposed to the vagaries of an international economic system over which the region had

little control. The crisis consequently marked a major turning point in regional opinion about the desirability, even necessity of developing some sort of institutionalized mechanisms with which to try and manage the potentially negative impacts of “globalization,” especially in the financial sector.¹⁶

Although the first meeting of the APT heads of government occurred in the context of the 1997 ASEAN summit in Kuala Lumpur, it was not until a subsequent meeting in Hanoi the following year that the APT process began to be institutionalized (see Box 5.1). Significantly, it was the Asian crisis that provided the decisive catalyst for the development of the APT process. The Hanoi meeting established an East Asian Vision Group (EAVG), which was charged with trying to develop a road map to guide future regional cooperation. While there is a good deal of skepticism in some quarters about what the APT is capable of achieving given the different perspectives of its members,¹⁷ the fact that it is occurring at all is perhaps the most important consideration. This is, after all, a region routinely associated with great diversity and potentially incompatible visions about how it should develop and who should lead it. Paradoxically, there are grounds for thinking that leadership rivalry between China and Japan may actually be providing an integrative political dynamic within the region, as they both seek to extend their influence in Southeast Asia.¹⁸ Japan has felt compelled to respond to China’s increasingly sophisticated and sustained attempts at cultivating good relations with its neighbors by utilizing diplomatic overtures and offers of preferential trade deals of its own.¹⁹

The other point that merits mention when attempting to account for the progress that APT has made thus far is the changed attitude on the part of the Americans. Whereas American opposition effectively scuppered the EAEC, it has adopted a far more relaxed attitude to the APT grouping. This change of sentiment may be a consequence of a preoccupation with other parts of the world, the “war on terror,” and a relative general neglect of Asia, or it may be a consequence of the Americans judging that the emergence of APT poses little threat to their vital interests and is unlikely to amount to much.²⁰ Either way, the U.S.A.’s tacit acceptance of APT has made life easier for the Japanese and given additional momentum to the overall process. That Japan might have been willing to support the APT process is not such a surprise, though. After all, Japanese companies have been deeply embedded in the region for decades, and the Japanese have been keen to export their version of economic development throughout East Asia.²¹

It is important to highlight this underlying “structural” presence on the part of corporate Japan, because it is one factor which some astute

Box 5.1 Major ASEAN Plus Three (APT) initiatives

- Initiation of APT cooperation on sidelines of Second AEAN Informal Summit, Kuala Lumpur, 1997.
- APT process formally institutionalized at Third Informal Summit, Manila, 1999.
- Chiang Mai Initiative of bilateral currency swap arrangements developed on sidelines of ASEAN Development Bank meeting, 2000.
- Adoption of East Asia Study Group Report, agreement to implement short-term measures by 2007.
- 6th APT Finance Ministers Meeting agrees to promote Asian Bond Markets Initiative, Manila, 2003.
- First ASEAN Som Plus Three Consultation on Transnational Crime to address issues like terrorism, piracy, money laundering, drug smuggling and people trafficking, Bangkok, 2004.
- 8th ASEAN Finance Minister Meeting agrees to economic surveillance over and expanded scale of swap mechanisms, Istanbul, 2005.

observers of the region think has provided long-term momentum to East Asian integration and even identity.²² While it has become increasingly commonplace to acknowledge the role played by private sector companies in encouraging cross-border economic integration in East Asia,²³ questions about putative identity creation are more contentious. However, Richard Stubbs argues that the region's common history—especially the impact of colonialism and the Cold War—when combined with broadly similar cultural traditions have “combined to shape the development of a distinctive set of institutions and a particular approach to economic development within East Asian countries.”²⁴ The question is whether such traditions apply universally across such a diverse region, and whether they can actually be expected to influence the behavior of individual states or economic entities if they do. While there is a good deal of evidence supporting the idea that Asia contains very different forms of capitalism and business practices,²⁵ it is not clear whether these provide the basis for a distinct region-wide economy.

What is becoming clearer, however, is that the relative importance and potential influence of Japan, China and the U.S.A. have all been affected by changes in the organization and scale of economic activity

in East Asia and the Asia-Pacific. As far as Japan's leadership potential is concerned the news is not good. It has been frequently pointed out that the impact of Japanese corporations has not always been benign, nor led to the sort of industrial upgrading and development that the "flying geese" model of economic evolution suggests, something which undermines the otherwise positive influence of Japan's economic presence in the region.²⁶ Similarly, Japan has not been able to provide a role as a regional growth engine as its own markets remain protected and difficult to penetrate. Ed Lincoln points out that as far as East Asia is concerned, "Japan is a considerably less important trading partner today than a decade ago."²⁷ A similar tale can be told about the importance of Japanese financial institutions which have retreated from the region as a consequence of the Asian crisis.²⁸ Indeed, some observers argue that the withdrawal of Japanese banks from the region actually helped precipitate the crisis in the first place.²⁹ Either way, it is plain that Japan is simply not as important to the East Asian part of the Asia-Pacific as it once was, and this will do little to further its leadership ambitions in the region.

Quite the opposite can be said about China, and this is why the APT grouping, which China actively supports, is potentially so important. Two aspects of China's transformed position merit emphasis. On the one hand the sheer scale of China's economic expansion has had a dramatic impact on the entire East Asian region, and this helps to account for the remarkably rapid recovery the region has made in the aftermath of the crisis. But what is equally noteworthy about China's growing economic importance is the deepening of its trade and investment links with the rest of the region and the wider world economy.³⁰ Unlike Japan during its earlier rapid growth period, China's economy is very open and it is a major importer as well as a massive exporter.³¹ Consequently, many of China's neighbors have rapidly become highly dependent on and integrated with the mainland economy, giving the PRC government increased political leverage and an ability to shape regional relations.

The longer-term implications of China's rise will be taken up in the final chapter, but two immediate aspects of this process merit emphasis here. First—and again, unlike Japan—China is clearly willing to try and take on a regional leadership role, even if it, too, carries a good deal of historical baggage that it will need to deal with.³² The second point to emphasize is that—in the economic sphere, at least—China is beginning to undermine the economic importance of the U.S.A. to the East Asian economies. For many years the conventional wisdom has suggested that the U.S.A. is simply too economically important to East

Asia for its member states to ever act in ways that might jeopardize access to the American markets. While this is still largely true, it is not as decisive a constraint on East Asian politics as it once was. The reality is that the importance of the American economy to East Asia is steadily declining³³—a possibility highlighted most tellingly by the fact that China is now Japan's biggest trading partner.³⁴ Even more remarkably, it is possible that China may come to be seen as a force for stability in the global economy, while the U.S.A.—especially in the aftermath of the recent financial sector crisis—will be cast as source of instability, profligacy and poor governance.³⁵ The key reality for China's neighbors, whether they like it or not, is that it is simply too important economically not to take its foreign policies seriously.

One of the most important determinants of the course of future regional relations in East Asia will be China's capacity to translate its growing material weight into political influence or power. In some respects it has what look like inherent, structurally embedded advantages, which have attracted much attention over recent years. It has become increasingly common to talk about a Chinese diaspora and distinctive form of capitalism in much of Southeast Asia in particular, and many observers consider this to be a major source of competitive economic advantage and geopolitical leverage.³⁶ And yet it is not clear what the impact of the so-called "overseas Chinese" actually is, or whether they amount to an integrative force, especially one that could be actually utilized by the PRC government in some way.³⁷ On the contrary, in places like Indonesia the presence of an economically powerful minority has frequently been a source of national social tension rather than regional integration.³⁸

But while we may be a long way from "Chinese hegemony" in the region,³⁹ it is also apparent that China is not the source of strategic anxiety that it was until very recently. On the contrary, China's assiduous cultivation of good regional relations, its increasingly deft diplomacy, its constructive role in organizations like the ARF, and its support for multilateralism in general, have all gone a long way to win over formerly nervous neighbors.⁴⁰ Indeed, China is beginning to exert a form of "soft power" hitherto associated exclusively with the U.S.A.⁴¹ The emergence of the so-called "Beijing consensus" as an alternative to the doctrinaire form of neoliberalism promoted by the IFIs with American backing, has begun to establish China as a real role model for an alternative path to economic development and political organization.⁴²

But for all China's undoubtedly growing integrative impact on economic activity and organization in East Asia, there are limits to this process and to the ability of any putative institution to enhance them.

The continuing underlying reality in much of the region is that the often competitive rather than complementary nature of many regional economies has, as we saw in earlier chapters, made cooperation problematic. Politically powerful economic sectors like agriculture or strategically important sectors like auto manufacturing, have made cooperation at the regional level difficult and help to explain the recent fashion for bilateral trade agreements that has swept through the region. It is perhaps unsurprising, therefore, that the area which has displayed the greatest potential for coordinated action via the APT mechanism, has been in the financial sector, rather than the “real” economy. Even here, though, China is beginning to play a more influential role.

Crisis, change and cooperation

Moves toward monetary cooperation have moved in tandem with, and been facilitated by, efforts to consolidate formal political cooperation in the shape of the APT grouping. Clearly, the inclusion of South Korea, Japan, and China, has vastly expanded the strength of the collective East Asian presence in the global economy and the extent of the pool of capital upon which regional economies can potentially draw.⁴³ The potential scale and importance of East Asian capital helps to explain why monetary cooperation has attracted so much interest. However, despite such analytical attention and some significant policy initiatives in this general area, the long-term significance of East Asia’s growing economic strength in this area and the region’s institutional relationship with the wider world remains unclear and contentious.

The massive flows of often speculative, highly liquid capital that had poured into the region in the expectation of reaping rapid profits during the 1990s may have added some momentum to the “East Asian miracle,” but they also created asset bubbles and distorted economic development in much of the region in the process.⁴⁴ What was even worse from the perspective of East Asia’s economic and political elites was the speed with which this capital exited the region once sentiment turned negative. The “Asian miracle” may have been overstated and encouraged hubris on the part of some regional elites, but it was not a myth and many felt aggrieved about the way the region was treated by international “investors” and by the IFIs. Genuine and sustained development had taken place in much of East Asia, and millions of people were lifted out of grinding poverty as a result.⁴⁵ The transformation in attitudes toward the region and the differential treatment meted out to East Asian economies by what were seen to be Western dominated international financial institutions was consequently a particular source

of irritation and resentment.⁴⁶ After all, the U.S.A. has been the world's largest debtor nation for many years and frequently run budget and trade deficits that would have attracted the attention of the IMF if it were any other country.⁴⁷

And yet, whether we think the crisis was caused primarily by internal or external factors, it plainly provided the sort of systemic shock that many observers think is necessary to overcome inertia and begin a process of institutional development and/or renewal, at either the domestic or the international level.⁴⁸ It is no coincidence, therefore, that one of the primary areas of interest in East Asia's burgeoning institutional architecture has been monetary cooperation. In some ways this should not surprise us: not only were problems in the financial sector and the money markets at the center of the Asian crisis, but the East Asian region as a whole—paradoxically enough—now has the most extensive foreign exchange reserves and potential financial strength of any region in the world.⁴⁹ Despite all the attention that was paid to East Asia's supposed economic failings at the time of the crisis, it had already developed substantial foreign currency reserves as a consequence of its ballooning trade surpluses with the U.S.A. in particular. Since the crisis, the position of East Asia generally and China in particular has further strengthened, with major implications for the relative balance of economic power between East Asia and the U.S.A.⁵⁰

But before we consider the implications of this inter-regional relationship in the contemporary period, it is important to note that one of the consequences of the crisis and the foreign policy of the U.S.A. has been to bring about a major shift in Japan's attitude toward both regional cooperation and the U.S.A. itself—at least in the economic sphere. At one level Japan's cooler attitude toward the U.S.A. was a consequence of Japanese policymakers' very different interpretation of the causes of the crisis, which the Japanese saw as a liquidity problem brought on by the operation of the international financial system, rather than a result of "crony capitalism."⁵¹ At another level, however, Japanese irritation was fueled by the way in which the U.S.A. effectively torpedoed Japan's initial attempt to provide a rescue package, the Asian Monetary Fund (AMF). The AMF was proposed by Japan in the immediate aftermath of the crisis, but was resolutely opposed by both the IMF and the U.S.A., who feared that Japan would attach softer conditionality to any bail-outs than the IMF would.⁵² They may have been right, but the reality was that Japan's efforts were effectively thwarted, while the IMF's were widely considered to have made things even worse.⁵³ The net effect was to give continuing momentum to the cause of East Asian institutional development.

Cooperation in practice

Like Mahathir's EAEC initiative, the AMF is an idea that has never gone away, but has resurfaced in new forms. Although Japan abandoned the idea of a distinct AMF mechanism, the general principles it embodied re-emerged first in the so-called "New Miyazawa Initiative," and then in the Chiang Mai Initiative (CMI) of May 2000. Two points are worth emphasizing about these inter-connecting processes: first, the Japanese did not meekly surrender to U.S. opposition and pressure in the way they had done previously, but persisted with their own plans and efforts to lead an East Asian recovery process. Second, the CMI, which eventually emerged as the most significant effort to coordinate regional monetary relations, was developed under the auspices of the APT framework. Consequently, this is a potentially significant moment in helping to define what the APT is intended to achieve. For as Katada points out, the idea behind these monetary initiatives is to reduce or balance Asian countries' current heavy reliance on the U.S. dollar. Both of these initiatives appear as a large step toward the institutionalization of Asian economic regionalization in a pure "Asian" form rather than an "Asia-Pacific" one (which would include the major presence of the United States).⁵⁴ In principle, therefore, the CMI and an East Asian dominated process of monetary cooperation had the potential to reconfigure the balance of economic power between the Asian and Anglo-American sides of the Asia-Pacific. In practice, however, the changes have not been as dramatic or far-reaching as might have been expected.

At the heart of the CMI was a proposal to develop a series of bilateral currency swap arrangements. Over 30 bilateral arrangements were proposed under the CMI rubric, between the three Northeast Asian countries and their poorer, more economically vulnerable neighbors in Southeast Asia.⁵⁵ The swap arrangements were designed to be used in the event of an exchange rate crisis of a sort that struck the region so forcefully in 1997. Participants could swap one currency for another and reverse the transaction in the future when the crisis had passed. Given that two of these countries—China and Japan—have the largest such foreign currency reserves in the world, this is a set of arrangements that made a good deal of intuitive sense and had the potential to bind the APT countries into long-term, functionally significant relationships that might give political momentum to changes in the region's underlying economic structure.

Yet a number of problems have made the currency swap arrangements less significant than they might have been, and cast doubt on

East Asia's capacity to manage its economic relationships independently. Most fundamentally, there appears to be a good deal of nervousness on the part of those countries that would be expected to provide the bulk of the funds to underwrite any swap arrangements about making an open-ended commitment to their impoverished neighbors. As John Ravenhill points out, thus far the swap arrangements are significant primarily for their symbolism, and it is striking that both Japan and China have been keen to maintain links with existing IMF-determined conditionality.⁵⁶ In other words there are clear limits to the sort of commitment either country is prepared to make in the interests of East Asian solidarity. The striking paradox, thus far, therefore, is captured by William Grimes when he suggests that:

regionalism can in some ways best be seen as a defensive measure against US influence, based on a common nationalist analysis that sees the United States and globalization as greater threats to national autonomy even than historical enemies. Nonetheless—and surprisingly given the rhetoric of nationalism and insulation—East Asian financial regionalism is generally supportive of stated US goals and of existing global financial architecture.⁵⁷

Parts of this paradox are familiar and reflect the continuing influence of the ASEAN way and the regional preference for limited interference in domestic affairs. Although an "ASEAN Surveillance Process" was established as part of the overall CMI process, which was designed to undertake "peer review" of economic circumstances and policies in participating countries, it is evident that Japan in particular has limited faith in such arrangements. Although some observers have emphasized that the peer review process marks a departure from the ASEAN way,⁵⁸ in reality it seems unlikely to generate confidence in the region's capacity for self-regulation. More fundamentally, perhaps, it is still unclear how the CMI process will operate or develop. Again, such difficulties have some familiar roots: there are doubts about the sheer technical and bureaucratic competence of some of the participants, highlighting the region's very different state capacities and resources; and there are familiar leadership tensions between China and Japan and consequent doubts about the latter's ability to internationalize the yen and make the region as a whole less reliant on the U.S. dollar.⁵⁹

It is, perhaps, this latter issue that places the most fundamental constraint on the region as a whole and its capacity to take a more independent position in intra-regional financial relations. Despite the region's

collective economic strength and potential leverage in the international economic system, the reality is that it remains highly dependent on the U.S.A. and locked into a system of what former treasury secretary Lawrence Summers has described a “balance of financial terror.”⁶⁰ Without China’s and Japan’s willingness to continue buying U.S. Treasury bonds, thus allowing the U.S.A. to run major budget and trade deficits, a key feature of the global economy would likely unravel.⁶¹ Not only might this trigger a further, major depreciation of the American dollar, but it would inevitably curb the appetite of American consumers for East Asian exports. In such circumstances there are powerful constraints on Asian policymakers despite the potential attractions of regionally based monetary arrangements and East Asia’s collective capacity to underwrite them.⁶² Indeed, some observers consider that the entire discussion of Asian monetary cooperation has mainly “symbolic” value, and should be seen as a strategy in which “Asia can support the quest for a bigger role for Asian members in the IMF system,” rather than an attempt to develop a genuine, regionally based currency regime.⁶³

Does this mean that the prospects for East Asian cooperation are too limited to be of significance? Alternatively, does the absence of leadership from East Asia’s largest economies and the U.S.A.’s continuing importance suggest that the Asia-Pacific is the appropriate space within which to deal with such issues? Not necessarily. There are at least two reasons for thinking that, despite some formidable problems, the institutionalization of monetary cooperation may yet provide ballast to the idea of an East Asian region. First, the degree of cooperation between public officials in the financial sector in East Asia has grown rapidly and become increasingly institutionalized. In this context, even the process surrounding the negotiation of the bilateral swap mechanisms has, according to Jennifer Amyx, helped to create “dense networks of communication between central bankers and finance ministers in the region—networks that did not exist at the time of the financial crisis.” It is precisely these sorts of new, “ad hoc problem-oriented coalitions” that some observers argue are knitting the East Asian region together from the bottom up.⁶⁴

It remains to be seen how effective such groups will be, but they are likely to gain renewed impetus from a second potential driver of an East Asian as opposed to an Asia-Pacific form of regional cooperation. We have already seen that the U.S. economy is no longer as important as a trading partner for the East Asian region, but its current position and influence may be further undermined by a long-term reassessment of its status as a source of economic stability, too.⁶⁵ Recent volatility in the American economy, triggered by questionable, non-transparent

economic practices and relationships, have undermined confidence in the American economy and triggered a continuing decline in the value of the dollar and dollar-denominated assets.⁶⁶ For those countries with massive investments in the U.S.A. this is potentially a major problem and one that they could easily make worse by the sort of rush-for-the-exits that predominantly American financial institutions undertook during the Asian financial crisis. The point here is not just to note the striking ironies and double standards inherent in this situation or dwell on the existence of “crony capitalism” in the U.S.A.⁶⁷—although both are important—but to highlight the long-term changes that may be underway in the position of the U.S. economy and the way that it is perceived internationally.

Institutional competition and regional definition

One of the more noteworthy developments that has occurred in both East Asia and the wider Asia-Pacific region has been the emergence of a number of potentially competing institutions. As we have seen, a surprising number of initiatives have emerged in a region not normally associated with high levels of institutionalization and with historically modest levels of underlying state capacity with which to make any such initiatives effective. Indeed, there is widespread doubt about how genuine the enthusiasm for new regional entities of whatever geographical scope actually is, given the enduring concerns that exist about national sovereignty and the possibility that it might be compromised by powerful external agencies. Reconciling the tensions between the apparent “need” for collective, institutionalized action in an era of greater cross-border economic integration, and the desire to maintain autonomy is a universal challenge, but one that assumes a particular urgency in East Asia.⁶⁸

What makes the East Asian dilemma especially acute is the fact that it is overlaid with geopolitical tensions and consequent differences of opinion about who should actually be included in any possible organization. These difficulties and contradictions were evident in the inaugural meeting of the East Asia Summit (EAS), which was held in conjunction with 11th ASEAN summit in 2005.⁶⁹ The membership of the EAS is, thus far, arguably its most noteworthy feature, as it is at least as significant for which countries it doesn't include as it is for those it does. Although Australia, New Zealand and—most significantly in the longer term, perhaps—India are included in the EAS, the United States not. It is the United States' absence and the inclusion of India, the other rising Asian economy, that have attracted the most

comment: both India and China have the potential to redefine the balance of influence and power within any grouping of which they are a part and the very definition of the region any new institution claims to represent. Clearly, if the EAS consolidates and becomes a powerful and effective organization, the inclusion of all of "Asia's" biggest economies will not only give such a grouping a major presence globally, but mark an important redefinition of "the region" in the process.

India has already tried without success to gain entry to APEC, placing that institution in an awkward position. Like China, India's rapidly changing economic status has made it an attractive and important economic partner, but one which threatens to upset the status quo. Admission to the EAS thus marked an important step in India's attempts to engage more directly with East Asia, but necessarily threatened to undermine the relative importance of the region's existing members and the overall coherence of "East Asia" as a distinct entity. For China in particular, the very idea of another, wider institution in which its influence would necessarily be diminished, was an unwelcome prospect and one that it assiduously sought to avoid. However, for the same reasons, other East Asian nations thought India's inclusion would actually be desirable, precisely because it might provide a "hedge" against Chinese dominance.⁷⁰ Japan, predictably enough, was not keen to see its principal rival for regional leadership honors gaining a dominant position in the APT grouping and was thus keen to dissipate Chinese influence. Likewise, some of the smaller Southeast Asian countries like Singapore, were also keen to balance Chinese influence by bringing in new members like Australia.⁷¹

As far as China is concerned the presence of countries like Australia, New Zealand and India was not just damaging to the coherence of "East Asia," but likely to provide a continuing conduit for American influence, despite the latter's official absence. After all, the government of John Howard was widely seen by East Asian leaders as extremely close to the U.S.A., and little more than America's "deputy sheriff" in the region.⁷² Interestingly, some of the Southeast Asian states had sought to use Australia's desire to gain access to the EAS as a bargaining chip, insisting that Australia sign ASEAN's Treaty of Amity and Cooperation (TAC) before it was granted membership.⁷³ Australia's extreme discomfort at being forced to choose between its desire for a greater institutional presence in East Asia where its principal economic ties were found, and the Howard government's instinctive privileging of its strategic relationship with the U.S.A., highlighted the competing logics and tensions that underpin regional relations.⁷⁴ The problem of regional identification and acceptance has proved especially challenging

for both Australia and Japan, which have felt ambivalent about any commitment to East Asia that might jeopardize their ties with the U.S.A.⁷⁵

Given the relatively limited progress that has been achieved under the rubrics of either ASEAN or the expanded APT grouping, it might be thought that it is of little importance whether countries gain access to EAS or not. This is especially the case as the APT—within which China exerts a paramount influence—stated that the APT grouping remains the preferred mechanism within which to promote regional integration and cooperation.⁷⁶ There is something in this. However, given the scale of the ambition underlying the EAS, there is potentially much at stake. The EAC emerged from the deliberations of the East Asian Vision Group (EAVG), and provided a road map for future institutional development in East Asia. At the conclusion of the Bali summit in 2003, the APT countries called for the establishment of an EAC, something Curley and Thomas considered a “remarkable policy shift.”⁷⁷ It will certainly be a remarkable achievement if such an entity comes to have more than a notional existence. An important precursor for such a vision will be the realization of yet another part of East Asia’s rapidly expanding alphabet soup, the ASEAN Economic Community (AEC). The AEC brings together a number of discrete regional initiatives in the area of trade, investment and services and could theoretically give additional impetus to regional economic integration despite what even optimists recognize as the region’s “less than optimal history of delivering results on time or as envisaged.”⁷⁸

This rather bewildering array of often overlapping initiatives suggests that the region may need a period of institutional consolidation. In the event of an institutional shake-out, individual states may consider it wise to have a presence in as many prospective groupings as possible, just in case one of them really does amount to something and eventually exerts a powerful influence on the region—however it is defined. In this context it should be noted that even China, perhaps the greatest enthusiast for a narrowly defined East Asian region, is not confining its actions to this arena. On the contrary, China’s increasingly effective diplomacy has an equally expansive ambit. Although China has begun to exercise an influence in Africa and Latin America,⁷⁹ it is China’s activities in Central Asia that are of greatest potential institutional significance here. The Shanghai Cooperation Organization (SCO), which China has taken the lead role in developing, includes China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and most recently Uzbekistan. The SCO was formalized in 2001, when all six members signed a joint declaration. Not only is the SCO significant

as it contains in China and Russia two of the world's most important strategic actors, who are acting increasingly cooperatively to balance American power,⁸⁰ but it also offers China an opportunity to entrench its political influence in a region of pivotal importance as a source of future energy supplies.⁸¹ In many ways, of course, this represents something of a return to "normal" and more evidence of China's reappearance at the center of broadly conceived Asian affairs.⁸²

Concluding remarks

The record of institutional development and cooperation in East Asia does little to inspire confidence or suggest that such processes will amount to much. And yet, as we have seen in this chapter, there has never been more interest in, or more initiatives flowing from, forms of political interaction centered on the idea of East Asia. It remains to be seen, of course, which—if any—of these various initiatives will amount to anything, but the fact that they are occurring at all is noteworthy. The strategic importance and economic weight of the East Asian region means that it already looms large on the international stage; if it can act collectively it has the potential to compete with and even surpass the EU. The establishment of an Asian bond market, something the APT grouping is actively trying to develop, is one potentially significant development in this area, although progress has been fairly slow thus far. Indeed, the overall impression regarding financial cooperation is of much potential, but limited achievement.⁸³ But while regional cooperation in key functional areas is proving difficult, and while there are still major obstacles to future integration—possibilities that are considered in more detail in the final chapter—the very idea of East Asia is one that simply refuses to go away, despite some spectacular false starts and profound obstacles.

The profusion of regional initiatives considered in this chapter highlight some important aspects of this unfolding process. First, it is especially significant that most of these nascent processes revolve around some notion of "East Asia." True, the definition of even East Asia is contentious—largely as a consequence of Taiwan's uncertain status—but the fact that China is often at the practical or symbolic center of such activities may provide an important indicator of the way the region will eventually coalesce. This is even more likely when we consider that a second feature of East Asia's evolving regional process revolves around "functional" issues like monetary cooperation. Despite some important technical and jurisdictional problems, the fact that such initiatives continue to make progress, suggests that there is an

underlying need as well as desire for their establishment which may help them to endure. This leads to a third possibility: the fact that East Asia is now developing an increasingly thick layer of institutional interactions must be having some impact on the behavior and policy calculations of regional political, business and even strategic elites. Such an array of processes, be they “track two,” informal, or private sector-led may be “vastly enhancing the bottom-up integration of the region.”⁸⁴

But even more than in the EU, which emerged from very different geopolitical circumstances, the future of East Asia—or even the Asia-Pacific, for that matter—depends upon continuing economic development, as well as economic integration. Here the challenges look more formidable and the prospects less certain. For this reason the final chapter attempts to put the East Asian experience in perspective and identify the factors that are likely to shape its future trajectory.

6 The prospects for institutionalization in the Asia-Pacific

The Asia-Pacific region occupies an increasingly prominent place in the international relations system. The interactions between first Japan, and more recently China and the United States have been some of the key drivers of intra- and inter-regional relations for more than 50 years. All other things being equal, it seems certain that China will replace the United States as the largest economy in the world by the middle of the century,¹ and possibly trigger a far-reaching re-ordering of the international system as a consequence.² In such circumstances, the institutional architecture of the region—be it the Asia-Pacific or East Asia—has the potential to play a critical role in deciding whether such a shift in the relative standing of the world's two largest economies will be orderly or traumatic. Although it is impossible to know precisely how such events will play themselves out, the potential consequences of such changes are of such importance that it is worth trying to isolate some of the factors that are likely to determine the outcomes.

While some of what follows is necessarily speculative, a number of the key challenges with which regional policymakers must wrestle are already painfully clear. Indeed, many of the key issues are familiar and have already been the subject of political attention. If the past is a guide to the future, however, then the prospects and the challenges look rather sobering. Unsurprisingly, perhaps, China is at the center of the discussion because of the sheer scale of its developmental process and its consequent impact on every aspect of regional development. As a result, a good deal of this final chapter is devoted to an assessment of the sustainability of the “rise of China” and the implications this may have for its relations with East Asia generally and the U.S.A. in particular. The optimistic story is about economic development, political cooperation and institutional consolidation; the pessimistic version is about increasing tension and a potential descent into chaos that regional institutions will have little capacity to prevent. A measured assessment

of the challenges may, however, better equip the region's nascent institutional architecture to rise to them.

Can East Asia manage environmental change?

There is arguably one issue above all others which looks set to have a decisive influence over future economic, political and possibly strategic developments in the Asia-Pacific: the environment. True, this is by definition a universal problem and one about which there is a growing consensus.³ However, environmental problems are especially challenging in East Asia because they threaten to undermine the rapid growth paradigm, one of the region's most distinctive features and the source of critical legitimacy as far as its political elites are concerned.⁴ This is especially the case in China, which has already experienced domestic social unrest as a direct consequence of environmental degradation.⁵

China's economic development, which is the principal source of legitimacy for the ruling CCP, is exerting an alarming, clearly unsustainable toll on the natural environment, and threatening to unravel the process of economic expansion. Chronic shortages of fresh, unpolluted water are causing major health and political problems, and undermining the basis of the rapid development model.⁶ China's enormous population may not be expanding as rapidly as it once was, but rising living standards and rapid urbanization are creating escalating material demands and pressure on the environment. The scale of the challenges facing China is unprecedented and—whatever we may think about China's authoritarian leadership—it is remarkable that they have been able to manage such wrenching physical, social and ideological changes so effectively thus far. The big question now is whether they will be able to do so when the degradation of the environment has the capacity to derail the entire economic growth paradigm.⁷

While China may be facing the most formidable, dramatic, and geopolitically consequential environmental problems in East Asia, unfortunately it is far from unique. Much of Southeast Asia finds itself in the unenviable position of attempting to manage domestic problems that are compounded by a regional environmental hierarchy. Japanese multinational corporations, for example, have satisfied voracious domestic demand by cutting a swathe through the region's natural environment and its tropical forests in particular. Japan's "ecological shadow" extends across East Asia and beyond, incorporating the likes of Indonesia, the Philippines and Papua New Guinea into a regional political economy that exacerbates a range of problems associated with deforestation, to say nothing of exerting a potentially corrupting influence

on local elites.⁸ Flash-flooding in the Philippines and seemingly uncontrollable forest fires in Indonesia, cannot be understood without placing such phenomena in a larger regional context that reflects underlying disparities of economic and political power;⁹ nor can the fact that such problems prove so intractable given the seemingly compelling incentives for reform. Unfortunately, the connections between economic, political and even military power mean that in some parts of Southeast Asia the obstacles to sustainable environmental management appear too substantial to overcome.¹⁰

East Asia highlights a contradiction or tension with universal resonance: the connections between poverty and environmental degradation are increasingly clear in the region,¹¹ but so are the consequences of “successful” development. Optimists point to the growing consciousness about, and ability to tackle, environmental issues that has—to some extent, at least—accompanied rising living standards in the industrialized economies. Pessimists note both the growing demographic pressures on finite resources and the embedded patterns of exploitation that have large environmental impacts with limited social benefit in much of Asia. The rapid growth of palm oil plantations is a classic example of the seemingly inescapable tensions that exist between economic development and environmental sustainability.¹² More generally, the historical record of environmental management in the region makes for sobering reading. The intense pressure to achieve development at all costs, and a frontier mentality toward the natural environment, have combined to replicate similar patterns of exploitation to those that characterized early development processes in Europe and America.¹³ The problem now, of course, is that there is precious little virgin territory or unexploited natural resources to permit Japanese-style outsourcing of environmental impacts and needs. Indeed, a heightened consciousness of the limited nature of the planet’s resource base may be creating the preconditions for new geopolitical tensions that may undermine the region’s already limited institutional capacity to meet collective challenges. Although ASEAN Plus Three has put the environment on the agenda, little substantive progress has been made thus far.¹⁴

This is not to say that efforts have not been made within the region to try and address some of these problems. The “haze problem,” which stems primarily from the burning of Indonesian forests, and which affects so much of Southeast Asia, is perhaps the most compelling trans-border environmental challenge at present. It is, however, one that resists easy resolution in part because many members of extant, interlocking networks of economic and political power, both domestically

and at the transnational level, have little interest in changing their mutually rewarding practices.¹⁵ The ASEAN grouping is potentially well placed to address trans-boundary pollution, and has stressed the need to take collective action to address the problem. In reality, however, ASEAN has proved incapable of addressing an issue that goes to the heart of concerns about national autonomy, state capacity, and the difficulty of overcoming entrenched national interests.¹⁶

Can East Asia manage leadership rivalry?

One relationship is likely to prove decisive as far as both the Asia-Pacific and East Asia are concerned, and for the ability of countries within either region to build effective institutions. Both China and Japan have, with varying degrees of success, tried to offer leadership to the East Asian region, and their respective ambitions and mutual interaction seem certain to profoundly influence the future course of institutional development there and in the wider Asia-Pacific. Both countries have potentially major handicaps which make such ambitions difficult to realize, however.

The central constraint on Japan's regional leadership ambitions—and in the wider international arena, for that matter—is its continuing subordination to and dependence on the U.S.A. While most analysts see this bilateral relationship as a vital, irreplaceable cog in the regional security architecture,¹⁷ it has plainly constrained Japan's ability to act independently. Indeed, as Kenneth Pyle reminds us, American foreign policy in East Asia since the World War II has self-consciously been at least as much about “containing” Japan as it has been about containing China.¹⁸ As we saw in Chapter 5, the U.S.A. has effectively thwarted Japan's attempts to develop an autonomous, East Asian economic capacity with which to insulate the region from the impact of global market forces. What has been especially noteworthy about the Koizumi regime in particular has been that the general trend in Japanese foreign policymaking over the last few years has been to move even closer to the U.S.A.¹⁹ The debate about the role of Japan's Self Defense Forces, the desirability of rewriting its constitution to allow the deployment of its forces overseas, and the direct involvement of Japan in the U.S.A.'s proposed ballistic missile system, are all tangible expressions of this shift. The net effect of such moves is to further cement Japan's position as the junior partner in the bilateral relationship and foreclose certain policy options as a consequence.

In the context of managing China–Japan relations and containing regional tensions, the significance of Japan's evolving policy position is

twofold. On the one hand, Japan's principal strategic relationship is in the Asia-Pacific, rather than East Asia, something that inevitably makes the consolidation of the latter as an encompassing regional identity or actor problematic. We have already seen that Japan's reluctance to jeopardize its relationship with the U.S.A., or participate in groupings that exclude the U.S.A., has effectively foreclosed some regional initiatives. On the other hand, however, the fact that Japan has chosen to reinforce its key bilateral strategic relationship by active participation in missile defense and by evincing a greater commitment toward "burden sharing" is bound to alarm and irritate China. Although Japan and the U.S.A.'s other key ally Australia have been at pains to dispel the idea that their growing security cooperation is not designed to contain China, there is little doubt that China looms large in the minds of many of the Asia-Pacific's strategic thinkers.²⁰

China's concerns are understandable. For all the attention that is given to the strategic implications of China's growing economic weight, it is worth remembering that for all its ostensible commitment to non-aggression, Japan is still "far ahead" of China in conventional military terms.²¹ When seen from China, therefore, its strategic planners might be forgiven for feeling slightly paranoid about the actions and strategic intent of powerful neighbors with which it has a long record of discord and outright conflict. True, China has nuclear weapons and Japan does not, but it is widely recognized that Japan could easily acquire them and profoundly influence the extant regional balance of power as a consequence.²² The problem as far as overall regional stability and the capacity of nascent organizations to manage intra-regional tensions is concerned, is that such developments occur within the overheated context of historically embedded animosities. The problem for both China and Japan in particular is that long-standing tensions and suspicions can easily combine with underlying nationalist sentiment to create a dangerous, destabilizing atmosphere in which deteriorating bilateral relations can derail regional cooperation.²³

Significantly, as we have seen, China is attempting to use ASEAN Plus Three in particular to advance its own position at the expense of Japan.²⁴ As far as Japan is concerned, its ambivalence about its commitment to "the region," especially in its East Asian form, means that its influence over its East Asian neighbors is likely to decline. This is especially the case as Japan's principal source of "soft power" and political influence—its importance as an economic actor and role model—has diminished over the last few years.²⁵ Even more problematically from a Japanese point of view, its own declining economic importance to the region is being replaced by China's. This underlying

structural reality and the “recognition of China as the de facto future leader of the region” has been consolidated by China’s deft diplomacy and the development of an ASEAN–China free trade area.²⁶ The big question is whether the seemingly implacable logic of greater economic interdependence which has plainly driven the nervous ASEAN nations into a closer relationship with China can work a similar magic on Japan–China ties. Although the evidence is somewhat mixed,²⁷ the important point from the perspective of regional institutional development, is that such processes seem likely to prosper or fail relatively independently of the efforts of regional organizations, be they Asia-Pacific or East Asian in identity.

The pivotal economic reality in East Asia seems to be that the intensification of economic ties between China and Japan is occurring without the influence of regional management or oversight, and with only modest levels of bilateral political effort. Whether the two nations will be able to continue managing their bilateral ties in this way, given growing energy competition and territorial disputes in the potentially resource-rich East China Sea, remains to be seen.²⁸ Much the same could be said about what has rapidly become both the region’s and the world’s most important single bilateral relationship between China and the United States.

Can the Asia-Pacific manage hegemonic competition?

The evolving bilateral relationship between the United States and China has a particular salience for both the Asia-Pacific and for the narrower East Asian region. As we have seen, China has been investing significant effort in the ASEAN Plus Three grouping, and this has the potential to consolidate a distinct East Asian region that excludes the U.S.A. The U.S.A. under the current Bush administration, at least, has done relatively little to counter this, giving modest levels of support to Asia-Pacific organizations like APEC, whilst increasingly favoring bilateral approaches to trade and security issues. However, it is not simply that the U.S.A. and China may have differing views about their preferred mechanisms for conducting regional relations that is of significance here. Rather, the emergence of fundamentally different and potentially incompatible foreign policy goals threatens to complicate intra-regional relations, especially in their Asia-Pacific guise.

If it has proved difficult to generate meaningful cooperation with which to address climate change and environmental degradation in the Asia-Pacific,²⁹ it seems that cooperation on other issues may be even more remote. Both the U.S.A. and China are, in different ways, locked

into energy-intensive economic paradigms which leave seemingly little room for maneuver, either domestically or internationally. China's appetite for natural resources and energy has expanded rapidly over the last 20 years or so and is having a major impact on global commodity prices and production strategies.³⁰ Despite occasional nods in the direction of conservation and environmental sustainability, the overriding political reality is that the PRC's leadership is wedded to a non-negotiable energy-intensive developmental paradigm.³¹ Likewise, the U.S.A. under the leadership of George W. Bush has shown little enthusiasm for curbing its massive energy usage or shifting to something other than an oil-based economy.³²

There are a couple of potential consequences of this general situation that have potentially important implications for intra- and inter-regional relations. First, the longer-term prognosis of unchecked climate change is unrelentingly grim,³³ and already manifesting itself in China in the form of environmentally triggered social unrest.³⁴ Plainly, these are not problems that are unique to the Asia-Pacific, even if the overall region is contributing an increasingly larger part of the problem. In China's case, however, there is a major internal "contradiction" between the Chinese government's developmental ambitions and the natural environment's ability to sustain them—the incompatibility of which presents a major governmental challenge for the ruling elite. Indeed, it is not too fanciful to believe that the scale of the problems and the government's limited capacity to address them represent a direct threat to the durability of the regime and public order more generally.³⁵

Although such possibilities remain speculative and perhaps remediable, the second challenge that flows from rising energy usage in particular is more immediate and potentially more explosive. Both the U.S.A. and China remain highly dependent on external sources of energy, and there is an intensifying competition to secure access to such supplies.³⁶ Although there is a good deal of debate about precisely when supplies of oil in particular are likely to run out,³⁷ the rise in crude prices and the accelerating demand from expanding economies like China's and India's means that diminishing supplies are likely to be a source of increasing tension.³⁸ It is indicative of just what a bedrock, highly sensitive and non-negotiable issue energy security is in East Asia that even Japan was willing to risk the wrath of its principal security guarantor by establishing closer relations with Iran in defiance of U.S. wishes.³⁹

What is at stake here is not simply a familiar if rather old-fashioned struggle over material resources in what otherwise seemed an increasingly

stable and interdependent Asia-Pacific region, but also a contest about the way such a competition should be managed. We have already seen how the Beijing consensus has come to stand for a more “pragmatic” East Asian approach to economic management and development. What is more surprising and noteworthy, is that the U.S.A. is increasingly choosing to respond in kind. The willingness of the U.S.A. to adopt its own more “comprehensive” view of national security priorities can be seen in the revealing decision by America to block the acquisition by China’s National Offshore Oil Corporation (CNOOC) takeover of the small American oil company, Unocal, despite the fact that CNOOC offered the best price.⁴⁰

Such incidents and tensions in the economic sphere are likely to intensify because of the very different paradigms that prevail in China and the U.S.A. The development of Singaporean-style “sovereign wealth funds” in China, for example, has the potential to destabilize bilateral relations as China seeks to make strategic investments in the rhetorical home of free market capitalism.⁴¹ In reality, of course, the U.S.A. has frequently been anything but a model of *laissez-faire* non-interventionism. But the political expediency of more protectionist policies is likely to be intensified if unhappiness about the scale of China’s trade surpluses grows. The fact that the “trade problem” may be overstated and of America’s own making is unlikely to dampen the clamor for a more defensive response to the Chinese challenge.⁴² This is especially the case if China moves to divest itself of some of its American investments as a response to the American dollar’s seemingly inexorable fall and the concomitant decline in the reputation of the U.S. economy as a safe haven and source of stability.⁴³

The point here is not to produce a laundry list of potential irritants in U.S.A.–China relations, but to draw attention to a number of issues that are likely to grow in importance as resource competition intensifies, and American politicians in particular consider how to respond to what seems likely to be a steady decline in the position of the American economy.⁴⁴ It is perhaps this shift in the relative importance of the American and Chinese economies that may exert the most enduring influence on other states in the region. The key issues here will be the degree to which China can play the sort of growth-enhancing role that the U.S.A. has traditionally filled,⁴⁵ and the extent to which the East Asian region as a whole has become “uncoupled” from the U.S.A.⁴⁶ While it is plainly too soon to make any confident prediction about this, it is striking that the reputation and standing of the U.S.A. already seems to have suffered and this would seem likely to enhance China’s relative standing.⁴⁷

Concluding remarks

All other things being equal, it seems reasonable to assume that China's hegemonic influence in East Asia will grow over time. While such a prospect may alarm some strategic analysts in the U.S.A. and trigger more demands for its "containment,"⁴⁸ if it proves politically and environmentally sustainable the rise of China would seem unstoppable and potentially good news for both the Asia-Pacific and East Asia. It is hard to think of compelling arguments against millions of people being lifted out of poverty. Likewise, the rise of so many consumers may actually fulfill the hopes of so many Western business executives who saw China as a potentially limitless market and source of profit. As we have seen, American firms—like their counterparts in Japan and other parts of East Asia—are increasingly reliant on China for cheap goods and labor. In ways that seem under-appreciated in the U.S.A., China's integration into an international political economy dominated by "the West" generally and the U.S.A. in particular, represents a major geopolitical "victory" for America and its allies.

Significantly, China's rise and its conversion to capitalism were a consequence of long-run changes in the international system, rather than the direct actions of any specific institutions. The rapprochement between the U.S.A. and China and the later collapse of the Soviet Union paved the way for a major reorientation of Chinese strategic and economic relations. Even then, it was equally noteworthy that it was the WTO rather than any Asia-Pacific or East Asian institution that did most of the heavy lifting in overseeing and codifying the precise terms on which China's ultimate accession to the global trading system occurred.⁴⁹ Indeed, the rather deflating conclusion from the perspective of the Asia-Pacific's expanding ranks of diplomats, policy entrepreneurs and officials, is that they have generally played a modest role in driving the region's big changes.⁵⁰

Having said that, we must be careful not to understate the longer-term impact of the region's increasingly complex and deep institutional architecture. True, it is hard to point to important interventions on a par with the WTO's influence over China. And, yes, the existence of practices like the ASEAN way seem intended to thwart rather than encourage decisive regional interventions and cooperation at times. But it is also clear that the very existence of regional institutions and the opportunities they have provided for consultation, confidence-building and even identity-formation, have given ballast to regional relations that helps to explain the continuing and confounding stability of an East Asian region that has long since been predicted to descend into conflict if not chaos.

It is, of course, difficult to be certain how much of the credit for this happy outcome should be attributed to the region's institutional architecture. In the Asia-Pacific case, it is tempting to say "not much." After all, the definition of the region itself, and the role any putative organization should play within it has always been contentious and the key organizations—APEC and the ARF—have generally not had a major impact on their members. In East Asia, by contrast, the prospects look slightly brighter, if only because the scale of any institutional operations is more modest and manageable. It is also the case that, for all its shortcomings, ASEAN is a model of endurance, and one that has had some impact on the behavior of its members. The question is whether it, and its even more ambitious offspring, ASEAN Plus Three, can tackle the emerging problems that look set to test the abilities of even the most able and long-standing institutions of Western Europe, never mind their younger counterparts in East Asia and the Asia-Pacific. For the sake of the region—however it is defined—and the wider world, we must hope its policymakers can achieve a political authority and competence that matches its geopolitical and economic significance.

Notes

Foreword

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Introduction

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