

RIVAL REGIONALISMS AND REGIONAL ORDER

A Slow Crisis of Legitimacy

By Ellen L. Frost



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Rival Regionalisms and Regional Order: A Slow Crisis of Legitimacy

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NOTE: The views expressed in this essay are those of the author and do not necessarily represent those of the National Defense University, the Department of Defense, or the U.S. government.

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EXECUTIVE SUMMARY

This essay analyzes Asian regionalism, China's recent organizational initiatives, postwar U.S. policies toward regional institutions, the role of U.S. allies and partners, and current U.S. goals.

MAIN ARGUMENT

Recent economic and security developments threaten to fragment Asia's institutional landscape, erode regional stability, and undermine Asian confidence in the legitimacy of the institutions and values underpinning the existing liberal economic order. "Rival regionalisms"—new or re-energized regional groupings initiated or heavily supported by China and Russia—are on the rise. Their goals include providing alternatives to U.S.-led institutions, thereby avoiding Western-backed conditionality and reducing U.S. influence. As a result, a slow crisis both of regional and global order and of institutional legitimacy is emerging.

POLICY IMPLICATIONS

- Top U.S. officials, including the president, should work to rebuild the legitimacy of regional and global institutions. The White House needs to devote far more effort to building a congressional consensus in support of legislation to reform the International Monetary Fund and comparable institutions. The first priority should be expanding the voting power of China and other emerging powers, without conditions.
- Concluding and ratifying the Trans-Pacific Partnership (TPP) and reauthorizing trade promotion authority are geopolitical imperatives for the U.S. Some degree of compromise will be required. The president and his top officials should make the case for the TPP on broadly defined geopolitical and national security grounds, not just for economic and commercial reasons.
- The U.S. should not oppose China's organizational initiatives or try to block other countries from participating in them. Instead, Washington should fully implement the economic component of its rebalancing policy and expand the use of soft-power tools.

Although the United States remains a powerful and active “resident power” in Asia, the regional order that underpins Asia’s stability and prosperity is experiencing serious pressures and may be eroding. Citing a dubious historical narrative, China continues to rely on a show of force rather than arbitration or mediation to pursue its maritime territorial claims. The U.S.-China relationship, so crucial to regional stability, has been severely strained in recent years. Ties between two key U.S. allies, Japan and South Korea, are the worst that they have been in decades.

On the economic front, intraregional integration is proceeding, but efforts to negotiate a final agreement among the twelve first-round members of the Trans-Pacific Partnership (TPP)—dubbed a “21st century” trade and investment agreement—have stalled. Congress has still not reauthorized trade promotion authority (TPA, formerly known as fast-track authority), which provides for up-or-down congressional votes on trade agreements and thus avoids the unraveling of carefully negotiated provisions. The global order is under pressure as well. The combination of ongoing economic hardship in Europe, the 2007 Wall Street meltdown that triggered the global recession, and the social costs of austerity policies have diminished the appeal of globalization and sapped Asian confidence in a liberal economic order and the values-based institutions that sustain it. China and other developing nations in Asia remain underrepresented in the International Monetary Fund (IMF) and the Asian Development Bank (ADB).¹ The top leadership of the World Bank, the IMF, and the ADB is still informally restricted to candidates from the United States, Europe, and Japan, respectively. The Group of Twenty (G-20) lacks a permanent secretariat and has produced few results. Completion of a new global trade round in the World Trade Organization (WTO) is blocked by a handful of governments fighting over an even smaller handful of issues,² and there are growing calls to modify the WTO’s “single undertaking” approach to negotiations.³ These circumstances have called into question the legitimacy of existing global and regional institutions.

In 2013 and 2014 a new challenge to the existing regional and global order arose: a set of new or revived organizations that together amount to “rival regionalisms.” These regionalisms take the form of new or revitalized regional groupings led by governments that are cool or even hostile to the United States. Such initiatives are designed to provide alternatives to U.S. and Western leadership by creating (or revitalizing) non-Western organizations.⁴ One example is Vladimir Putin’s Eurasian Union, designed to enhance Russia’s security and offset the pull of the European Union (EU). Another is the New Development Bank (NDB) established by the BRICS (Brazil, Russia, India, China, and South Africa). New or revised institutions and initiatives that are more directly relevant to Asia are initiated, led, or heavily supported by China. These include the Shanghai Cooperation Organisation, the China-ASEAN Free Trade Agreement, the Silk Road

¹ Despite urgent calls from the IMF director and others, a badly needed package of IMF governance reforms negotiated three years ago has failed thus far to win approval in the U.S. Congress. For a description of these reforms, see Edwin M. Truman, “IMF Reform Is Waiting on the United States,” Peterson Institute for International Economics, Policy Brief, no. 14-9, March 2014, <http://www.iie.com/publications/pb/pb14-9.pdf>.

² The Trade Facilitation Agreement, a product of the WTO’s first successful negotiation in years, was approved in December 2013 but subsequently vetoed by India. For a description of the agreements approved at the WTO’s Bali meeting, see Winichai Chaemchaeng, “How to Push the WTO Doha Round in the Current RTA Talks?” in *New Directions in Asia-Pacific Economic Integration*, ed. Tang Guoqiang and Peter A. Petri (Honolulu: East-West Center, 2014), 169–273.

³ “Single undertaking” means that virtually every one of the twenty or so negotiated agreements is part of a whole package and cannot be agreed to separately: “Nothing is agreed until everything is agreed.” For more on this principle, see World Trade Organization, “How the Negotiations Are Organized,” http://www.wto.org/english/tratop_e/dda_e/work_organ_e.htm.

⁴ As used here, the “West” includes Japan, Australia, and New Zealand.

Economic Belt, the 21st Century Maritime Silk Road, the Network of East Asian Think-Tanks, and the Conference on Interaction and Confidence Building Measures in Asia, among several others. Launching or reinvigorating pan-Asian organizations in which China can wield influence is clearly part of Beijing's regional strategy.

Meanwhile, for the first time in decades (possibly ever), Asia has produced three and arguably five strong leaders from major countries, each of whom enjoys significant domestic backing. Xi Jinping, Shinzo Abe, and Narendra Modi are taking an active approach to regional institutions. Indonesia's Joko Widodo ("Jokowi") may become a fourth activist leader; in the past, Indonesia has taken a strong stand on human rights and proposed bold initiatives that transcended the limits of the Association of Southeast Asian Nations (ASEAN). Finally, Putin has been seeking a more active Russian role in Asia. Except for Japan, none of these nations is a U.S. ally and two are rivals (China and Russia). Each nation is relatively strong vis-à-vis each other, which is unprecedented in modern Asian history.⁵

In these new circumstances, can the United States and its allies and partners do more to safeguard regional and global governance, resist further fragmentation, contribute to stability and prosperity, and ensure that regional institutions—both intra-Asian and trans-Pacific—retain or regain their legitimacy?

This essay addresses these questions. It begins by analyzing ASEAN-led regionalism and community building in the Asia-Pacific and evaluating Asia's new and existing trade, finance, and security organizations. The essay then looks at China's efforts to evoke pan-Asianism and establish new organizations that exclude the United States. It surveys the role of U.S. allies and partners and asks to what extent they can help supply public goods and fortify the legitimacy of postwar institutions. In order to put the U.S. response to the challenge from China in perspective, the essay sketches the history of postwar U.S. policies toward regional institutions and summarizes current U.S. goals. The concluding section discusses the implications of these developments for U.S. policy and makes some policy recommendations.

Regionalism and Community Building in the Asia-Pacific

Regional institutions in Asia are living expressions of geopolitics. They reflect balances of power, political compromises, common security challenges, strategic rivalry, trade and investment ties, and public diplomacy. They sprout amid enormous diversity and paper over troublesome history. They offer weaker nations a stronger collective voice and more powerful states a chance to conduct bilateral meetings away from media attention. Upcoming meetings sometimes prompt peaceful gestures from states seeking to ward off anticipated peer pressure.

Within regional bodies, the governments of smaller nations often practice the politics of weakness, playing rival powers against each other and channeling major-power rivalry in directions that benefit their own countries. Participation in such groupings also endows these governments with legitimacy and nominal equality without the burden of rules such as fixed deadlines, binding tariff ceilings, mandatory dispute settlement, environmental impact statements, and a host of others. For protectionist or authoritarian governments, the agreements forged under a regional

⁵ One might also add Australian prime minister Tony Abbott and South Korean president Park Geun-hye to this list.

framework can lock in policies benefiting elites and serve as protection against Western pressure to adopt more far-reaching economic and political reforms.

ASEAN Centrality

ASEAN is an inchoate grouping of ten highly diverse nations rather than an effective organization. It rarely takes unified positions and is not equipped to take concrete action representing the organization as a whole. The ASEAN Secretariat is weak and understaffed, because member governments have no desire to lodge oversight and regulatory powers in a supranational institution. Nonetheless, ASEAN has acquired both political and legal identity and created a sense of community based on peaceful norms. It is at the center of many pan-Asian and trans-Pacific institutions designed to promote closer integration and cooperation. This position is reflected in the organization's new motto, "ASEAN centrality," which replaces the hitherto formulaic slogan, "ASEAN in the driver's seat." There is no agreed definition of ASEAN centrality. At a minimum, it means that ASEAN establishes the framework, provides the location, and sets the agenda of the various "ASEAN +" meetings (ASEAN +3, ASEAN +6, and so on). The term also implies consensus-based, unanimous positions reflecting a common strategic vision and joint efforts to manage great-power rivalry to the benefit of member states. Although ASEAN lacks conventional power, it has been able to claim centrality because (in one author's phrase) it is "a node in a cluster of networks."⁶

Member states are currently engaged in negotiations to create an ASEAN Economic Community (AEC) by 2015.⁷ The AEC's goals include stimulating economic growth and making ASEAN more attractive to investors. Five of the ten members have found a niche in Asia-wide production networks and thus have a vital stake in expanding trade and investment with the rest of the region and the world, not just among themselves.⁸ The share of intra-ASEAN trade has remained fairly constant, in the order of 22%–26% (26% in 2013), while three-quarters of ASEAN's exports and imports are extraregional (74% and 77%, respectively, in 2013).

On the security front, by contrast, progress toward an ASEAN Security Community is superficial. Many ASEAN members are wary of joint exercises because they do not wish to reveal their military weaknesses. Malaysia, the Philippines, Vietnam, and Brunei have various territorial claims against each other. All members except Thailand are former colonies, and some governments are still struggling to establish their postcolonial legitimacy. Most reject the idea of pooling sovereignty and jealously safeguard their independence.

Trade

Whatever else it means, the term "ASEAN centrality" captures the hub-and-spoke nature of intra-Asian preferential trade agreements, somewhat inaccurately labeled "free trade agreements"

⁶ Mely Caballero-Anthony, "Understanding ASEAN's Centrality: Bases and Prospects in an Evolving Regional Architecture," *Pacific Review* 27, no. 4 (2014).

⁷ For a survey of the many obstacles facing the AEC, see Sanchita Basu Das, ed., *Achieving the ASEAN Economic Community 2015: Challenges for Member Countries and Businesses* (Singapore: Institute of Southeast Asian Studies, 2012).

⁸ An Asian Development Bank Institute study revealed that parts and components represent 57% and 54% of Singapore's exports and imports of manufactured goods, respectively. For the Philippines, the percentages are 56% and 64%, respectively. For Malaysia and Thailand, percentages exceed 30% on both the import and export side. See Fukunari Kimura and Ayako Obashi, "Production Networks in East Asia: What We Know So Far," Asian Development Bank Institute, Working Paper, no. 320, November 2011, 4, <http://www.adbi.org/files/2011.11.11.wp320.production.networks.east.asia.pdf>.

(FTA).⁹ These agreements are the most visible and durable manifestation of Asian regionalism. ASEAN, acting as a hub, has FTAs or equivalent agreements in place with China, Japan, and South Korea,¹⁰ but these three Northeast Asian giants have not been able to negotiate a comprehensive FTA with each other.¹¹ ASEAN also has an FTA with India but not one with the United States.

Often described as a “noodle bowl” because of their proliferation and overlapping nature,¹² ASEAN-centered preferential trade agreements would benefit enormously from standardization and unification. A recent, explicit step in that direction is the launch of negotiations to create a sixteen-member Asian FTA, the Regional Comprehensive Economic Partnership (RCEP). Membership consists of the ten ASEAN members plus China, Japan, South Korea, Australia, New Zealand, and India (known in Asia-speak as ASEAN +6). All of the six are ASEAN FTA partners, and some are also first-round members of the TPP.¹³ The choice of ASEAN +6 as a framework for the RCEP is a victory of sorts for Japan. China tends to prefer ASEAN +3 (ASEAN plus China, Japan, and South Korea), where Japan has fewer like-minded allies; ASEAN +6 includes Australia and New Zealand, which are more likely to side with Japan on the need for behind-the-border reforms, such as disciplines on subsidies and intellectual property protection.

First put in motion at an ASEAN summit meeting in 2011, the RCEP represents 30% of the world’s GDP and could become the world’s largest trading bloc. If successfully negotiated, the agreement would cover trade in goods and services; investment, economic, and technical cooperation; dispute settlement; and other topics. Since the RCEP’s standards will be lower than those of the TPP, the poorer and less liberalized countries of Asia will find the RCEP easier to negotiate and implement. Ideally, the RCEP could bring about a degree of harmonization among various Asian FTAs and deepen their coverage, thus reducing remaining barriers to trade and investment.¹⁴ Some trade experts believe that the RCEP could eventually lead to harmonization with the TPP and ultimately to a Free Trade Area of the Asia-Pacific (FTAAP).¹⁵

An FTAAP is both a long-standing U.S. goal and a stated objective of the 21-member Asia-Pacific Economic Cooperation (APEC) forum.¹⁶ APEC’s practical, business-oriented agenda is carried out by a large number of steering groups, expert committees, and research activities and is not seen as a threat to ASEAN-led initiatives. China, initially suspicious of APEC, is now an active player. At an APEC ministerial meeting in May 2014, China’s minister of commerce secured the agreement of other APEC members to create a working group charged with advancing “in a comprehensive

⁹ WTO rules specify that regional trade agreements should encompass “substantially all” trade, which ASEAN-centered trade agreements largely fail to do.

¹⁰ For various reasons, Japan’s FTAs are called economic partnership agreements. For a list, see Ministry of Foreign Affairs (Japan), “Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA),” April 2014, <http://www.mofa.go.jp/policy/economy/fta>.

¹¹ The three powers signed a trilateral investment treaty in 2012. For more information, see Ministry of Foreign Affairs (Japan), “Signing of the Japan-China-Korea Trilateral Investment Agreement,” May 13, 2012, http://www.mofa.go.jp/announce/announce/2012/5/0513_01.html.

¹² “Noodle bowl” is the Asian version of “spaghetti bowl,” a term coined by FTA critic Jagdish Bhagwati.

¹³ The seven countries presently included in both the TPP and RCEP are Malaysia, Singapore, Vietnam, Brunei, Japan, Australia, and New Zealand. South Korea already qualifies for the TPP but has not applied to join the negotiations. Indonesia, Thailand, and China are potential future members.

¹⁴ Ganesh Wignaraja, “Why the RCEP Matters for Asia and the World,” East Asia Forum, May 15, 2013, <http://www.eastasiaforum.org/2013/05/15/why-the-rcep-matters-for-asia-and-the-world>.

¹⁵ Jeffrey Schott, “Asia-Pacific Economic Integration: Projecting the Path Forward,” in Tang and Petri, *New Directions in Asia-Pacific Integration*, 246–53.

¹⁶ Only seven out of the ten ASEAN members are members of APEC. The ASEAN members not in APEC are Cambodia, Laos, and Myanmar. The term “member economies” enables Hong Kong and Taiwan (“Chinese Taipei”) to participate without Chinese objections. Mexico, Peru, and Chile are also “member economies” of APEC.

and systematic manner” progress toward an eventual FTAAP.¹⁷ The United States, Japan, and others went along but remain concerned that promoting this initiative prematurely could slow down the momentum needed to conclude, ratify, and implement the TPP.¹⁸ Nevertheless, leaders at the November 2014 APEC summit agreed to establish a study group on the FTAAP initiative.

Whatever form they take, ASEAN-centered trade agreements will remain durable parts of the strategic landscape because they serve a strategic purpose as well as a commercial one. Like treaties of “friendship, commerce, and navigation” in Western diplomatic history, they are geopolitical expressions of peaceful intent.¹⁹

Finance

ASEAN is also at the hub of the regional financial initiative known as the Chiang Mai Initiative (CMI). In reaction to the financial crisis of 1997–98, and to reduce ASEAN’s dependence on the IMF, ASEAN +3 finance ministers established a set of currency swap arrangements to counter devastating speculative flows. The amount of currency contributed by each state to the CMI’s foreign exchange pool was initially small, but the effect was psychologically reassuring to the states involved.

Another shock took the form of the global recession that began in 2008. ASEAN members whose economies were most engaged in the global economy, such as Singapore and Malaysia, saw their markets in Europe, North America, and Japan contract sharply. A recent survey of Asian elites identified regional economic crises as the top challenge to their nation’s security.²⁰ Some observers worry that China’s nationwide property bubble could burst, dragging down many banks and the already-slipping Chinese economy with it.²¹

Even assuming that China averts such a crisis, however, much remains to be done to cope with threats to Asia’s future financial stability.²² Finance ministers from five countries in Asia—Australia, China, India, Indonesia, and South Korea—are members of the G-20. Representing 30% of world GDP, this group could become effective as a bloc if the ADB’s warnings about the possible risks to Asian bond markets are borne out.²³ James Wallar argues that finance ministers should play a larger role in ASEAN integration, perhaps by co-chairing the ASEAN Economic Council along with economic ministers.²⁴ One could extend this suggestion to other economic forums as well.

¹⁷ “2014 Meeting of Ministers Responsible for Trade,” APEC, May 17–18, 2014, http://apec.org/Meeting-Papers/Ministerial-Statements/Trade/2014_trade.aspx.

¹⁸ Bob Davis, “China Pushes Its New Pacific Free-Trade Zone at APEC Meeting,” *Wall Street Journal*, May 18, 2014, <http://online.wsj.com/news/articles/SB10001424052702304422704579569691355930008>.

¹⁹ For a discussion of the contemporary relevance of these treaties, see John F. Coyle, “The Treaty of Friendship, Commerce, and Navigation in the Modern Era,” *Columbia Journal of Transnational Law* 51 (September 2012): 302, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2150260.

²⁰ For the complete survey results, see Michael J. Green and Nicholas Szechenyi, *Power and Order in Asia: A Survey of Regional Expectations* (Washington, D.C.: Center for Strategic and International Studies, 2014), 16.

²¹ Jamil Anderlini, “Property Slowdown Fuels China Fears,” *Financial Times*, May 14, 2014, <http://www.ft.com/intl/cms/s/0/4f74c94a-da77-11e3-8273-00144feabdc0.html#axzz3HT9fviIk>.

²² For more on Asia’s future financial stability, see Barry Desker and Pradumna Bickram Rana, “Has Global Finance Finally Been Tamed?” S. Rajaratnam School of International Studies, August 4, 2014, <http://www.rsis.edu.sg/wp-content/uploads/2014/08/CO14155.pdf>.

²³ A September 2014 ADB report names higher-than-expected U.S. interests rates, conflict in the Middle East, and a slowdown in China’s property market as drivers that could put Asia’s growing bond market at risk. See ADB, *Asia Bond Monitor*, September 2014.

²⁴ James Wallar, “Achieving the Promise of the ASEAN Economic Community: Less Than You Imagine, More Than You Know,” National Bureau of Asian Research, July 2014, http://www.nbr.org/downloads/pdfs/ETA/wallar_paper_072814.pdf.

Security

Security is a malnourished component of ASEAN-led community building. A report commissioned and endorsed by ASEAN governments in 2003 named the ASEAN Security Community as one of the three pillars of the “ASEAN Vision 2020.” The report explicitly envisions “the evolution in Southeast Asia of agreed rules of behavior and cooperative measures to deal with problems that can be met only on a regional scale,” such as environmental pollution and transnational crime, but it shies away from addressing “traditional” security problems such as arms sales and military readiness.²⁵

For several decades, most ASEAN declarations on security focused on resisting external domination rather than coordinating responses to common security threats. In 1971, for example, the five founding members of ASEAN (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) adopted a declaration establishing Southeast Asia as a “zone of peace, freedom, and neutrality,” dedicated to keeping Southeast Asia “free from any form or manner of interference by outside Powers.” In 1995 ASEAN adopted a treaty banning nuclear weapons from Southeast Asia, and in 2002 all ten member states concluded a Declaration on the Conduct of Parties in the South China Sea and secured China’s signature. The current goal is to transform the declaration into a binding code, but this step has proved to be difficult. Moreover, ASEAN members have been unable to agree on how vigorously to respond to China’s territorial claims in the South China Sea. Those directly engaged in territorial disputes with China have pressed for more vigorous support from ASEAN as a whole, but not all members agree with the strong and highly public stance taken by Vietnam and the Philippines. Those without territorial claims in the South China Sea, especially Cambodia and Laos, have tried to placate Beijing by staying neutral or ducking the topic altogether.

China has used its relations with poorer ASEAN countries to perpetuate these divisions. Assertive and arguably provocative actions undertaken by Vietnam and the Philippines vis-à-vis China have caused deep consternation within ASEAN. Overlapping territorial claims by Malaysia, the Philippines, Vietnam, and Brunei have further complicated security cooperation. The result is that although contemporary ASEAN communiqués on security express grave concern, they mostly dodge the issue of Chinese behavior, skirt internal divisions, and merely elaborate on the so-called five principles of peaceful coexistence, which are enshrined in ASEAN’s Treaty of Amity and Cooperation (TAC).²⁶

The ASEAN Regional Forum (ARF) encompasses a wide membership, including North Korea and the EU. The ARF is mainly a dialogue forum for foreign ministries but also serves as a “cover” for governments not wishing to be seen as a party to sensitive bilateral talks that would otherwise be publicized and politicized (Japan-China, Japan-Korea, or U.S.-China, for instance). For many years topics such as China’s territorial claims and North Korea were kept off the table, but recent meetings have addressed those challenges. The ARF has established working groups on important nontraditional security issues such as disaster relief, transnational crime, maritime security, and nonproliferation.

²⁵ For the text, see ASEAN, “ASEAN Vision 2020,” <http://www.asean.org/news/item/asean-vision-2020>.

²⁶ Popularized by Jawaharlal Nehru and widely embraced by postcolonial, nonaligned governments, the five principles are mutual respect for each other’s territorial integrity and sovereignty, mutual nonaggression, mutual noninterference in each other’s internal affairs, equality and cooperation for mutual benefit, and peaceful coexistence. Various signatories, including several ASEAN members and the United States, have made it clear that the TAC does not override other security obligations.

A more productive security forum is the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus), which includes China, Japan, South Korea, Australia, New Zealand, India, Russia, and the United States. Expert working groups co-chaired by one ASEAN and one non-ASEAN representative are developing recommendations on maritime security, counterterrorism, humanitarian assistance and disaster relief, peacekeeping operations, military medicine, and (the newest one) humanitarian mine action.²⁷

The East Asia Summit (EAS) is the peak of the pyramid of ASEAN-centered institutions. Inaugurated in 2005, it includes all ten members of ASEAN, plus China, Japan, South Korea, Australia, New Zealand, India, Russia, and the United States. The EAS meets at the head-of-state level and was designed as a forum where leaders can debate and resolve major security issues. Thus far the EAS has no secretariat, no post-summit follow-on mechanisms, and little tangible impact, but it has succeeded in securing the participation of the U.S. president, which may be its most valuable contribution to the region. Rightly or wrongly, Asian governments tend to assign great importance to the president's willingness to travel to Asia as an indicator of the credibility of the U.S. commitment to the region. Cancellation of planned trips inflicts damage on the U.S. image as a reliable guarantor of peace and stability.

The truth is that ASEAN cannot do much on its own to improve security conditions in the Asia-Pacific. Even when members agree on what should be done, ASEAN lacks sufficient military power and has no mechanism to promote military coordination. Contrary to the spirit of the ADMM-Plus, even ASEAN-wide cooperation on nontraditional security issues remains blocked. For example, ASEAN failed to mount any kind of joint response to the typhoon that devastated the Philippines in 2013, even though ASEAN members had recently conducted a joint disaster-relief exercise with the United States, Japan, and other nations.

Governments are somewhat more likely to work together to counter common security threats when key economic interests are at risk. In the 1990s, for example, a spike in piracy near the Strait of Malacca boosted shipping insurance rates. Reaction from the shipping industry helped spur unprecedented cooperation among Malaysia, Singapore, and Indonesia. The effort featured joint air and sea patrols but prohibited "hot pursuit" of pirates beyond all-important national boundaries. In this case, the United States discreetly supplied radars and other tools, though at the time Indonesia and Malaysia vigorously opposed a direct U.S. role.

The United States has no territorial claims in the South China Sea, but the persistence of U.S. military reconnaissance flights within China's exclusive economic zone (EEZ) has ignited a different security dispute. The United States has signed (but not ratified) the United Nations Convention on the Law of the Sea (UNCLOS), which it interprets as permitting military activities within another country's EEZ. China bitterly contests this interpretation, and the quarrel remains unresolved.

Thus far the various tensions roiling East Asia and the Asia-Pacific have proved to be manageable. Occasional armed clashes are possible (indeed, likely), but full-scale war is extremely unlikely. The region still benefits from a loose, undefined, and historically unprecedented regional order. This order features deepening economic integration, region-wide trade and investment ties, and constructive competition among middle powers. These patterns are embedded in a relatively stable security environment characterized by hedging against and engagement with China, an

²⁷ For more on the ADMM-Plus, see ASEAN Defence Minister's Meeting, "About the ASEAN Defence Ministers' Meeting (ADMM-Plus)," March 28, 2014, <https://admm.asean.org/index.php/about-admm/about-admm-plus.html>.

extensive network of U.S. alliances and partnerships, and a robust U.S. military presence. But Chinese leaders are now characterizing the security aspects of this regional order as outdated and hostile to China. Beijing has long failed to persuade any U.S. allies to break off their alliance with the United States and now perceives that those alliances are stronger than ever. Accordingly, it has launched an effort to create a set of alternative, competing, pan-Asian organizations. The next section examines these initiatives.

Pan-Asianism, Rival Regionalisms, and the Challenge from China

Speaking to a mostly Central Asian and Middle Eastern audience in May 2014, Xi Jinping called for “a new Asian security architecture,” from which the United States would presumably be excluded. Stressing that “we all live in the same Asian family,” he declared that it is time for Asia to establish “common, comprehensive, cooperative and sustainable security.” In a veiled reference to the United States, Xi added that “to beef up and entrench a military alliance targeted at a third party is not conducive to maintaining common security.”²⁸

Spokespersons from the Ministry of Foreign Affairs and other Chinese officials have reiterated the theme that Asia needs new security architecture based on the idea of “Asia for Asians” (that is, not for Americans). This vision has broad emotional appeal to many Asians, not just Chinese. Tapping into these sentiments, China played a leading part in establishing two new regional institutions—the Asian Infrastructure Investment Bank (AIIB) and the NDB announced by the BRICS.

The AIIB is clearly intended as an alternative to the ADB, which is backed by the West and Japan and which by tradition is always headed by a Japanese national. The AIIB’s headquarters are in Beijing. Initial reports indicate that the bank will start operations with \$50 billion in paid-in capital, with another \$50 billion to follow. This amount pales in comparison with Asian infrastructure needs, which the ADB estimates to be \$8 trillion, but this initial funding could become a catalyst for additional private-sector investment as well as a source of financing for major public projects.

Although few details of the AIIB’s actual operation and governance have been formally decided and revealed, 21 governments signed the memorandum of understanding establishing the AIIB in October 2014. Singapore—a stalwart supporter of sound banking practices—is a founding member, and Australia and South Korea are contemplating second-stage membership. One Australian commentary noted that “the more countries that sign on, the less China-dominated the bank will be.”²⁹ Pressure from founding members has already prompted senior official Jin Liqun, head of China’s AIIB preparatory group and the designated head of the new bank, to claim that the AIIB will meet high international standards, including project evaluation and environmental protection, but critics are skeptical.³⁰

²⁸ Xi Jinping, “New Asian Security Concept for New Progress in Security Cooperation” (remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, Shanghai, May 21, 2014), http://www.china.org.cn/world/2014-05/28/content_32511846.htm.

²⁹ Philippa Brant, “Why Australia Should Join the Asian Infrastructure Investment Bank,” Lowy Institute, Interpreter, September 25, 2014, <http://www.lowyinterpreter.org/post/2014/09/25/Australia-should-join-Asian-Infrastructure-Investment-Bank.aspx?COLLCC=2523450254&>.

³⁰ Robert Wihtol, “The NDB and AIIB Initiatives Sound a Wake-Up Call for Global Finance,” *Asia Pathways*, August 12, 2014, <http://www.asiapathways-adbi.org/2014/08/the-ndb-and-aiib-initiatives-sound-a-wake-up-call-for-global-finance>; and Jane Perlez, “U.S. Opposing China’s Answer to World Bank,” *New York Times*, October 9, 2014, <http://www.nytimes.com/2014/10/10/world/asia/chinas-plan-for-regional-development-bank-runs-into-us-opposition.html>.

Not much is known about the other new organization, the NDB. Although the bank's headquarters will be located in Shanghai, the presidency was awarded to India. The start-up capital pledged so far is \$50 billion, which includes \$10 billion in paid-in capital and \$40 billion to be paid upon request. Plans call for doubling that sum to \$100 billion. China has pledged \$41 billion, while Brazil, Russia, and India each pledged \$18 billion and South Africa \$5 billion. There is no doubt that Beijing will have substantial influence within the bank. Nevertheless, the nature and size of the start-up funding and the bank's continuing reliance on the U.S. dollar have caused some analysts to dismiss the NDB's more ambitious claims.³¹

To the extent that new institutions give voice to countries unrepresented in international institutions and mobilize more resources for regional development and security, they will be welcomed. But there are strong signs that these institutions' goals include reducing U.S. influence and sidestepping the conditionality and rules-based order embodied in the IMF, the WTO, the World Bank, and the ADB. Chinese statements supporting the need for new regional and global architecture implicitly challenge the ideal of an international liberal order based on democratically elected governments, open economies, and an independent judicial system.³²

Is the Globalization Narrative Obsolete?

Underlying the upsurge of rival regionalisms is the recent, sudden setback to what might be called the globalization narrative. In the 1980s and 1990s, champions of globalization argued that a rising middle class would demand freedom of information, economic opportunity, the enforcement of contracts, and by extension a political voice. At the same time, the competition for investment would force governments to introduce market-friendly policies and the rule of law. Despite the inevitable number of losers, both trends would spur progress toward peaceful, rules-based regional and global systems.³³

For the last quarter century this narrative seemed plausible. The exercise of power was no longer overwhelmingly zero-sum (I win, you lose) but positive-sum (exercising our power to solve common problems benefits both of us). The Cold War ended. Although military power was still highly relevant, soft power gained value as a strategic asset. The new threats in Asia came from nonstate actors, such as traffickers and terrorists, and coalitions formed to combat them. Several Asian dictatorships gave way to some form of democracy, and most Asian governments continued to open their markets despite the searing financial crisis of 1997–98. An increasingly mobilized and educated middle class began to demand accountability and transparency, contributing to democratic reforms. Despite lingering tensions and occasional clashes, East and Southeast Asia became beacons of peace, stability, and growth. During this period, China joined key multilateral institutions, opened up its economy, practiced good-neighbor diplomacy, and seemed comfortable with the status quo.

The last decade has significantly tarnished this benign interpretation of globalization and the rules-based norms and systems designed to facilitate it. Malfeasance on Wall Street sent

³¹ For an example of opinions on the NDB, see Benn Steil, "The BRICS Bank Is a Feeble Strike against Dollar Hegemony," *Financial Times*, October 2, 2014, <http://www.ft.com/intl/cms/s/0/3c84425c-48a9-11e4-9d04-00144feab7de.html>.

³² Many intellectuals approved by the Chinese Communist Party argue that what the West calls "democracy" and "the rule of law" are tools of Western "hegemony" and indicators of hostility toward China. The "democracy" that China promotes in international forums refers to giving all nations a voice, not empowering individual citizens. During Jiang Zemin's presidency (1993–2003), alternative perspectives were published, but these views have largely disappeared from Chinese media.

³³ For a summary of prevailing views of globalization, see Richard L. Kugler and Ellen L. Frost, eds., *The Global Century: Globalization and National Security*, vol. 1 (Washington, D.C.: National Defense University Press, 2001).

globalized economies into recession or slower growth. Those suffering job losses stemming from globalization turned out to be more numerous than expected, with fewer prospects for re-employment. Growth in Japan and the eurozone remained dismal. The failure of Secretary of State John Kerry's 2013 Israel-Palestine peace initiative and renewed violence in Syria and Iraq signaled ongoing U.S. military entrapment in the Middle East and delayed implementation of the Obama administration's rebalancing policy. The Syrian government escaped punishment for using chemical weapons, even though President Barack Obama declared their use a "red line." President Putin annexed Crimea and provided military support to Russian-speaking rebels in eastern Ukraine. It is probably no accident that China's push for a new order in Asia coincides with these setbacks to the globalization narrative as well as with perceived U.S. weaknesses, such as domestic political polarization, congressional dysfunction, and Obama's cautious approach to the use of force.

Tensions with China

The hope that China's new wealth would strengthen Beijing's commitment to the institutional status quo also proved premature, if not illusory. In 2008–9 the Chinese government reiterated a wide array of maritime territorial claims and began asserting them in an aggressive way. Initial actions included punitive trade measures targeting Japan and the Philippines. Other actions seemed designed not only to defend China's perceived rights but also to test Washington and drive a wedge between the United States and its allies.³⁴

In U.S.-China economic forums, relations are businesslike and even cordial. Both governments have committed themselves to intensifying negotiation of a far-reaching bilateral investment treaty.³⁵ But recent Chinese speeches and articles aimed at domestic audiences bristle with the notion that the West has seized on "universal values" as a pretext for exploiting poor countries and preserving U.S. hegemony.³⁶ Xi has reportedly begun citing Han Fei, a third-century B.C. political philosopher known for his advocacy of autocratic rule and a strong state. Visiting Confucius's birthplace, Xi told scholars that the Chinese Communist Party had been "the loyal inheritor and promoter of China's outstanding traditional culture."³⁷ Anyone old enough to remember the destruction and violently anti-Confucian rhetoric of the Cultural Revolution would find this claim hard to swallow.

Even in polite diplomatic language, there is a marked contrast between U.S. support for existing institutions and China's challenge to the regional and global order upheld by those same institutions. Appearing with Chinese foreign minister Wang Yi in October 2014, Kerry stated that the United States welcomes the rise of a peaceful, prosperous, and stable China that plays a "responsible" role and contributes to "upholding the *existing* rules and the norms on economic and security issues." Echoing Xi, Wang replied that "in keeping with the trend of human progress" the United States and China need to work together to create "a *new* model of major country relations" (emphasis added).³⁸

³⁴ On this latter motive, see Helene Cooper and Jane Perlez, "America's Sway in Asia Is Imperiled as China Challenges Alliances," *New York Times*, May 30, 2014, <http://www.nytimes.com/2014/05/31/world/asia/us-sway-in-asia-is-imperiled-as-china-challenges-alliances.html>.

³⁵ U.S. Department of the Treasury, "Sixth Meeting of the U.S.-China Strategic and Economic Dialogue U.S. Fact Sheet—Economic Track" July 11, 2014, <http://www.treasury.gov/press-center/press-releases/Pages/jl2563.aspx>.

³⁶ For an example of these speeches, see "Qiushi on 'Universal Values': Those Who Promote Universal Values Are the Chinese People's Most Dangerous Enemy," *Chinascopes*, trans. *Chinascopes*, July 31, 2014, <http://chinascopes.org/main/content/view/6413/92>.

³⁷ Chris Buckley, "Leader Taps into Chinese Classics in Seeking to Cement Power," *New York Times*, October 12, 2014, 11.

³⁸ John Kerry, "Remarks with Chinese Foreign Minister Wang Yi before Their Meeting" (speech, Washington, D.C., October 1, 2014).

Can U.S. Allies and Partners Help Restore Legitimacy and Provide Public Goods?

U.S. allies and partners in Asia and the Asia-Pacific generally recognize the potential benefits of closer security cooperation and economic integration, both within Asia and across the Pacific. Most, if not all, of these allies and partners support the idea of inviting all regional players to the various dialogues, and all value the opportunity to hold private, unpublicized talks with one another on the sidelines. All see opportunities to advance their interests and to forge bonds independent of the United States. Indeed, in multilateral settings allies play down their close relationships with Washington because being identified primarily as a U.S. ally is a political liability. No Asian government wants to have to choose between Washington and Beijing, and in a multilateral setting the issue does not even arise.

Beyond those generalities, U.S. allies and partners differ. Among the five founders of ASEAN, Singapore is a “strategic partner” rather than a treaty ally, but it clearly and vocally shares most U.S. goals. The Philippines, outraged by China’s territorial claims and assertive behavior, joins Singapore in advocating a stronger role for international law. To Beijing’s intense annoyance, Manila has referred a portion of its territorial disputes with China to an international panel authorized by UNCLOS. Meanwhile, the Philippines has countered China’s moves with provocative actions of its own. Indonesia, which was once the anchor of ASEAN, an oil exporter, and a leading voice in APEC, may seek to restore this active role under its new leadership. In 2004, Jakarta boldly proposed to establish an ASEAN peacekeeping force, an initiative supported by the United Nations but doomed by member-state concerns about sovereignty. Post-Mahathir Malaysia has abandoned its anti-U.S. edge and is a “comprehensive partner” of the United States. Kuala Lumpur will be the chair of ASEAN in 2015 and is a constructive regional player. Thailand, a close neighbor of China and once again under military rule, is particularly reluctant to oppose Beijing on issues where Thailand’s direct interests are not at stake.

The U.S. alliance with Japan is often described as the cornerstone of U.S. policy in Asia, as indeed it is. But regional organizations give Tokyo the chance to stake out diplomatic space of its own as a friend rather than as a junior partner of the United States. For both historical and domestic reasons, Japan has been reluctant to present itself as a leader, but the Abe government is taking a more active leadership stance. Abe is the first Japanese prime minister to visit all ten ASEAN countries in a single year. In a bold move, he announced in March 2013 that Japan would join the TPP negotiations. Provisions for opening agricultural markets threaten powerful Japanese interests, but the TPP would contribute greatly to the realization of Abe’s promised “third arrow” (structural reform to fight deflation and revitalize Japan’s economy).

A major motive fueling Japan’s new activism in regional organizations is the need to stand up to China. The Japanese public has reacted angrily to China’s claim to the Senkaku Islands (which China calls the Diaoyu Islands). Because the islands are administered by Japan, they fall under the U.S.-Japan security treaty. Japan’s new doctrine of “collective self-defense” allows the country to militarily support “a foreign country that is in a close relationship with Japan” outside Japan’s territorial waters. The use of force must be limited to “the minimum extent necessary.” The wording of the Cabinet decision, a political compromise between the ruling party and its Komeito

partner, is vague and subject to different interpretations, but it is implicitly aimed at helping the United States in the event of a future clash with China.³⁹

Another major U.S. ally is South Korea, whose overriding goal is the slow and peaceful unification of the Korean Peninsula. No regional institution is equipped to handle that problem. South Korean leaders are particularly supportive of including India at the table to balance South Korea's two powerful neighbors, China and Japan. Poor relations with Japan currently limit South Korea's effectiveness as a regional leader, but its extensive trade, investment, and aid ties with Southeast Asia are recognized and valued.

Australia, another major U.S. ally, abandoned its "white Australia" policy decades ago and has defined itself as a good citizen of Asia ever since. During the Asian financial crisis of 1997–98, Australia was one of only two countries to contribute to all three IMF rescue packages. (The other was Japan.) It was a co-founder of APEC and remains a strong supporter of the organization. Although at various times Canberra has had a rocky relationship with Indonesia, it strongly backs ASEAN-led integration in all its forms. Australia's increasing military-to-military ties with Japan signal a growing commitment to regional security.

Finally, the policies and actions taken by members of the EU deserve mention. Although European countries have a huge economic interest in Asia, they are excluded from full membership in most major Asian and trans-Pacific organizations, except the ARF.⁴⁰ Not to be outdone, the EU orchestrated annual high-level economic meetings with ASEAN and concluded an FTA with South Korea. Meanwhile, the United States and the EU are negotiating the Transatlantic Trade and Investment Partnership, which serves as a rough geopolitical counterweight to the TPP and makes the perceived U.S. tilt to Asia more palatable for Europe.

In the security realm, Europe is not a regional player. Together with Australia, New Zealand, Malaysia, and Singapore, Great Britain maintains the Five Power Defense Arrangement. Established in 1971, the arrangement provides for security consultations, coordinated air defense, and rotating aircraft and personnel, but not armed intervention in the event that a member is attacked. Some European analysts are calling for a strategic role for Europe in the Asia-Pacific region, backed by at least a minimal military presence.⁴¹

Although U.S. goals with respect to these alliances and partnerships may seem incompatible with the Obama administration's support for Asian and Asia-Pacific multilateralism, there is no real contradiction. Alliances have become more open and responsive to the needs of individual countries. Despite China's argument that alliances are outdated, all U.S. allies and partners without exception favor both maintenance of the U.S. alliance system and a strong U.S. presence in regional organizations. Moreover, they all value the contribution to public goods represented by U.S. military assets.

Nonetheless, the success of the United States' efforts to persuade allies and partners to strengthen and reform ASEAN-centered regional institutions in ways compatible with U.S. interests will be limited at best. It is easy to understand why. One reason for the durability of regional organizations is that U.S. influence is less dominant and more diffuse in a multilateral

³⁹ For more on Japan's self-defense doctrine, see Michael Green and Jeffrey W. Hornung, "Ten Myths about Japan's Collective Self-Defense Change," *Diplomat*, July 10, 2014, <http://thediplomat.com/2014/07/ten-myths-about-japans-collective-self-defense-change>.

⁴⁰ Because of its Pacific territories, France is an associate member of APEC.

⁴¹ For more on Europe's role in the Asia-Pacific, see Rem Korteweg, "A Presence Farther East: Can Europe Play a Strategic Role in the Asia-Pacific Region?" Centre for European Reform, July 2014, http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2014/cer_a_presence_farther_east-9351.pdf.

context than it is in bilateral relationships. Even allies whose interests closely parallel those of the United States value their diplomatic space and do not wish to be identified merely as Washington's junior partner. Another reason is that despite numerous common challenges, postcolonial governments concerned about their legitimacy are unwilling to agree to regional initiatives perceived to undermine their sovereignty. Finally, no Asian government is likely to antagonize China by criticizing rival regionalisms, at least not at this stage. There is certainly room for attempted policy coordination ahead of regional meetings, but this coordination occurs already. U.S. expectations should therefore remain low.

U.S. Interests, Objectives, and Strategies toward Regional Institutions

U.S. Postwar Policies toward Regional Organizations

Shortly after World War II, Washington policymakers had to come to grips with an important economic and political movement that excluded the United States: European integration. The broad policy response established at that time still forms the foundation of U.S. thinking about regional organizations that exclude the United States. U.S. policy has been—and remains—cautiously benign, with some major caveats.

Specifically, postwar U.S. policy assumes that closer collaboration among governments is a good thing, provided that such movements are (1) not designed to undermine global and regional institutions of which the United States is a member, such as the WTO and the IMF, (2) not intended as an alternative to security ties between the United States and a U.S. ally, (3) not dominated by a power unfriendly to the United States, (4) consistent with market-oriented trade and investment policies and dedicated to creating more commercial opportunities rather than diverting them away from nonmember business partners, and (5) accompanied by compensation for any lost U.S. exports.⁴²

During the Cold War the overriding strategic goals of the United States and its major allies were the containment and ultimate defeat of Communism. U.S.-led regional organizations were seen as a bulwark against Soviet aggression. Along with the North Atlantic Treaty Organization (NATO), two examples were the Central Treaty Organization (CENTO), originally known as the Baghdad Pact, and the Southeast Asia Treaty Organization (SEATO). Both ultimately failed because the strategic goals of the participants gradually diverged.

CENTO, formed in 1955, was led by the United States and included the United Kingdom, Iran, Iraq, Pakistan, and Turkey. The organization's goal was to contain the Soviet Union on its southwestern frontier and to prevent Soviet expansion into the Middle East. Unlike NATO, however, CENTO did not have a unified military command structure. In 1958, military officers overthrew the Iraqi monarchy, announced a policy of nonalignment, and withdrew from the organization. Pakistan, obsessed by conflict with India, sought CENTO's support against India but was rebuffed. Meanwhile, the Soviet Union stymied CENTO's intentions by building up strong relationships with a number of countries in the Middle East. Two events that contributed to the organization's final demise were Turkey's invasion of Cyprus in 1974, which sparked intense

⁴² This list reflects my own reading and observations, but it is broadly similar to questions about the proposed "East Asian community" posed by former national security advisor Samuel ("Sandy") Berger. Berger's list does not include trade and investment concerns. See Samuel Berger, "The U.S. Stake in Greater Asian Integration," *Global Asia* 1, no. 1 (2006), <http://www.globalasia.org/Issue/ArticleDetail/81/the-us-stake-in-greater-asian-integration.html>.

hostility in the United States and the UK, and the Iranian Revolution of 1979. Once Iran withdrew, CENTO was formally dissolved.⁴³

Established in 1954, SEATO included only two Southeast Asian countries among its members—the Philippines and Thailand. Each felt threatened by the spread of Communism in the region.⁴⁴ Other SEATO members besides the United States were Western powers with a strong interest in the region (France, the UK, New Zealand, and Australia) and Pakistan. Like CENTO, SEATO did not provide for a joint command, had no deployment plans, and called only for consultation in a crisis. The United States became fixated on the Communist threat and cited the SEATO treaty as a legal basis for U.S. involvement in the Vietnam War.⁴⁵ As the war dragged on, SEATO members began to part company with U.S. policy and withdraw. Meanwhile, the Nixon administration's breakthrough with China in 1972 seemed to eliminate Chinese Communism as a common strategic threat. By the time that the Vietnam War formally ended in 1975, SEATO's anti-Communist rationale had collapsed and the organization was soon disbanded.

In the early 1990s, opportunities for U.S. institutional leadership in the Asia-Pacific resurfaced with the establishment of APEC, spearheaded by Australia. In November 1993, during his first year in office, President Bill Clinton hosted the first APEC meeting at the head-of-state level. All participating governments pledged to work toward “free and open trade in the Asia-Pacific,” and deadlines to achieve that goal—2010 for advanced countries and 2015 for developing countries—were set the following year. APEC lost steam in the mid-1990s as Japanese trade-liberalization offers proved disappointing and U.S. interest faded, but it continues to work on streamlining trade and investment in the Asia-Pacific. U.S. leadership in the region faltered during the Asian financial crisis of 1997–98. As financial “contagion” spread, whole populations suffered and governments fell. The United States, backed by several other industrialized countries, supported the austerity policies imposed by the IMF and defeated Japan's proposal to establish a kinder, gentler Asian Monetary Fund. Japan and Australia contributed to the IMF's loan packages for the most affected countries, but Washington was unresponsive. Asian leaders contrasted this inaction with U.S. support for Mexico after the collapse of the peso only a few years earlier. The memory of Washington's failure to help, justified or not, persists to this day and must be counted as a U.S. strategic failure.⁴⁶

The administration of George W. Bush deserves more credit for supporting regional institution building than it gets. Top officials offered assistance to poorer ASEAN members and prepared the groundwork for certain important multilateral steps. These included the groundwork for establishing the position of ambassador to ASEAN and the signing of the TAC, both of which came to fruition during the Obama administration. But neither President Bush nor his top officials assigned much importance to regional institutions, privately labeling them as “talk shops.” As a result, U.S. leaders' attendance at high-level meetings, which is closely monitored by Asian governments, was spotty.

⁴³ For a short summary, see U.S. Department of State, “The Baghdad Pact (1955) and the Central Treaty Organization (CENTO),” Archive, <http://2001-2009.state.gov/r/pa/ho/time/lw/98683.htm>.

⁴⁴ The Philippine government was confronting a revolutionary movement spearheaded by a group known in shorthand as the “Huks.” The Thai government viewed with alarm the newly established Thai Autonomous Region in Communist China's Yunnan Province.

⁴⁵ When signing the SEATO treaty, the United States added a special “understanding” that singled out “communist aggression” as the basis of legitimate unilateral action. See “Southeast Asia Collective Defense Treaty (Manila Pact),” September 8, 1954, available at http://avalon.law.yale.edu/20th_century/usmu003.asp.

⁴⁶ The Clinton administration's failure to extend immediate support was calculated. Causes included intense congressional hostility to another perceived bailout, a feeling that misguided economic policies and corruption in Indonesia and elsewhere should not be rewarded, and the administration's then pending and competing drive to renew funding for the World Bank's soft-loan facility.

By contrast, Hillary Clinton's first official trip as secretary of state in the Obama administration was to Asia. Her comment "We're back!" was somewhat unfair, because the United States had never left. But strong support for multilateralism was an announced priority of the new administration and a departure from the previous one. Clinton's 2011 *Foreign Policy* article laying out U.S. strategy ranked "engaging with regional multilateral institutions" third on a list of six priorities.⁴⁷

Signing the TAC meant that the United States could join Russia as one of two non-Asian members of the EAS. In addition, the Obama administration secured congressional approval of the Korea-U.S. FTA, carried through on the appointment of the first non-ASEAN ambassador to ASEAN's Jakarta headquarters, and joined the TPP negotiations. This last step had considerable geopolitical significance. In addition to its far-reaching, market-opening provisions, the TPP is widely seen as a constructive counterweight to organizations that exclude the United States and thus as a reaffirmation of the United States' identity as a resident Pacific power. To secure congressional approval of a TPP agreement without amendment, the executive branch will need trade promotion authority. But TPA legislation is languishing in Congress, and the White House has done little to promote passage. The hope is that a final TPP agreement that achieves satisfactory results will persuade members of Congress to vote for TPA. Such an outcome would go a long way toward restoring U.S. credibility as a trade partner and reliable strategic player.

The United States is in a better position on the military front. Obama administration officials take an active part in the ADMM-Plus, and in April 2014 Secretary of Defense Chuck Hagel hosted a first-ever informal gathering for ASEAN defense ministers in Hawaii. The Defense Department plans to deploy 60% of its naval assets to the Pacific theater by 2020 and has dispatched to Darwin, Australia, most of the announced force of 2,500 Marines, who will serve there on a six-month rotating basis. Pentagon and State Department officials have also negotiated a new defense cooperation agreement with the Philippines.

Meanwhile, multilateral U.S.-led military exercises are plentiful and popular. Those involving ASEAN members are typically centered on such issues as maritime safety, rescue at sea, and disaster relief rather than combat operations. The largest joint military exercise, the Rim of the Pacific (RIMPAC) exercise, drew ships and submarines from 23 countries in 2014, including for the first time China. Beijing also sent a navy surveillance vessel, which was anchored off Hawaii just outside U.S. territorial waters but within the U.S. EEZ. The U.S. Pacific Command welcomed this deployment, since it could be interpreted as de facto acceptance of the U.S. view that UNCLOS permits military activities within an EEZ. (China still insists on a contrary interpretation of UNCLOS, however.)

Current U.S. Interests and Goals

The United States' current vital interests in the Asia-Pacific are usually described as the nonproliferation of weapons of mass destruction, freedom of navigation, and the advancement of democracy, prosperity, and stability. Most Asian governments support—or at least profess—the same goals (even democracy). Myanmar's transition from a military dictatorship to a budding democracy was widely welcomed, and Thailand's relapse into military rule is causing concern in some capitals. Thus far, the objectives of all the various ASEAN and ASEAN-centered

⁴⁷ The six are "strengthening bilateral security alliances; deepening our working relationships with emerging powers, including with China; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights." See Hillary Clinton, "America's Pacific Century," *Foreign Policy*, October 11, 2011, http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century.

arrangements appear to be compatible with Washington's strategic interests and goals, whether or not the United States is a party to them.

These arrangements are far from ideal, however. From the U.S. government's perspective, the pan-Asian and trans-Pacific organizations dedicated to common goals are frustratingly weak. A regional organization that includes the United States would ideally be (1) devoted to achieving shared, tangible goals, (2) consistent with global rules and norms, (3) likely to mobilize new resources rather than divert them from existing organizations, (4) broadly representative of the region, (5) governed by written rules, a dispute-settlement mechanism, enforcement procedures, and an equitable allocation of voting shares, and (6) staffed by officials appointed by merit. Existing regional institutions meet some but not all of these criteria. Whether China's new economic and security initiatives meet these criteria remains to be seen.

In March 2011 Secretary Clinton laid out four principles that should govern trade and investment agreements to which the United States is a party, such as the TPP: such agreements should be open, free, transparent, and fair. "Open" refers to the ability of persons in one country to participate in other signatories' markets. "Free" means the presence of as few barriers as possible, whether border-based or regulatory. "Transparent" signifies consultation and publication of rules. "Fair" suggests honest competition rather than government manipulation or theft of intellectual property. The first three principles, Clinton added, sustain the fourth (fairness).⁴⁸ These principles are approximately the same as the WTO's list of principles of the world trading system and the international investment principles announced jointly by the United States and the EU.⁴⁹ Given the obstacles facing the conclusion of new market-opening agreements, U.S. trade negotiators have turned to plurilateralism—that is, WTO-affiliated agreements joined by a group of willing countries rather than the entire membership of the WTO. A government procurement agreement entered into force in 2014, and negotiations on services, telecommunications products, and environmental goods are making progress. This turn to plurilateralism represents a departure from traditional WTO negotiating practices, but it is the only realistic global trade option that the United States has in the foreseeable future.

On the security front, the United States has vast resources, and there is general public support for national security. But budget cuts and political dysfunction have called U.S. credibility into question. Satisfying U.S. interests and achieving U.S. goals, both bilaterally and within regional organizations, will require careful diplomacy. On the one hand, maintaining stability requires both reaffirmation of alliance commitments and effective responses to any future Chinese aggression. On the other hand, managing U.S.-China relations constructively will entail preventing allies from taking actions that could provoke an armed conflict with China and persuading Beijing that the United States is not trying to "contain" China.

Alternative Institutional Designs

Many critics have taken aim at the multiplicity, inefficiency, and duplication embodied in the architecture of Asia's regional institutions and proposed alternatives. In 2008, then Australian prime minister Kevin Rudd proposed an Asia-Pacific community that would combine economic,

⁴⁸ Hillary Clinton, "Remarks at the First Senior Officials Meeting (SOM) for the Asia Pacific Economic Cooperation (APEC) Forum" (speech, Washington, D.C., March 9, 2011), <http://www.state.gov/secretary/20092013clinton/rm/2011/03/157940.htm>.

⁴⁹ For the WTO's list of principles, see WTO, "Principles of the World Trading System," http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm. For U.S.-EU international investment principles see, "Statement of the European Union and the United States on Shared Principles for International Investment," http://www.ustr.gov/webfm_send/3337.

security, and political issues in a single forum.⁵⁰ Others have suggested building on the EAS, which includes ASEAN and eight other regional powers. A corollary is that APEC could be downgraded to the ministerial level so that there would be only a single summit-level organization. Those who favor perpetuating the gap between the management of regional and global economic challenges and multilateral security cooperation favor retaining the APEC summit as is.⁵¹ They believe that only heads of state can provide the political impetus for significant trade and investment liberalization and that combining APEC and the EAS would divert attention from that core goal.

It is not surprising that proposals to reallocate the missions of Asian organizations have gone nowhere. Debating the redesign of regional architecture for the sake of efficiency is a waste of time because architecture is a function of geopolitics. That is, Asia's overlapping architecture corresponds to its fluid and shifting strategic environment.⁵² All Asian governments, including China, support APEC, the ARF, the EAS, and other organizations of which the United States is a member. Change will occur slowly. Just as the Group of Seven (G-7) has become mostly irrelevant, so too will changes in architectural design suggest themselves over time. What matters most is legitimacy, not efficiency.

Conclusions: Restoring Legitimacy and Direction to Asia's Regional Institutions

The world is not yet witnessing “the end of a stable Pacific,” to quote Robert Kaplan's dramatic prediction.⁵³ No matter how their structure is designed or how many economies they encompass, regional institutions that exclude the United States will not replace U.S. power as a key organizing force. No other government can bring such massive resources to the table.

The real problem is not U.S. weakness, but a slow crisis of legitimacy that diminishes the perceived value of both U.S. leadership and U.S.-backed institutions. The erosion of regional order in Asia threatens both the future stability of the region and global governance. Both China and the United States attach great value to regional stability, but they are on different paths.

The trend toward fragmentation and rival regionalisms calls for overcoming organizational “stovepipes” and launching serious strategic thinking and action on the part of the president and his White House aides, leading policymakers in executive branch departments and agencies, and congressional leaders. Unfortunately, top foreign policymakers in Washington are currently hobbled by budgetary constraints and congressional roadblocks and distracted by crises in the Middle East, Ukraine, and West Africa (Ebola). Except for China, Asia is on hold. In addition, domestic political action during much of 2015 and 2016 will be consumed by the November 2016 presidential election. Asian friends of the United States know that these swings in the United States' reputation and leadership come and go. (Recall, for example, the hand-wringing accompanying Japan's economic rise in the 1980s.) They are right, but steps should be taken now to stem the emerging fragmentation of regional and global order and put U.S. influence on sounder footing.

⁵⁰ For more on Rudd's proposal, see Carlyle A. Thayer, “Kevin Rudd's Multi-Layered Asia Pacific Community Initiative,” East Asia Forum, June 22, 2009, <http://www.eastasiaforum.org/2009/06/22/kevin-rudds-multi-layered-asia-pacific-community-initiative>.

⁵¹ India has long sought membership in APEC but has thus far failed in its quest. Among the objections raised is the fact that the country does not border the Pacific Ocean. Some governments object to what they see as India's contrarian behavior in multilateral forums and its protectionist policies. Nonetheless, in 2011 India was invited to be an observer.

⁵² This is one of the arguments I develop in chapter 7 of my book *Asia's New Regionalism*.

⁵³ Robert D. Kaplan, *Asia's Cauldron: The South China Sea and the End of a Stable Pacific* (New York: Random House, 2014).

The Obama administration has made some important moves, and President Obama's personal interest in Southeast Asia and willingness to travel there have helped re-establish the United States as an active and constructive player. But that is not enough. Stalled trade legislation, sluggish growth in most Western economies, China's mixed behavior in the region, U.S. political dysfunction, and the difficulty of winding down U.S. military engagement in the Middle East call for U.S. action on several fronts.

Revive and Reform Global Institutions While Making Way for New Ones

There are legitimate reasons why rival regionalisms have emerged. It is both ridiculous and shameful that developing countries remain underrepresented in existing regional and global institutions such as the IMF and the ADB. The major powers governing such institutions should adopt institutional arrangements that rectify this imbalance and adopt voting reforms without conditions. The White House should make the case for reforming both the IMF and the ADB along these lines in broad strategic terms.

The resurgence of China's political and economic influence in Asia is a fact of life. The United States should not automatically oppose China's effort to create new organizations, particularly the AIIB. Nor should it try to persuade like-minded allies and partners to stay on the sidelines. They have their own concerns that are similar to Washington's. Instead, U.S. officials should continue to ask questions about governance and adopt a wait-and-see approach. In the case of the AIIB, for instance, it is appropriate to question whether the AIIB will conduct high-quality project evaluation, practice open procurement, take into account environmental and social concerns, recruit staff on the basis of merit, submit to thorough auditing, adopt safeguards against corruption and fraud, and adhere to transparent policies and procedures.⁵⁴

Act Like a Leader

Domestic political dysfunction inflicts a high cost on U.S. foreign policy and national security. The failure thus far to ratify UNCLOS strikes other countries as senseless and hypocritical, especially since the U.S. Navy claims to observe it. Likewise, inaction on IMF reform has contributed directly to the emergence of rival regionalisms. The absence of trade promotion authority damages not only the credibility of U.S. negotiators in the TPP negotiations but also U.S. leadership more generally. Top-level administration officials must appeal to a broader congressional audience by going beyond issue-specific, conventional arguments and instead making the case for ratification of UNCLOS and the TPP and passage of TPA on broad strategic grounds.

Executive branch officials, especially the president, must also do a better job of explaining what the rebalancing strategy means and why allocating more budgetary resources and nonmilitary personnel to the Asia-Pacific makes sense, even at a time when parts of the Middle East are again in flames. Asian leaders will only believe in the U.S. rebalancing strategy when they see it in action. But resources remain limited, and the policy toolbox is still heavily weighted toward military hardware and joint military exercises. American men and women in uniform vastly outnumber civilian officials. One goal of the rebalancing strategy is to reduce this huge gap and bolster the United States' political, economic, cultural, and diplomatic presence. The administration must

⁵⁴ In June 2014 the Australian Treasury drafted a wide-ranging set of questions and suggestions concerning the AIIB's design entitled "Australian Non-paper on the Proposed Asian Infrastructure Investment Bank." It was distributed by the Nelson Report on November 13, 2014, and received by personal e-mail.

fight more actively and at a higher level to obtain congressional approval for the necessary resources—and resist calls to divert them to the Middle East. Only the president can decide on such trade-offs.

The United States may not be able or willing to fund major physical infrastructure projects comparable to those funded by China and, presumably, by the new AIIB, but it can do more to build up Asia's soft infrastructure. One example is expanded English-language instruction, which would have a direct economic effect in poorer ASEAN countries. Although more people are learning Mandarin, English is still the language of not only international business but also science and technology. Further expansion of visiting fellowships for students and young professionals is another relatively low-cost way of restoring the United States' image as a generous leader. Good will is a strategic asset.

Reinvigorate APEC's Vision

The United States should take advantage of upcoming and future APEC summits to restore APEC's role as an “incubator of big ideas.”⁵⁵ Following former president Clinton's example, the U.S. president and his or her top lieutenants should recommit the United States to an FTAAP and express appreciation for China's support of this initiative. He or she should explain to American audiences why this goal makes sense and where the TPP fits in this vision. Corresponding measures to improve employment prospects at home should be a core part of this strategy.

U.S. officials should not appear to be blocking China's effort to promote an FTAAP, because doing so feeds Chinese perceptions that the United States wants to contain China. They are correct, however, that near-term conclusion of the TPP should take priority. At the 2014 APEC heads-of-state meeting in Beijing, the United States warded off a “feasibility study” of the FTAAP, which would formally set the FTAAP in motion, and accepted the establishment of a “strategic study” as a face-saving concession to Beijing. Carrying out the study group's mandate will be a low-profile, time-consuming job for trade experts. More months will pass as APEC member governments study the results and discuss them with affected interest groups. Top-level leaders will not be involved for at least several years.

Build on Shared Strategic Interests and Continue to Contribute to Public Goods

The postwar history of U.S.-led regional institutions underscores the importance of shared strategic purpose. During the Cold War, opposition to the spread of Communism was the glue holding U.S.-led regional institutions together; when top-priority strategies diverged, the organizations lost their unifying purpose.

In today's Asia, all governments see constructive, mutually beneficial U.S.-China relations as a necessary foundation of stability and growth. But beyond those basics, strategic interests differ. U.S. leadership is most effective when Washington avoids dueling with China or imposing a grand strategy on the governments of the region and instead assigns equipment and personnel to noncontroversial, relatively nonpolitical areas such as health and maritime safety. Progress in these fields is as important to the United States as to Asia and should be pursued even if allies and partners engage in “free riding” (which most of them probably will).

⁵⁵ Tang Guoqiang, “Introduction,” in Tang and Petri, *New Directions in Asia-Pacific Integration*, 3.

Beijing gets credit from other governments for not telling them what they should do, but the flip side of that stance is that no one knows what China's ultimate goals in the region are. What goes on in regional institutions, new or old, conforms to this pattern. There are strong reasons to believe that China seeks to establish itself as the dominant power in Asia while diminishing the role of the United States as an external balancer. But how and toward what end does it hope to achieve this outcome? How far will the United States go to accommodate a stronger China? The answers to these questions will have enormous bearing on the norms, composition, tasks, and future achievements of regional institutions.



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