Introduction

Asia, particularly East Asia, is highly integrated economically. Yet the region remains thinly institutionalized. The contemporary relevance of the ancient China-centric tributary system is debatable and has been questioned by many, both in and outside the region. The U.S. hegemony during the Cold War left little legacy to build on in terms of overarching multilateral institutions. The various initiatives proposed by Tokyo when Japan emerged as Asia’s number one have largely become distant memory. The golden age of Asian multilateralism in the 1990s has since given way to heated geopolitics rivalries, eminently played out through institutional contestation.

Despite setbacks to multilateral institution building, Asia marches on with its economic integration in intra-regional trade, investment, and finance. The paradox of thickening interdependence amidst geostrategic rivalries has come to characterize international relations in Asia. The lack of interstate militarized conflict in East Asia in recent memory can create an impression that institutions do not matter. Worse still, decades of relative peace can lull the region to slacken off efforts to institutionalize regional architecture.

The geopolitics, not least galvanized by the rise of China, are certainly not the most conducive to integrative regionalism. But, since the 1960s, the region has never ceased in looking for answers to pressing economic and security issues through institutional entrepreneurship. Even while major powers are jockeying for position in an unsettled regional hierarchy after the global financial crisis in 2007–08, the region has seen frenetic activities in multilateral institution building. The salience of institutional contestation reflects an Asian style of status competition. Shifting geopolitical fissures give rise to competing designs, but none seems to stick, much less fundamentally change the regional status quo. Asia’s order has been transformed by the power reconfiguration and what’s going on in the marketplace. Yet, how the institutional rivalry plays out will decisively determine whether the region can avoid a violent path of power transition to create a unified Asia-Pacific security architecture.

This chapter starts with a brief overview of the historical legacies of multilateral institutional development in Asia. Then it discusses the golden age of regionalism in the 1990s. The third section discusses the competing designs for regional institutions. The final section
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examines institutional development and heightened strategic rivalry, particularly after the global financial crisis. The conclusion briefly highlights the enduring strength of regional institution building and warns against exclusive regional designs.

The historical legacies

Fully developed during the Ming and Qing dynasties (1368–1911), ancient China’s centric tributary system was not as structured and certainly not as legalistic as typical contemporary institutions in international relations. The units within were not sovereignty states. The system was formally hierarchical and revolved around China’s claims to be the center of civilization. As Mark Mancall argues, “the tribute system functioned to intermesh rather than integrate the Central, East, and Southeast Asian societies that were derivative of, or periphery to, China and the region’s preponderant Confucian society and tradition” (Mancall 1984, 15). Today, scholars continue to debate over whether the system was cultural or commercial, who benefitted, and whether China acted magnanimously. Such debates are often entangled with contemporary political relations and, as such, can never be settled.

The ancient East Asian order did feature a clear hierarchy, Confucian culture, and the institution of tribute missions. Contrary to the conventional focus on the cultural practice surrounding China, the Japanese historian Takeshi Hamashita has shown that the tribute system was profoundly commercial and widely practiced beyond China’s relations with its periphery. It was not the only center to receive tribute missions from Korea, which “also sent missions to Japan during the Tokugawa period (1600–1868). And Vietnam required tribute missions from Laos” (Hamashita 2008, 18).

After the Meiji Restoration (1867–68), to strive for “civilization and enlightenment,” the Japanese elites felt that they must sever Japan’s Asian affinity and follow in the footsteps of the West to colonialize the region. Ultimately, imperial Japan embraced a brand of pan-Asianism, which both despised Asia and fed into the sense of a mission to save and unite Asia. The result was the disastrous East Asian Co-prosperity Sphere in the 1930s and 1940s, which was heavily defined by nativist, racist, and statist veins in Japanese Asianism (Koschmann 1997). The historical legacies were to leave a lasting struggle for self-identity between Asia and the West in contemporary Japanese Asian regionalism (Katzenstein and Shiraishi 2007).

With the Korean War (1950–53), the division between the pro-Western countries and the communist regimes became clearly demarcated. In Europe, the United States successfully created a multinational security organization in the North Atlantic Treaty Organization (NATO), but it failed to do the same in Asia. The Southeast Asia Treaty Organization (SEATO) never really took off. The strategic landscape in Asia was too fluid and complicated to allow for a NATO-like security organization in the region. The weakness and independent spirit of Asian countries, coupled with a racial prejudice among the decision-making elites in Washington, precluded any serious U.S. attempt to create a multilateral security bloc that would require trusting its Asian allies with the same responsibility and authority as it did their European counterparts (Hemmer and Katzenstein 2002).

The United States instead pursued a series of bilateral alliances under what is known as the hub-spoke strategy. By the early 1950s, the United States had signed security treaties with Japan, Korea, the Philippines, and Australia. The alliances were underpinned by shared security and commercial interests, but they effectively created a network of bilateral ties that sustained a U.S.-centered hierarchy in the region (Lake 2012).

While the United States opted to forgo multilateral institution building, the small countries in Southeast Asia established the Association for Southeast Asian Nations (ASEAN)
in 1967. Originally with five members, Indonesia, Malaysia, Singapore, the Philippines, and Thailand, ASEAN’s mission was to focus on intra-regional affairs, namely the concerns within and between member states. In 1971, it publicly announced that its goal was to turn Southeast Asia into a Zone of Peace, Freedom, and Neutrality, signaling its focus on Southeast Asia and its disavowal of any extra-regional power’s interference in regional affairs.

By the 1960s, Japan had begun to recover economically and psychologically from the total defeat of the Pacific War. Sensitive to its “legitimacy deficit” and historical shadow of war guilt, Japan quietly made a return to Asia. Multilateral institutions seemed to be the least intrusive way for that. As a result, the Asian Development Bank (ADB) was created in late 1966. The Japanese official Takeshi Watanabe was appointed the first president of ADB, which is headquartered in Manila, the Philippines. Japan subsequently floated a number of ideas for multilateral institutions, with a goal to reestablish ties in Asia and position itself as a bridge between Asia and the West. Japan’s quiet leadership would prove instrumental in the creation of the Asia-Pacific Economic Cooperation (APEC) in 1989, although Australian Prime Minister Bob Hawk was the front man pushing the idea.

When considering institutional development in Asia, the prevailing view is to hold Europe as the standard. With such a comparative perspective, the conclusion is invariably that Asia is weakly institutionalized. And there is little historical legacy to build upon. But if one treats the ancient tributary system as seriously, both for its historical significance and contemporary relevance, as does David Kang (2010), one might trace contemporary Asian institutional development to the ancient era. But even if there is a revival of some features of the tribute system, there is no historical continuity of the institution to speak of, much less any agreement or certainty over how the past may still matter. Amongst the institutions born during the Cold War, the ADB and APEC have persisted. But by now neither institution has shown significant potential or interest in becoming an engine in regionalism. In fact, both have shown signs of stalling. After asserting its centrality in Asian regionalism during the 1990s, ASEAN is confronted with unprecedented crisis in managing China’s rise and the U.S. pivot. In the 21st Century, China’s rise has prompted a flurry of new institutional initiatives. Amidst heightened power competition, it remains an open question if any of the efforts can ultimately succeed to transform the regional order.

The golden age of multilateralism

The 1990s turned out to be the golden age of multilateralism in Asia. During the decade, APEC received a major boost with expanded membership and agenda. ASEAN vigorously exercised its centrality and cultivated its style of diplomacy. It even created the ASEAN Regional Forum (ARF), the first Asia-Pacific security platform. China, after decades of aversion to multilateral diplomacy, warmed up towards regional institutions, and the Asian financial crisis added impetus for East Asian regionalism.

APEC successfully negotiated a formula to include China, Taiwan, and Hong Kong at the Seoul meeting in 1991. By 1998, APEC had concluded its membership expansion to its current 21 economies. At the second unofficial summit held in Bogor, Indonesia, in 1994, APEC achieved a landmark agreement that advanced economies would liberalize trade and investment by 2010, and developing economies would follow suit ten years later. APEC had struggled to implement these ambitious goals, but it did help energize the process of liberalization and globalization amidst heightened concerns over regional trade blocs arising in Europe and North America (Deng 1997).
Having led a diplomatic campaign to drive Vietnam out of Cambodia through the 1980s, ASEAN emerged as a strong and widely respected institution. It immediately redefined its identity to be a central player in shaping the regional architecture in Southeast Asia and beyond. The organization carefully cultivated an Asian style of diplomacy featuring an informal and non-legalistic approach, heightened sensitivity to sovereignty, and a process-oriented mode of interstate relations (Acharya 2009; Johnston 2012).

While promoting the ASEAN style of diplomacy, the organization also took steps to play the central role in Asian international politics. Through the 1990s, it completed its expansion to the current membership of ten. ASEAN also served as a major platform for then Singaporean leader Lee Kuan Yew and Malaysian Prime Minister Mahathir Mohamad to promote “Asian values,” a set of cultural norms and ideas supposedly distinctive from Western values.

In 1994, ASEAN created the ARF, a multilateral security institution. ARF was the first Asian-initiated multilateral security mechanism and today remains the only inclusive Asian security institution. Through ARF, ASEAN sought to apply its Treaty of Amity and Cooperation (TAC), which upholds the principles of sovereignty and peaceful resolution of conflict to transform regional international relations. The ARF’s approach is to maintain the ASEAN centrality in promoting confidence building through official meetings and unofficial Track II dialogue. ARF socialized Chinese elites to be comfortable with multilateral institutions and to embrace a new security concept in which multilateralism featured prominently (Johnston 2008). Three years later, ASEAN institutionalized ties with Northeast Asian powers, China, Japan, and Korea, through the ASEAN Plus Three (APT) arrangement.

China’s embrace of multilateralism was a transformative event for Asian diplomacy and Chinese foreign policy. By the early 1990s, Chinese ruling elites had started to see participation in international institutions as integral to its opening policy. Eager to integrate itself into the world’s most economically dynamic region, China was rather indiscriminate in terms of deciding which institutions to join. Beijing joined APEC, ARF, and notably even publicly supported Mahathir’s East Asian Economic Caucus (EAEC), an economic zone that would only include East Asian economies, in the early 1990s. Beijing not only was an eager participant but also showed itself to be a good citizen in both economic and security institutions, such as APEC and ARF. China’s turn from being an outsider to an active member added momentum to regional institutional building, strengthened ASEAN’s inclusive, accommodative style of diplomacy, and unexpectedly paved the way for China to assert itself in institutional diplomacy in the 21st century.

The Asian financial crisis during 1997–98 had a lasting impact on institutional development in Asia. While hitting the Republic of Korea (ROK), Thailand, and several Southeast Asian economies particularly hard, the financial crisis devastated the region as a whole and deflated regional hubris about “Asian values.” The United States and the International Monetary Fund were widely blamed for inadequate and even callous reactions to the region’s worst financial crisis, which even brought down the long-standing Suharto regime in Indonesia. As a result, the APT mechanism was launched in 1997, cementing ties between ASEAN and the Northeast Asian three, namely China, Japan, and ROK. The crisis also vindicated China’s multilateral diplomacy among its policy elites. Through the crisis, China earned widespread recognition by resisting pressures to devalue its own currency and contributing rescue packages to the hardest hit economies. While Japan’s idea of an Asian Monetary Fund was immediately rejected, APT created a set of bilateral currency swap agreements, known as the Chiang Mai Initiative, designed to cope with a sudden liquidity crisis in its member states.
Multilateral institutional development

While the 1990s saw notable strides of the infrastructural development for Asian multilateral institutions, the decade left a mixed legacy for later efforts to create a lasting Asia-Pacific architecture. ASEAN succeeded in establishing its centrality, while it also articulated and evolved its own style of diplomacy. But the financial crisis revealed the materialist constraints of the relatively weak Southeast Asian economies. ASEAN had to draw close to China, Japan, and Korea. The APT provided a platform to promote economic cooperation, some inchoate regionalism, and an inkling of an Asian community. ASEAN’s effort for East Asian regionalism gave the Northeast Three a shared purpose, helping foster a sense of common Northeast Asian identity (Calder and Ye 2010). In the short span of a decade, China transformed itself from a skeptic outsider to an ambitious leader poised to reshape the institutional landscape in Asia.

During the decade, ASEAN was able to assert its centrality and the “ASEAN way” on institutional building. The regional organization proved to be adaptable in meeting the domestic and regional demands and deftly dealing with the various emerging challenges in the region. This was possible, as Yuen Foong Khong and Helen E.S. Nesadurai (2007, 79) point out, because the decade saw “a respite from the crises and wars (internal and external) that bedeviled the region during the Cold War.” No major power was capable of or willing to challenge the status quo or to take the lead in institutional building. But the relative calm and muted great-power competition was soon to end. Besides, even during the relatively halcyon years, historical animosities and realpolitik politics remained potent and stood in the way of a shared regional vision (Rozeman 2004).

Contested regionalism

At the start of the new millennium, ASEAN would continue to assert its centrality, and APT would multilateralize its earlier Chang Mai Initiative (CMI). But soon, the auspicious start of East Asian regionalism would give way to great power contestation. Various political and security initiatives would arise. Institution building became a central front of great power rivalry centered on U.S.-China competition over economic and security influence.

At the outset, ASEAN remained a focal point of Asian regionalism. Under ASEAN leadership, the East Asian Summit (EAS) was created in 2005 to serve as a regional political forum. China concluded a massive free trade agreement (FTA) with ASEAN in 2002, as part of the Ten Plus One mechanism. Beijing also signed ASEAN’s TAC and a Declaration on the South China Sea, pledging not to take unilateral steps to destabilize the disputes. Also, remarkably, APT managed to multilateralize in 2009 the formerly bilateral CMI with a pledged $120 billion funds. The ASEAN’s symbolic centrality was instrumental to tame the Sino-Japanese rivalry making possible the conclusion of the CMI agreement. Shared interest in financial cooperation even spawned the idea of Asian Bond Markets designed to tap regional capital to finance East Asia economies (Grimes 2009). CMI’s practical significance has not been tested, as East Asia never experienced the kind of liquidity crisis as it did in 1997–98. However, the fact that China and Japan could find an equitable leadership both literally and figuratively by each contributing a 33 percent share of the initial fund was perhaps more remarkable than the very idea itself. In 2012, ASEAN also initiated the negotiations of a multilateral trade agreement known as the Regional Comprehensive Economic Partnership (RCEP) that is based on APT and also includes India, New Zealand, and Australia.

Such inchoate regionalism was to be trumped by emerging rivalry among major players. As Table 25.1 shows, with different preferences and agendas, the United States, China, and Japan have proposed divergent ideas and initiatives on how to organize Asia. As a status quo
The United States has historically been opposed to the geographically limited East Asian regionalism since Mahathir’s EAEC in the early 1990s. Such proposals tend to threaten traditional U.S. influence. With a top priority on preserving and strengthening its bilateral alliances, the United States is wary of the corrosive effect of multilateralism on its traditional security approach (Cossa 2003). The concern has dampened U.S. enthusiasm for region-wide institutions. And it has actively intervened to present regionalism from gravitating towards an Asian-only grouping.

The United States also attempted to shape the agenda of regional institutions to suit its interests and policy agenda. After the 9/11 events, the Bush administration tried to introduce an anti-terror agenda with APEC traditionally averse to such any security agenda. Having run his presidential campaign on multilateralism as opposed to Bush’s unilateralism, President Obama put a high premium on institutions in Asia. But it was the U.S. strategic rebalancing towards Asia led to the rediscovery of multilateralism. Hailing multilateral diplomacy challenges the bullying tactics behind China’s bilateral approach to the maritime disputes in South China Sea. With the U.S. pivot strategy, the Obama administration no longer saw its alliance structure and regional multilateral institutions as mutually exclusive. Instead, regional institutions were instrumental in solidifying U.S. primacy and isolating the

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**Table 25.1 Approaches to regional institutional development: China, Japan, and the United States (2001–)**

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<th>Preferences on Regionalism</th>
<th>China</th>
<th>Japan</th>
<th>The United States</th>
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<td>East Asia-centered regionalism; Economically based institutions.</td>
<td>Open to the United States and democracies, such as India, Australia, and New Zealand; stress on democratic values.</td>
<td>Status Quo concern to maintain US hegemony in region; central concern to maintain bilateral alliances and define economic “rules of the game.”</td>
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**Initiatives and Ideas**

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<th>China</th>
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assertive China (Sutter 2015). The Obama administration signed ASEAN’s TAC and joined the EAS. The United States stepped up cooperation with ASEAN, having established an ambassadorial-level diplomatic mission with the regional organization in Jakarta, Indonesia. An annual U.S.–ASEAN Summit was also in place to complement the Ten Plus One (the United States) engagement through the EAS.

Of course, the most remarkable institutional leadership under the Obama administration was manifested through the Trans-Pacific Partnership (TPP). While the genesis of TPP was the four-country trade deal in 2005 among Chile, New Zealand, Brunei, and Singapore, the Obama administration seized on the agreement and expanded it to include 12 economies. The United States led the multilateral efforts to negotiate a high-quality trade agreement that effectively removes trade barriers and opens up investment opportunities while addressing issues such as intellectual property rights, labor standards, and the environment. In early 2016, TPP was signed by member states after the conclusion of the negotiations several months earlier. TPP acquired its strategic significance not least because China was not a member. And it was considered an essential part of the U.S. pivot, at the time when, according to President Obama, “China wants to write the rules for the world’s fastest-growing region.”

Nowhere was the impact of China’s rise felt more acutely than in Japan. In 2010, China overtook Japan in nominal gross domestic product (GDP) as the second largest economy in the world and Asia number one economy. Since then, Japan has been grappling with how to utilize multilateral institutions to deal with China’s growing material advantage. Japan has relied on its values diplomacy, seeking to get the better of China by building political solidarity with like-minded democratic states. Leading up to the creation of EAS, Tokyo insisted on including Australia, New Zealand, and India, in contrast to China’s preference for an East Asia–only membership (Kazhuhiko 2008).

Under Prime Minister Junichiro Koizumi, Japan started to openly promote the idea of an “Arc of Freedom and Prosperity” in Asia. He was a leading voice in the Quadrilateral Dialogue Initiative in 2007, which included Japan, the United States, Australia, and India. But “the Quad” was soon replaced by the more inclusive “Asia-Pacific Community,” an Australian idea proposed by the newly elected Prime Minister, Kevin Rudd. In 2009, Prime Minister Yukio Hatoyama of the Democratic Party of Japan touted the idea of “East Asian Community,” which suggested a renewed emphasis on Asian solidarity. After a brief fanfare, the idea never took off.

With international institutions being a central platform of postwar Japanese foreign relations, Tokyo naturally looked to institutional assistance in dealing with China. Yet Asia seemed resistant to a values-based institutional architecture. And Japan continued to struggle in defining its identity between Asia and the West, and in finding the balance between independent leadership and reliance on its alliance with the United States (Krauss and Pempel 2004). The result is a string of ideas, but none have stuck.

India and Russia have made some inroads into the regional institutional setting in Asia. After its “look east” in the 1990s, India finally saw the most opportune time to establish itself in the Asia-Pacific. India was wooed by leading democratic powers, particularly Japan, but it is also courted by Russia and China. Russia, guided by a new doctrine of “Eurasianism,” began to turn away from fixation with Europe and to gain a foothold in Asia (Sergunin 2004). When it comes to institutional building, both new comers want to be involved, but neither is capable of a leadership role.

Australia, ASEAN, and ROK are not major powers, but they are central players and key stakeholders in Asian institutional building. These middle powers rely on institutions to incorporate China in the existing regional order, while they also seek to tame U.S.–China
rivalry. They share a set of interests that fundamentally are against an unmitigated U.S.-China rivalry.

Thus, Rudd used the “Asia-Pacific Community” idea in 2008, and ASEAN relied on ARF and EAS to ensure them the continued benefit of the security order historically led by the United States and the benefit of economic ties with China (Goh 2007/08; White 2014). China’s first success with institutional development in the 2010s was the creation of the Shanghai Cooperation Organization (SCO), headquartered in Beijing. It started from the Shanghai Five mechanism designed to deal with border demarcation and confidence building between China and four former Soviet Republics, including Russia. After Uzbekistan joined, the Shanghai Five evolved into the SCO in 2001. SCO decided to expand its membership only once to India and Pakistan in 2015, although it has steadily increased its observer states and dialogue partners.

The SCO evolved from a border security mechanism to an organization devoted to combating terrorism. A few years into its creation, SCO had become a comprehensive international organization that has served well China’s economic, political, and security interests. The organization has proven valuable in safeguarding China’s vital interests in combatting what Beijing calls Uyghur “terrorism, religious fanaticism, and separatism.” Economically, the multilateral institution was instrumental in solidifying China’s resources ties, trade, and investment in the region. SCO helped reduce Western political influence and evict U.S. military presence in Central Asia. It has also lent support to China’s position on territorial disputes from Taiwan to South China Sea. Ultimately, the organization facilitated the rise of China’s influence in a strategic important area to its west.

SCO’s success encouraged China to pursue even more vigorously institutional building under the strategy of “One Belt, One Road” (OBOR). The newly inaugurated President Xi Jinping first announced the “economic belt” idea in a speech at Nursultan Nazarbayev University on September 7, 2013. While visiting Indonesia in October 2013, Xi unveiled the Maritime Silk Road initiative to complement the land-based economic belt along the Euro-Asian landmass. Drawing on the ancient “Silk Road” originating some 2,000 years ago during the Han dynasty, OBOR is to pave a massive economic zone extending from China and East Asia to Europe.

According to the Chinese official plan issued in March 2015,

The Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21st-Century Maritime Silk Road is designed to go from China’s coast to Europe through the South China Sea and the Indian Ocean in one route, and from China’s coast through the South China Sea to the South Pacific in the other.3

Under OBOR, which was later changed to the Belt and Road Initiative (BRI), China has spearheaded several international institutions. Beijing created a Silk Road Fund of $40 billion managed by the Chinese government. Working with the newly emerging economies, Brazil, Russia, India, and South Africa, China was instrumental in establishing the Shanghai-based BRICS Development Bank. Most importantly, China created the Asia Infrastructure Investment Bank (AIIB), devoted to regional and global development. It took about two years from its initial announcement to its official setup in Beijing, with nearly 60 inaugural member states. With Beijing pledging half of the initial capital of $100 billion, the
Multilateral institutional development

bank would facilitate Chinese foreign investment to address its pressing overcapacities across its industry and orchestrate a westward strategic shift. By May 2017 when Beijing hosted its first BRI International Forum, AIIB’s membership had expanded to 80.

On the security front, China rather unwittingly became the host of the Six-Party Talks starting in 2003 due in part to the Bush administration’s rejection of one-on-one talks with North Korea. Before the diplomatic process was put on hold in 2009, several rounds of talks were held in Beijing. The talks did manage to issue a joint statement in 2005 outlining a collective commitment to denuclearization on the Korean Peninsula and the political, economic, and security roadmap towards that goal. The Talks initially earned Beijing significant credit as a responsible power. But Beijing’s attempt to project itself as an honest broker floundered with North Korea’s continued defiance on proliferations and brinkmanship on Peninsula security.

There has been an agitated activism in institutional building in the new millennium. ASEAN’s centrality seemed to have been rendered to symbolism. Both the major powers and the middle powers tried to assert their roles. New stakeholders, Russia and India, were keen to establish their presence in any regional architecture. Japan has scrambled to harness multilateral efforts to compete with China. Japanese approach tended to put a premium on democratic values and its various ideas proved to be ad hoc and unsustainable. Asia remains a region hardly conducive to value-based regionalism.

The frenetic activities overall failed to facilitate the creation of a regional architecture that all major powers bought in nor did it lead to a security community. Instead the region seems to be divided by the contending visions of China’s Asian regionalism and American’s Pacific regionalism. This is manifested in Xi’s emphasis of “Asian” security order. And on the economic front, China lent support to the ASEAN-centered RCEP. The Obama Administration, in turn, expanded its bilateral alliances and partnership on security while at the same time it was promoting the TPP. Such divergent regionalism dissipated the spirit of unified Asia-Pacific, despite APEC and the fact that politicians continued to pay lip service to Asia-Pacific cooperation.

Institutional building amidst status transitions

International institutions define the international status quo. Created “after victory,” they reflect the interests and preferences of the reigning power, albeit in different ways (Ikenberry 2001). But in Asia, institutional building is taking place amidst accelerated status transitions under a frayed regional arrangement. In the power transition theory in International Relations, the focus is on the war proneness when a rising power overtakes the established power. Graham Allison (2017) simply calls the danger of war “the Thucydides trap” referring to the Peloponnesian War (431–404 BCE) between the rising Athens and the reigning Sparta. But in Asia, what’s driving the ongoing geopolitical rivalries is not just power change but also competition over international recognition and national ambitions in a struggle to realign regional hierarchy (Deng 2008; Paul, Larson, and Wohlforth 2014). Such status transition is heating up, although the United States still enjoys a commanding lead, even over China, in terms of materialist power.

Institutions prove invaluable in status competition. States in international institutions are supposed to follow “generalized principles of conduct...without regard to the particularistic interests of the parties or the strategic exigencies that may exist in any specific occurrence” (Ruggie 1993, 11). On the contrary, in Asia, states enlist institutions to serve its interests and to gain an advantage in strategic competition. As argued earlier, Japan promoted values
diplomacy to contend with China’s economic diplomacy. Even ASEAN uses institutions as a key component of its balancing strategy towards extra-regional powers (Goh 2007/08, 144–146). China clearly sees institutional development as a way to enhance its own influence and to diminish U.S. hegemony in the region. Liu Xuecheng, a leading think tank analyst affiliated with the Chinese Ministry of Foreign Affairs, argues, “Once Asian countries or the Asia-Pacific region put in place a unified, regional cooperative organization, the United States undoubtedly would lose its dominance in the region.”4 President Xi Jinping articulated an “Asian security concept” more than once at the Conference on Interaction and Confidence-Building Measures in Asia, implying an Asia-based security architecture antithetical to the U.S.-led status quo.

In response, as a precursor to the Obama administration’s rebalancing towards Asia, while in Hawaii in October 2010, then Secretary of State Hillary Clinton warned against any multilateral efforts to exclude the United States. She declared, “If consequential security, political, and economic issues are being discussed, and if they involve our interests, then we will seek a seat at the table.”5 A year later, Secretary Clinton would return to Hawaii to proclaim the U.S. vision of an “America’s Pacific Century” featuring a robust U.S. leadership in multilateral institutions.6 In June 2012, at the Shangri La Dialogue, an annual regional security forum held in Singapore, Defense Secretary Leon Panetta announced a centerpiece of the U.S. strategic rebalancing towards Asia that “by 2020 the Navy will repurpose its forces from today’s roughly 50/50 percent split between the Pacific and the Atlantic to about a 60/40 split between those oceans.”7 To balance China’s power, Prime Minister Shinzo Abe has repositioned Japan as the Proactive Pacifist committed to a “free and open Indo-Pacific strategy.” Since 2017, he has stepped up to revive the Trans-Pacific Partnership without the United States (TPP 11) and the Quadrilateral Security Dialogue first proposed 2007.

For major powers in Asia, multilateral institutions also prove invaluable to simply wield their political influence and standing in a fast-evolving regional order. The leading state may use a multilateral institution to curry favor from member states beholden to its largess. Japan has skillfully and effectively used its control over ADB lending decisions to secure its rotating membership at the UN Security Council and its broader UN agenda (Lim and Vreeland 2013). Such calculation of institutional influence undoubtedly figured in China’s creation of the AIIB. Indeed, after the Philippines brought a case in 2013 to a UN arbitration court in The Hague against the Chinese territorial claim in the South China Sea, Beijing refused to participate in the proceedings citing its own interpretation of the United Nations Convention on the Law of the Sea. China was able to enlist some political support from SCO and member states in the Silk Road to delegitimize the court ruling. Even more profoundly, these institutional initiatives have facilitated China’s political ascendancy in Asia.

Such institutional rivalries, however, do not seem to have much effect on economic integration in Asia. Over the past several decades, East Asia has made remarkable strides in interdependence, as demonstrated by intra-regional trade, investment, and finance. Economic cooperation is largely driven by market forces. In the 1970s and 1980s, Japan and the newly industrializing East Asian economies, Korea, Taiwan, Singapore, and Hong Kong led the way in economic opening to China and in the regionalization of production. Then China became the driver of regional trade through commodities imports, and more importantly, by serving as the hub of trade in intermediary goods and the location of final assembly. Chinese foreign direct investment has accelerated under the Silk Road program, even though it suffered setbacks, notably the 2011 cancelation of the Myitsone Dam and the Letpadaung copper mining projects in Myanmar and the 2015 suspension of a port construction project in Sri Lanka. The region has seen decades of countless “noodle bowl” like
Multilateral institutional development

FTAs, a phenomenon that The Economist calls “Asia’s FTA mania.” Regional institutions, such as APEC and the CMI at best promote a “soft regionalism” that contributes to the ethos of interdependent growth.

While subregional initiatives have a competitive edge to them in geopolitics, they are not tightly knit alliances designed for power balancing or mutually exclusive groupings. The United States and Japan are not the founding members of AIIB, but the bank includes some of the major U.S. allies in Europe and Asia. After initial opposition to AIIB, both countries became more open-minded about it. The World Bank has welcomed the new multilateral development bank, and the Japanese-led ADB has collaborated with AIIB on loans to fund infrastructural development in Asia. Officially, TPP remains open to China’s membership. Few members in either organization are willing to choose between the United States and China. And the United States and China have created over 90 bilateral institutions and mechanisms between themselves indicating a shared commitment to manage the differences in their regional interests.

The security effect of these institutions has so far been limited. But the danger remains if Asian institutional development evolves into competing security spheres marked by China’s Asian regionalism and America’s Pacific regionalism. Historically, Asia had its share of “Asia for the Asians” regionalism. The idea was notoriously associated with Japanese imperialism in Asia. Mahathir’s East Asian Caucus in the early 1990s grew out of a sentiment of Asian solidarity against the West. Xi’s China has proposed the idea of Asian security, but there is no institutional infrastructure to back it up. Beijing has not created any multilateral security or political institution in Asia.

The Silk Road program or BRI, if successfully implemented, will open up strategic space for China to the West counterbalancing the eastward pressure by U.S. pivot. It will expand circles of nations friendly to China’s interests, and Europe will gravitate towards Asia on both economic and political terms. Fundamentally, it is not in China’s interest to create an exclusive China-centric block nor is it possible. In fact, with the Silk Road program, Beijing is preoccupied with addressing domestic issues, such as the Uyghur separatism, industrial overcapacities, and stalled economic reforms. Through the BRI, Beijing hopes to address the Uyghur discontent through economic development of China’s “great west.” Chinese foreign investment would also provide much needed relief to the severe industrial overcapacity created by the earlier massive government stimulus package. More importantly, the Xi government hoped to use the BRI to galvanize the new round of economic reforms. These complex motives, some of which are domestically oriented, heavily condition the geopolitical objectives behind China’s Silk Road program.

Without a stable hierarchy, multiple players jockey for position in a fast-evolving regional order. Institutional contestation, however, does not represent a traditional balancing strategy. Instead they speak to an Asian style of revisionism. With possible exception of North Korea, China virtually has no formal allies. To the extent that they add to Chinese power, multilateral institutions become particularly valuable to counter the United States, whose many alliance “subordinates have served as force multipliers for America’s own military capability” in Asia (Lake 2014, 267). The United States and China form different subregional groupings, but these institutions do not lock members in an exclusive bloc. Instead, member states often choose to enjoy the economic and security benefits by working with both powers. Ultimately, these institutions do not vitiate economic globalization to create fragmented economic zones.

But with the lack of centripetal institutional strength, Asia’s “capitalist peace” (Gartzke 2007) rests on shaky ground. While East Asia has seen no interstate war in several decades,
Yong Deng

the region has seen a paradoxical development of impressive interdependent growth being juxtaposed with heightened security dilemma, great power rivalry, territorial disputes, and nationalism (Goldstein and Mansfield 2012; Liff and Ikenberry 2014). The region’s security architecture is eminently unsettled.

Conclusion

Compared to Europe, international relations in Asia are both over-institutionalized and under-institutionalized. There are myriad initiatives, but there is no overarching institution to ensure a binding regional order. Multilateral security institutions are particularly weak. But economic integration has steadily grown since the late 1970s. Interest in institutional building has not waned. Postwar Japan relied on multilateral institutions to return to Asia and to gain some legitimacy in regional leadership. Reformist China sought participation in regional institutions to facilitate its economic integration into the economically dynamic East Asia. ASEAN asserted its central role in various multilateral initiatives. With a secure hierarchy buttressed by robust bilateral alliances in East Asia (Lake 2014), the United States traditionally adopted an approach of benign neglect to these various forms of “soft regionalism.”

Today, however, with the U.S. hegemony being challenged, an unsettled regional hierarchy has spurred fierce status competition among major powers. Interestingly, multilateral institution building has taken the center stage in the great-power politics of the region. There are more players and stakeholders than ever before. And China’s leadership in multilateral institutions, as demonstrated in RCEP, SCO, and AIIB, has raised fear that Asia may be reorganized according to the Chinese design. The United States has promoted a Pacific regionalism or an Indo-Pacific idea to counter China’s ascendancy. But the region is unlikely to evolve into exclusive blocs respectively led by the United States and China. There is little constituency in the region or in the two countries to support the prospect of a divided Asia.

By withdrawing from TPP, the Trump administration has on surface lessened competition with China over the regional institutional design. But Trump’s first extended visit in Asia in November 2017 also featured his attendance of the APEC Summit in Vietnam and the East Asian Summit in the Philippines. At the same time, his administration publicly revitalized a strategic Indo-Pacific vision breathing new life to the idea of an Asian NATO. Meanwhile Tokyo was keen to resuscitate TPP even without the US participation. The stakes of managing competition in this arena are high. The path to a new regional architecture is not likely to go through war but through institutional contestation.

Notes

1 The policy of encouraging China to become a responsible power was most forcefully articulated in Deputy Secretary of State Robert B. Zoellick, “Whither China: From Membership to Responsibility?” delivered at the National Committee on US-China Relations, September 21, 2005, at www.state.gov/s/d/former/zoellick/rem/53682.htm.

Bibliography


