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Institutionalizing Northeast Asia

Institutionalizing Northeast Asia: Regional steps towards global governance

Edited by Martina Timmermann and Jitsuo Tsuchiyama



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Endorsements

“This impressive volume brings together many leading experts to provide a collective portrait of the logic and future of Northeast Asian regional cooperation. The result is a wide-ranging exploration of the ways that the countries in this transforming part of the world are grappling with new forms of governance and order. Compared to Europe, Northeast Asia is not highly institutionalized. But as the authors in this important book show, the region is following a path toward great institutionalizing – and doing so in its own distinctive way.”

G. John Ikenberry, *Albert G. Milbank Professor of Politics and International Affairs in the Department of Politics and the Woodrow Wilson School of Public and International Affairs, Princeton University*

“This volume breaks new ground by analyzing the trends in and prospects for regional institutionalization in an area defined by long historical memories, simmering territorial conflicts, a shifting balance of power, and an uncertain global environment. It brings together a distinguished group of scholars who offer a full range of views on theories of institutionalization and on their application to issues of identity, security, economy, energy, environment, human rights, and human security. *Institutionalizing Northeast Asia* will serve as the point of departure for subsequent debates on this critically important subject.”

Jack S. Levy, *Board of Governors’ Professor at Rutgers University and President of the International Studies Association (ISA) 2007–2008*

“An illuminating, fresh approach to Northeast Asian regionalism. Re-assessing the role of regional institutions such as the Six-Party Talks and ASEAN in promoting regional governance, the authors present indispensable food for thought for practitioners as well as theorists.”

Masashi Nishihara, *President of the Research Institute for Peace and Security (RIPS) and former President of the National Defense Academy in Japan*

“This is a highly recommendable book, definitive as well as timely work on a most important subject. The book sums up and gives us a new perspective on the discourses which have been going on for the past several decades. It covers most of the topics related to the subject from analytical, normative as well as practical perspectives.”

Ra Jong-Yil, *President of Woosuk University and South Korea’s former ambassador to Japan*

“The book makes a fine contribution to the international literature on regional cooperation in one of the world’s most conflicting regions. By bringing together an international panel of high ranking specialists, it provides a distinctive added value to comparative regionalist research and international relations. The readers will not only like the very rich empirical evidences regarding the ongoing multiple policy-cooperation and its limits. Moreover, the book’s conceptual clarity and internal coherence help also by further deepening a broader and more sophisticated concept of regional institutionalization, including typology, functions, norm setting, historical legacies, security challenges, and processes of identity building. It is extremely appealing to a wide audience of students and international scholars of political economy, security studies, and international relations.”

Mario Telò, *President of the Institute of European Studies at Free University of Brussels (Université Libre de Bruxelles) and Member of the Royal Academy of Sciences, Belgium*

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Martina Timmermann and Jitsuo Tsuchiyama

Acronyms

ABF	Asia Bond Fund
ABM	anti-ballistic missile
ABM	Asian bond market
ABU	Asia-Pacific Broadcasting Union
ACD	Asian Cooperation Dialogue
ACSA	Access and Cross-Servicing Agreement
ADB	Asian Development Bank
ADORV	Acid Deposition and Oxidant Research Center (Japan)
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
AMF	Asian Monetary Fund
APC	Asia-Pacific Consultations
APEC	Asia Pacific Economic Cooperation
APII	Asia-Pacific Information Infrastructure
APNG	Asia Pacific Networking Group
APT	ASEAN Plus Three
APT	Asia Pacific Telecommunity
ARF	ASEAN Regional Forum
ASA	ASEAN swap arrangement
ASCII	American Standard Code for Information Interchange
ASEAN	Association of Southeast Asian Nations
ASEF	Asia-Europe Foundation
ASEM	Asia-Europe Meeting
ASP	ASEAN surveillance process
ASPC	ARF Security Policy Conference
ATSI	Asian Telecommunications Standardization Institute

ATSMML	Anti-Terrorism Special Measures Law (Japan)
BIT	bilateral investment treaty
BSA	bilateral swap arrangement
BTWC	Biological and Toxic Weapons Convention
CARICOM	Caribbean Community
CAT	UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment
CCP	Chinese Communist Party
CDNC	Chinese Domain Name Consortium
CEAC	Council on East Asian Community
CEDAW	UN Convention on the Elimination of All Forms of Discrimination against Women
CH ₄	methane
CICIR	China Institute of Contemporary International Relations
CIIS	China Institute of International Studies
CIS	Commonwealth of Independent States
CMI	Chiang Mai Initiative
CO ₂	carbon dioxide
CRC	UN Convention on the Rights of the Child
CSCAP	Council for Security Cooperation in the Asia-Pacific
CSCE	Conference on Security and Cooperation in Europe
CSI	Container Security Initiative
CVID	complete, verifiable and irreversible dismantlement
CWC	Chemical Weapons Convention
DMZ	demilitarized zone
DPRK	Democratic People's Republic of Korea
DRC	Development Research Center of State Council (China)
DSS	dust and sandstorms
EAC	East Asian Community
EAEC	East Asian Economic Caucus
EAEG	East Asian Economic Group
EAI	Enterprise for ASEAN Initiative
EANET	Acid Deposition Monitoring Network in East Asia
EAS	East Asian Summit
EASG	East Asia Study Group
EAVG	East Asia Vision Group
ECE	UN Economic Commission for Europe
ECSC	European Coal and Steel Community
EEZ	exclusive economic zone
EFTA	European Free Trade Area
EMEAP	Executives' Meeting of East Asia and Pacific Central Banks
EMEP	European Monitoring and Evaluation Programme
ENR	environment and natural resources
EPA	economic partnership agreement
ESCAP	UN Economic and Social Commission for Asia and the Pacific
EU	European Union
EURASEC	Eurasian Economic Community

EWG	APEC Energy Working Group
FDI	foreign direct investment
FOMA	Freedom of Mobile Advanced standard
FTA	free trade agreement
FTAAP	FTA with the Asia-Pacific
GATT	General Agreement on Tariffs and Trade
GCIM	Global Commission on International Migration
GDP	gross domestic product
GEF	Global Environment Facility
GMS	Greater Mekong Subregion
GSM	global system for mobile communication
GSP	Generalized System of Preferences
IAEA	International Atomic Energy Authority
IBRD	International Bank for Reconstruction and Development
ICANN	Internet Corporation for Assigned Names and Numbers
ICCPR	UN International Convention on Civil and Political Rights
ICERD	UN International Convention on the Elimination of All Forms of Racial Discrimination
ICESCR	UN International Covenant on Economic, Social and Cultural Rights
ICISS	International Commission on Intervention and State Sovereignty
ICMW	UN International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families
ICT	information and communications technologies
IGCC	Institute on Global Conflict and Cooperation
IIASA	International Institute for Applied System Analysis
IISS	International Institute for Strategic Studies
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IPR	intellectual property right
ISDB-T	Integrated System Digital Broadcast for Terrestrial
ISIS	ASEAN Institute of Strategic and International Studies
ITU	International Telecommunications Union
JAPEA	Japan-ASEAN Economic Partnership Agreement
JCIE	Japan Centre for International Education
JETRO	Japan External Trade Organization
JIJA	Japan Institute of International Affairs
JPNIC	Japan Network Information Center
JPRS	Japan Registry Service
JSEPA	Japan-Singapore Economic Partnership Agreement
KEDO	Korean Peninsula Energy Development Organization
KIEP	Korea Institute for International Economic Policy
KMA	Korean Meteorological Administration
KORUS	Korea-United States Free Trade Agreement
LCSMHRA	Law Concerning Special Measures on Humanitarian and Reconstruction Assistance (Japan)

LDP	Liberal Democratic Party (Japan)
LIBOR	London Interbank Offered Rate
LRTAP	Convention on Long-Range Transboundary Air Pollution
LWR	light-water reactor
MAC	Military Armistice Commission
Maphilindo	Malaya, Philippines, Indonesia
mbd	million barrels per day
METI	Ministry of Economy, Trade and Industry (Japan)
MITI	Ministry of International Trade and Industry (Japan)
MNC	multinational corporation
MOFA	Ministry of Foreign Affairs (Japan)
MOMAF	Ministry of Maritime Affairs and Fisheries (Republic of Korea)
MPT	Ministry of Post and Telecommunications (Japan)
MTCR	Missile Technology Control Regime
NACI	Northeast Asian Cooperation Initiative
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NDPO	National Defence Program Outline (Japan)
NEA	Northeast Asia
NEACD	Northeast Asia Cooperation Dialogue
NEAN	Northeast Asian Network
NEAS	Northeast Asian Summit
NEASD	Northeast Asia Security Dialogue
NEAT	Network of East Asian Think-tanks
NGO	non-governmental organization
NIE	newly industrializing economy
NIRA	National Institute for Research Advancement (Japan)
NLL	Northern Limit Line
NO _x	nitrogen oxides
NPT	Treaty on the Nonproliferation of Nuclear Weapons
NSC	new security concept (China)
NTS	non-traditional security
NTSC	National Television Standard Committee (USA)
OAPEC	Organization of Arab Petroleum Exporting Countries
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
OPTAD	Organization for Pacific Trade and Development
OSCE	Organization for Security and Cooperation in Europe
PAFTA	Pacific Advanced-Countries Free Trade Area
PAFTAD	Pacific Trade and Development
PAIF	Pan-Asia Bond Index Fund
PAL	phase alternating line
PBEC	Pacific Basin Economic Council
PECC	Pacific Economic Cooperation Council
PPP	purchasing power parity
PRC	People's Republic of China

PSI	Proliferation Security Initiative
PTA	preferential trade arrangement
R2P	responsibility to protect
RCMP	regional consultative migration process
RCP	regional consultative process
ROK	Republic of Korea
SACO	Special Action Committee on Okinawa
SARS	severe acute respiratory syndrome
SCO	Shanghai Cooperation Organization
SDF	Self-Defence Force (Japan)
SEA	Southeast Asia
SEPA	State Environmental Protection Administration (China)
SIASJ	situations in the area surrounding Japan
SLOC	sea-lanes of communication
SO ₂	sulphuric acid
SO _x	sulphur oxides
TAC	Treaty of Amity and Cooperation
TCOG	US-Japan-South Korea Trilateral Coordination and Oversight Group
TIFA	trade and investment framework agreement
TMD	theatre missile defence
UNC	UN Command
UNCCD	UN Convention to Combat Desertification
UNCHE	UN Conference on the Human Environment
UNCLOS	UN Convention on the Law of the Sea
UNCTAD	UN Conference on Trade and Development
UNDP	UN Development Programme
UNEP	UN Environment Programme
UNESCO	UN Economic, Social and Cultural Organization
UNHCR	UN High Commissioner for Refugees
UNSC	UN Security Council
UNSCOM	UN Special Commission
UNSCR	UN Security Council Resolution
WFP	World Food Programme
WGFD	EANET Working Group on Future Development
WMD	weapon of mass destruction
WTO	World Trade Organization

Introduction

Institutionalizing Northeast Asia: Challenges and opportunities

Martina Timmermann

With North Korea going nuclear, tensions increasing in the Taiwan Strait and repeated clashes between China and Japan as well as between South Korea and Japan over territories that are thought to be rich in energy, water or fishing grounds, awareness has been sharpened that there is a pressing need to provide plausible answers to a vital question: how can lasting peace, order, stability and prosperity be achieved in Northeast Asia?¹

Globalization and China's galloping economy have caused radically different economic growth rates in Northeast Asia, resulting in constant fluctuations in the balance of power among the nations in the region. Northeast Asia – which includes the People's Republic of China (PRC), Chinese Taipei (Taiwan), the Republic of Korea (South Korea), the Democratic People's Republic of Korea (North Korea) and Japan² – is the most heavily militarized region in the world.³ National security has been the prevailing security paradigm in the countries of the region.

With new emerging threats to security – such as the Asian financial crisis in 1997, severe acute respiratory syndrome (SARS) and other health epidemics, international terrorism, the proliferation of weapons of mass destruction (WMDs) and trafficking in humans and drugs – as well as problems posed by environmental degradation and disasters, awareness that such threats can no longer be tackled by any country on an individual basis has also increased. The old concept of sovereign independence thus no longer offers satisfactory solutions. Alternative concepts are needed that provide more plausible answers to these newly emerging challenges.

The concept of regional institutionalism

One concept that seems to offer promise in this particular context is “regional institutionalism”. Here, institutions can be understood as “persistent and connected sets of rules (formal and informal) that prescribe behavioural roles, constrain activity, and shape expectations”.⁴ Such institutions “may include organizations, bureaucratic agencies, treaties and agreements, and informal practices that states [as well as non-state actors] accept as binding”.⁵

Supporters of regional institutionalism refer to the emerging strength of regional and global players such as the European Union (EU) and the World Trade Organization (WTO), the development of world norms (such as human rights and free markets) and the increasing influence of civil society as factors which, in combination, may challenge the still-overwhelming power of the principle of sovereignty in East Asia and have a fundamental impact on the development of a new world order (see the chapters by Higgott and Timmermann, and Job and Evans, in this volume).

In academic discourse⁶ the development of contemporary regionalism, in all its different forms, is considered the key to understanding an emerging new world order and structures of global governance. Within this process, the intensification of regionalism should be regarded as an aspect of globalization, rather than refutation or evidence against it.

Originally, regional cooperative arrangements emerged primarily in Europe and Latin America. The “new regionalism” of the late twentieth century, however, saw a rise in regional organizations all over the world in response to the challenges of economic globalization.⁷ During this period new regional institutions began springing up, while pre-existing institutions went through internal restructuring and expansion processes, and formerly inactive organizations were revived. Regional cooperation via regional institution building thereby seems to have been perceived as the right “recipe” for nation-states to deal with the progressive erosion of their regulatory and policy-making capacities in a rapidly globalizing world.⁸

Regional institution building in Southeast Asia

Scholarly interest in regional institution building in East Asia has long been focused on Southeast Asia, with its comparatively advanced institutional structures of the Association of Southeast Asian Nations (ASEAN). There are also numerous studies on the Asia Pacific Economic Cooperation (APEC) and the Asia-Pacific Rim. It is only since

the end of the twentieth century that the focus of regionalization studies has been shifting to the issue of bilateral or inter-regional regionalism, with a clear focus on Asia-Europe cooperation.⁹

Within this context, the ASEAN summit in January 2007 provided additional food for thought and analysis. Five agreements were signed pertaining to continuing integration of ASEAN and enhancing political, economic and social cooperation in the region, including the Cebu Declaration on the blueprint for the ASEAN Charter. This declaration, in which a group of eminent persons were entrusted to draw up the new charter, with the particular task of developing a platform for regionally shared values, is especially noteworthy. It represented a long-awaited response to the demands of scholars and activists who have been working hard towards a values-based ASEAN institution with an ASEAN identity, and culminating in an ASEAN regional human rights mechanism. It was signed at the Thirteenth ASEAN Summit in Singapore in November 2007.

Among scholars, practitioners and activists, regionally shared values and norms (as, for instance, those expressed in regional human rights mechanisms) have long been regarded as essential for successful and sustainable regional institution building, with a collective identity as a vital component.¹⁰ In this context it is useful to remember the famous debates of the 1990s on Asian values and identity, and their functions in supporting and shaping the process of ASEAN regionalization.

Discourses on Asian values and human rights: Vehicles for identity building and regional institutionalization

Initially, the discussion of Asian values and human rights mainly focused on the quality and efficiency of different development models. Some government élites from Singapore and Malaysia opposed (for example, in *Foreign Affairs*) the Western understanding of democracy and human rights that they felt was to be imposed upon their states. To underline the risks of simply transferring Western values to Asian countries, they pointed at the increasing moral decay of Western countries, exemplified by growing public apathy and rising crime rates. To their understanding, such factors were responsible for the decay of the West. They thought that in Asia, limited individualism and strong work and savings ethics, as well as taking responsibility for one's personal life through focusing on the family, led to the development successes of the 1980s and early 1990s. The problem with that argument, however, was not only the woolly meaning of those values. More problematic was the attempt to justify authoritarian states with their restrictions on political and civic rights

such as freedom of opinion, and bans on political parties and political activities. According to these governing élites, socio-economic rights had priority, and political and civil rights had to wait until their societies were ready for them. Western, mainly American, reproaches were regarded as either interference in their national affairs, envy of their development successes or attempts to substitute former colonial imperialism with new values imperialism.

This debate between Western and Asian élites lasted until the middle of the 1990s. With the beginning of the Asian financial crisis in July 1997 the situation changed. It is important to note, however, that the deliberate use of the variables “identity” and “values” in such inter-regional discussions was as important for inter-regional demarcation as for the process of regional unification.

Looking at the Asian values debate of the 1980s and the Asian economic crises of the 1990s, there are interesting similarities with the human rights and values discussions between Western and communist countries in the 1970s. In those debates, led within the Helsinki process, human rights arguments were used to legitimize different political and economic systems and demarcate East and West. They were thereby also taken up into the realm of security politics. Very similarly, political and academic élites rhetorically differentiated Asian and Western values and identity some 20 years later.

Such processes also reveal the importance of discourse. Identity does not develop by itself, but *in discourse with the social environment*. Thus the institutional frames of reference for such discourses, for example regional conferences like ASEAN and now also the East Asian Summit, gain in importance. This contrasts with the views of critics who refer to such conferences as mere “talking shops”.

A particularly interesting example, because it is directly related to the Cebu initiative for the ASEAN Charter, is the ASEAN Working Group for an ASEAN Human Rights Mechanism that formed in 1996, following the Second World Conference on Human Rights in Vienna, 1993. This (quasi) non-governmental working group triggered a regional institutionalization process that involved setting up national working group offices in several ASEAN countries, organizing regular regional meetings, providing expert counselling and at least informally contributing to the agenda setting of national and regional government meetings.¹¹ Their continuous efforts seem to have had some impact on the process of developing the ASEAN governmental initiative for a regional values platform (mentioning human rights) announced during the ASEAN summits in Cebu and Singapore in 2007.

Beyond the identity issue, the ASEAN approach reflects an important shift in thinking from the traditional national security paradigm towards

a more comprehensive human security framework, including long-embattled values and human rights issues.¹²

The governments of the Southeast Asian subregion have realized that in order to meet current and future challenges successfully, they need to cooperate more closely and go beyond former limits and (self-)restraints. However, is (sub)regional institution building also the right recipe for Northeast Asia?

Challenges and opportunities for regional institution building in Northeast Asia

The institutionalization of Northeast Asia has been widely regarded as impossible.¹³ The reasons for this situation are complex and closely intertwined. A particular “set of conflicts” is considered to be the major impediment to regional institution and identity building in Northeast Asia.

Challenge One: Solving a simmering “set of conflicts”

Conflict over regional territories fuelled by debates on Japanese wartime atrocities

Long-lasting disputes over regional territories that promise to ensure access to oil, gas, water and fishing grounds have been interlinked with public disputes about Japan’s role in the Second World War, and further fuelled by rising nationalism in Japan and China. Annual visits to the Yasukuni shrine by the former Japanese Prime Minister, Junichiro Koizumi, poured additional oil on to the fires of these conflicts. China and the Koreans, major victims of Japanese pre-war expansionist politics, consider such visits and the glossing over of Japanese war atrocities (such as the Nanking massacre or the “comfort women” issue) as attempts to white-wash Japan’s past and even glorify its wartime history. In return, China and the Koreans face criticism about creating a “victim” identity for political convenience: political concerns raised over historical issues are strategically used to pursue their economic interests (for details see Berger and Harris in this volume).

Conflicts over access to natural resources – Energy, water and fishing grounds

Access to natural resources has become a vital issue for all countries in this region (see Ohta and Harris in this volume), but especially for China and Japan. China surpassed Japan as the world’s second-largest petroleum consumer in 2003, and has become the second-largest energy

consumer after the United States. Before China (and, let it not be forgotten, India) started its current path of development, Japan was the second-largest energy importer after the United States. As the second-biggest economic power in the world (if the European Union is counted as one player, Japan would rank as number three), Japan is still the world's fourth-largest energy consumer. But China's hunger for energy resources is now matching Japan's, and it is obvious that this increasing demand is leading to growing competition for ownership of energy resources and access to territorial areas with promising natural resources. Almost as a side-effect, this has also caused competition between Japan and China at the international diplomatic level – for instance, in their development initiatives in energy-rich regions of the world.

Increasing demand for energy has contributed to turning long-time simmering conflicts into open conflicts, and sometimes even fiery clashes.

The Senkaku/Diaoyutai conflict

One such territorial conflict over energy access is the discussion between Japan and China about the islands of Senkaku (Japanese) and Diaoyutai (Chinese). This territorial conflict has been going on for almost 40 years, but in 2004–2005 the debate on the islands reached a climax, with China sending a nuclear submarine into the so-called “exclusive economic zone” (EEZ) near the controversial islands in November 2004. In response, the Japanese government issued a public declaration in February 2005 that emphasized its official possession of the Senkaku Islands, referring to existing treaties that had repeatedly been acknowledged by the US government.¹⁴ This again caused China – which had additionally been angered by repeated references to “Taiwan” in Japanese/US military documents and declarations – to send a message to Japan warning it to back off or “take full responsibility”.

The Takeshima/Dokdo conflict

A similar dispute has been going on between Japan and South Korea over the Takeshima/Dokdo Islands. Since 1954 the islands have been inhabited and guarded by South Korea's coastguard. Slowly but continuously, South Korea has been supporting its claim by expanding infrastructure on the islands. In spite of several Japanese protests, this issue only really boiled up in 2004,¹⁵ when large hydrocarbon deposits were found around the islands. Japan thereafter renewed its claim of ownership of the islands. This governmental claim was strongly supported by a growing group of conservative right-wingers in Japan who stressed Japan's entitlement to former colonial areas of its imperial past. The situation further deteriorated in 2005, the official “year of friendship” between Koreans and Japanese.¹⁶ When the Shimane Prefectural Assembly

in Japan decided to designate 22 February as “Takeshima Day” in order to reiterate Japan’s territorial claim to the Takeshima Islands, the atmosphere reached its negative climax.

The intertwinement of territorial issues with historical events was stressed again when Shinzo Abe was elected Japanese Prime Minister on 26 September 2006. With Junichiro Koizumi out of office, Chinese state media expressed their hope for an improvement in Sino-Japanese relations. Soon after, the new prime minister was invited by the Chinese Premier, Wen Jibao, for an official visit to China. This invitation to China was the first issued to a leading Japanese politician in years, and it signalled a turning point from the Chinese side. However, when Shinzo Abe argued in the Diet on 6 October 2006 that the 14 convicted war criminals enshrined at Yasukuni were not war criminals under domestic Japanese law, but had been tried for crimes against peace and humanity – concepts that had been created by the Allies after the war and forced upon Japan as loser of the war¹⁷ – he caused new uproars in China and the Koreas.

Abe’s comment was only the most prominent among a number of similar comments that had previously been made by other Japanese politicians. The devastating impact of such remarks on public opinion in China and Korea had already been felt in 2005 with a consumer boycott of Japanese goods, culminating in outbreaks of violent protests against Japanese enterprises.

The Senkaku conflict during that time poured more oil on to the flames of anti-Japanese demonstrations in April 2005, as did the release of history books for (some) middle schools in Tokyo which left out important facts regarding Japan’s role in the Second World War. Japanese public opinion towards China turned equally sour, reaching its negative climax¹⁸ in December 2005 when the Japanese Foreign Minister, Taro Aso, said, with unusual frankness, that China’s double-digit military growth for 17 years, its lack of military transparency and its possession of nuclear weapons posed a threat to Japanese security.¹⁹

The conflict over the Kuril Islands/northern archipelago

A third territorial conflict, simmering between Japan and Russia since the end of the Second World War, concerns the ownership of the four islands at the northern tip of the Japanese archipelago, the so-called Kuril Islands: Shikotan, Habomai, Etorofu and Kunashiri. They have been regarded as being of strategic military relevance, and have rich fishing grounds. The lack of resolution to this dispute has meant that, as of today, no peace treaty has been concluded between Russia and Japan.

The set of conflicts outlined above have widely been regarded as a substantial impediment to regional institution building in Northeast

Asia. They also clearly illustrate the need for Japan and China, as the biggest economic players in the region, to settle their issues first if regional institutionalization in Northeast Asia is to translate into sustainable development.

Challenge Two: Facing a shifting balance of power through de facto economic regionalization

China's rise is fundamentally altering the balance of power in the region, and with new threats emerging – and more and more non-governmental actors joining the political game – there has been a shift towards institutionalizing Northeast Asia. This shift has two parents.

Apart from the simple, but urgent, need for peaceful resolution of territorial conflicts, the business community²⁰ has urgently pushed for stronger regional economic and financial cooperation. The Asian financial crisis of 1997, which highlighted the full power of complex global economic intertwinement, proved to be the watershed. Pempel, Weiss and Iida, for instance, argue in their political and economic analyses in this volume that *de facto* or market-led trade and investment integration in East Asia has already reached a state of regionalization that, quoting Iida, “is unprecedented in the history of this region”. Higgott and Timmermann point to the consequence of this *de facto* economic trend: the relationship between the United States and East Asia is becoming more economically symmetrical, with the result that the bilateral strategic architecture is gradually being dismantled. They argue that this *de facto* economic regionalization should not be seen as distinguished from, but rather interlinked with, *de jure* state-led regionalism. This will require positive thinking about regional leadership issues.

Challenge Three: Taking up the issue of leadership while managing the United States

At this point, finally, the role of the United States as a geographically extra-regional but economically and politically coining power needs to be taken up for discussion, because it was the United States that for half a century rendered any regional leadership ambitions of the PRC and Japan impossible.

In the case of the PRC, regional leadership was obstructed for ideological reasons, with the “Taiwan” issue also being a continuous thorn in the flesh of US-Chinese relationships. In the case of Japan, regional leadership ambitions were obstructed as a result of particular debilitating historical circumstances. Japan, defeated in the Second World War and urgently needing to rebuild the country and its economy, committed itself

to the principle of “comprehensive security” which allowed it to focus on economic recovery and performance while being protected by the US security shield (see Tsuchiyama in this volume).

With China’s economic rise, and the resulting economic and financial flows, the situation has changed fundamentally. Regional neighbours Japan and the Republic of Korea have decided to jump on the bandwagon instead of trying to hold out against China’s booming development. They have progressively turned towards China, with its lower production costs and import and export opportunities.²¹ In this process, the PRC has taken over the former US position as the biggest trading partner of both Japan and South Korea.

It will therefore be up to China and Japan, as the biggest economic powers in the region, to decide on how to deal with this leadership issue.

What form will regional institutionalization take in Northeast Asia?

As a result of the aforementioned developments, the question is clearly no longer *if* regional institutionalization will take place, but rather *what form* it will take, who the drivers (and spoilers) will be and which path they will pursue. Within this context, a closely related question is: do such trends in the economic sector have the potential to spill over into other sectors?

A study by the US American Congress Research Service from April 2005 (that is, partly before the conflicts on history and territories between Japan and China heated up again) found the first indicators of such a trend. The authors conclude that “deepening economic cooperation has already increased the costs of disrupting economic and financial activity in Northeast Asia, by a military or other crisis”; that the process, as such, is “self-motivating, self-perpetuating, and self-sustaining”;²² and that “the magnitude of the economic flows is affecting relations at other strata of interaction, such as stronger cooperation on political disputes between Japan, China and South Korea”²³ (see Weiss in this volume).

On the other hand, increasing economic competition between Japan and China may cause additional conflict. In trade, for instance, China and Japan have long complemented each other, with Japan as a high-tech power and China as a provider of cheap goods; but China is now increasingly becoming competitive in the high-tech sector. Also, the issue of intellectual property rights is vital to Japan, which wants the topic to be discussed within the framework of the WTO. Japan still tends to emphasize the advantages of China’s rise, but Japanese government representatives cannot always hide their unease. This was best exemplified in

a remark by the Japanese Trade Minister, Shoichi Nakagawa, who publicly admitted, “Yes, I am worried . . . It’s a scary country.”²⁴

To international observers, China’s rise as an economic powerhouse and its growing role as a regional political power – combined with its non-transparent military spending policy – give reason to watch China’s policy carefully (see Takagi in this volume).

In an attempt to avoid being perceived as a threat, China has been trying to emphasize its policy of a “peaceful rise” by starting diplomatic initiatives in the region – for instance, acting as mediator in the Six-Party Talks on North Korea’s nuclear disarmament²⁵ (see Kikuchi, Lee and Aoi in this volume).

With health epidemics, human trafficking and environmental degradation, so-called “soft” issue areas have become the centre of attention and made their way into security discussions. The issue of refugees and migration, for instance, has been a thorn in the flesh of otherwise friendly relations between North Korea and China (see Akaha and Etkin in this volume).

Steps towards institutionalization, therefore, seem to have gained acceptance and accelerated beyond the economic sphere of interaction. This process is further enhanced by the increasing involvement of non-governmental actors. As unpopular as non-governmental actors may be among government representatives, human trafficking, environmental degradation and disasters among others are challenges that reach beyond national borders and the capabilities of individual national governments. Consequently, the emerging importance of civil society and its potential role in meeting such challenges are vital (see Lee, Aoi, Ohta and de Prado in this volume).

Closely related to such trends has been the wide acceptance and popularity of the “human security” concept in East Asia (and elsewhere) that best captures such developments, and sees a good chance that these aforementioned developments can provide the long-sought-after ground for overcoming the traditional security focus and pave the way for regional institution building in Northeast Asia (see Job and Evans in this volume).

The complexity of issues shaping the situation and perspective of Northeast Asian regional institutionalization has been the organizing logic for the approach and structure of this volume.

Approach and structure of this volume

The process of organizing this volume started out with the ambitious idea of providing an overall approach and definitions equally satisfactory to

all authors. During a workshop discussion in Tokyo, 20–22 September 2005, it became evident, however, that not only the judgements of the situation but also the perspectives on regionalization in Northeast Asia were very dependent on the topic, as was the problem of which countries to include in individual analyses. Thus, to several authors, the focus on Northeast Asia as a (sub)region comprising only Japan, the PRC, Chinese Taipei, South Korea and North Korea seemed artificial, and they demanded a more open approach for analysis when needed.

Similarly, the definition and understanding of “institutionalization” and “integration” proved tricky in some cases, this time depending on the scientific perspective of the authors – that is, whether authors were coming from political science or economic backgrounds.

In order to overcome such difficulties and provide a common ground and framework of reference, firstly all authors were asked to address four guiding questions with regard to Northeast Asia, in light of their particular areas of expertise.

- Do the theory and practice of regional institutionalization provide plausible answers to the specific challenges of Northeast Asia?
- What are the premises and prospects of such processes in Northeast Asia?
- Which steps have to be taken?
- Have the processes of globalization paved the way for regional institutionalization in Northeast Asia and made what many observers deem seemingly “impossible” finally possible?

Secondly, in response to the variety of challenges and opportunities for institutionalizing Northeast Asia, and taking into consideration the academic and intellectual challenges for analysis as well as remembering UNU’s mission to provide a platform for academic exchange and policy development on issues of global concern, it was decided to subdivide the volume into two major parts.

Part I provides a general theoretical starting ground and frame of reference. It tackles issues of overarching concern, including reflections on theory, normative issues and some lessons learnt in a comparative context with the European Union.

In part II authors analyse different topic areas and develop particular policy recommendations related to Northeast Asia. The aforementioned difficulty of agreeing on single definitions of institutionalism, regionalization and so forth, which has also been reflected in many other volumes about regionalism in East Asia,²⁶ illustrates well that regionalism can no longer be reduced to the idea of territorial politics alone. Instead, regionalism needs to take into account the growing intertwinement of global issues and developments with both needs and interests at the regional and national levels and, accordingly, the demand for issue-related

supra-territorial policy responses to issues such as trade, finance, environment, human rights and human security.

In response to this, the second part of this book is further subdivided into four topic areas: history, ideas and identity; security; economy and finance; and environment, human rights, civil society and human security. Here authors (with varying degrees of optimism and scepticism) discuss the situation and potentials of future regional institution building in Northeast Asia from their particular angle of expertise.

The chapters in part I

Three chapters, by Yoshinobu Yamamoto, Richard Higgott and Martina Timmermann, and Baogang He, serve as a general framework of reference for the chapters which follow. They offer definitions of institutionalism and regionalism, and provide an overview of the scientific debate on regional institutionalism in East Asia (i.e. Northeast and Southeast Asia), with a particular focus on Northeast Asia.

Yoshinobu Yamamoto provides a particular theoretical frame of reference for later authors with his chapter, “Institutionalization in Northeast Asia: Is outside-in regionalization enough?”. In discussing the possibilities of creating multilateral institutions in Northeast Asia, Yamamoto starts by defining the *concepts* of “institution” and “institutionalization” and then proceeds to discuss the *functions* of institutionalization. He develops a typology of institutions and institutionalization before finally applying his theoretical framework to the case of Northeast Asia.

Richard Higgott and Martina Timmermann debate “Institutionalizing East Asia: Learning lessons from Europe on regionalization, regionalism, identity and leadership”. They analyse the prospects for regional institutionalization in East Asia in the early twenty-first century by deliberately choosing the comparative context of Europe, and consider the role of identity building and regional leadership as vital for the future process of institutionalizing Northeast Asia.

The third chapter in part I, by Baogang He, examines the state of normative regionalism and its impact in East Asia. He provides an overview of the historical evolution of the idea of regionalism, and the meanings and variations of Asian regionalism.

The chapters in part II

The section on “history, ideas and identity” contains analyses by Gilbert Rozman, Thomas Berger and Takashi Oshimura.

Gil Rozman, in his chapter “Northeast Asian regionalism at a crossroads: Is an East Asian Community in sight?”, discusses the various

reasons for and challenges standing in the way of the creation of an “East Asian Community”. He demands the acknowledgement of barriers (such as historical factors) as a prerequisite for any successful regionalism, and criticizes an overly strong focus on the functionalist approach while neglecting to close the cultural divide.

Thomas Berger, in “Overcoming a difficult past: The history problem and institution building in Northeast Asia”, explores the possibilities for regionalization by reviewing the underlying nature of international disputes over history issues. Berger traces the evolution of the disputes in Asia since 1945, and focuses in particular on the ways in which disputes over the past have disrupted regional diplomacy and institutional development.

Takashi Oshimura, in “The function and dysfunction of identity in an institutionalizing process: The case of Northeast Asia”, explores options for the creation or further development of a regional identity and discusses the question of how such an identity might contribute to regional institutionalization.

In the next section, following the analyses of historical and ideational causes and the prerequisites for regional institution building, Jitsuo Tsuchiyama, Shin-wha Lee, Seiichiro Takagi, Chiyuki Aoi and Tsutomu Kikuchi analyse the various security challenges and discuss their potential impact on regional institution building in Northeast Asia.

Jitsuo Tsuchiyama raises the question “Do the alliance networks in Northeast Asia contribute to peace and stability? The Japan-US alliance in focus”. Tsuchiyama, who is among the sceptics in this book, discusses the changing roles and rationale of the alliances after the end of the Cold War, with a particular focus on the Japan-US alliance.

Shin-wha Lee, in “Northeast Asian security community: From concepts to practices”, puts particular emphasis on the questions of why multilateral cooperation between South Korea, Japan and China is so difficult, and how possible strategies and action plans for cooperation can be developed in the areas of both traditional and non-traditional security.

Seiichiro Takagi, in his chapter “The Chinese approach to regional security institutionalism”, seeks to elucidate China’s approach to institutionalization in the security field. In a step-by-step analysis, Takagi discusses China’s actions and perceptions related to different institutions in the bilateral, subregional and regional realms.

Chiyuki Aoi critically discusses “The Proliferation Security Initiative from an institutional perspective: An ‘outside-in’ institution?”. Aoi suggests that “for the PSI to be genuinely effective, it needs to be transformed from a largely US-initiated, US-driven activity into a more multilateral, universal institution whose ‘outside-in’ potential can then be explored in the context of Northeast Asia”.

Tsutomu Kikuchi joins the security debate with his chapter “Institutional linkages and security governance: Security multilateralism in the Korean peninsula”. Using the Six-Party Talks as a reference example, Kikuchi argues that one effective approach towards security multilateralism in Northeast Asia could be through interlinking existing and new institutional mechanisms.

Whereas the authors of the sections on ideas, history and security strike a rather sceptical chord, we find some cautiously optimistic tunes in the third section, where Keisuke Iida, T. J. Pempel, John Weiss and Stuart Harris discuss different areas of economic, financial and energy cooperation.

Keisuke Iida examines the dynamic trade and investment diplomacy in East Asia. He stresses that not only the role of China but also three other factors need to be taken into consideration for success: “ASEAN integration, economic stagnation and reform in Japan, and acquiescence by the United States”.

T. J. Pempel, in “Firebreak: East Asia institutionalizes its finances”, points to the question of why “a number of new institutional moves suggest that the countries of Asia are becoming more internally cohesive in ways that do not systematically include extra-Asian participants”. Pempel observes that numerous connections across Asia have been developed since the mid-1980s, and that Asia’s previous predisposition towards informality is changing to the direction of more formal and institutionalized connections within the area of finance.

John Weiss looks at “China and its neighbours: Patterns of trade and investment”. Weiss analyses from a particular economic perspective how far the potential economic benefits for the region created by China’s rapid growth will stimulate and support moves towards institutionalization. He rests his analysis on the assumption that closer mutual cooperation between nation-states, as part of the process of institutionalization, requires that closer economic ties are not only mutually beneficial but also need to be perceived as such.

Stuart Harris, in “Institutionalizing Northeast Asia: The energy market”, regards several Northeast Asian energy issues as a potential basis for regional cooperation. He wonders, however, whether gains from cooperation are countered by the political risks that cooperation implies.

The last section in part II contains analyses by Hiroshi Ohta, César de Prado, Tsuneo Akaha and Brian Etkin, and Brian Job and Paul Evans.

Ohta takes up the environmental problem in “A small leap forward: Regional cooperation for attacking the problems of the environment and natural resources in Northeast Asia”. He examines major environment and natural resources (ENR) problems and the current state of regional ENR cooperation in Northeast Asia.

In “Multilevel regionalization through think-tanks, higher education and multimedia”, César de Prado argues that knowledge-enhancing exchanges are helping to construct a soft Northeast Asian regional space embedded in concentric multilevel regionalisms. He concedes that Northeast Asian governments have begun to promote regional think-tank networks of experts from public and private sectors, but demands further strengthening and rationalizing.

The need for creating a knowledge-based civil society in Northeast Asia is exceptionally important in the field of human rights and human migration – topics that are tackled by Tsuneo Akaha and Brian Etkin in their chapter, “International migration and human rights: A case for a regional approach in Northeast Asia”. Akaha and Etkin examine the potential value of a regional approach to protecting the human rights of international migrants in Northeast Asia.

The final chapter, “Human security and Northeast Asia: Seeds germinating on hard ground” by Brian Job and Paul Evans, is deliberately placed at the end of this part of the book. Job and Evans explore the manner in which Northeast Asian states are coming to terms with the challenges of human security. They conclude that “For Northeast Asia, the imperatives of human security may provide a logic for multilateral institutionalism that transcends traditional security dilemmas and, indeed, may lay the foundation for their eventual resolution.”

This conclusion would serve well as a fine last sentence for the whole volume. It will ultimately be up to the reader, however, to decide whether the chapters in this book provide sufficient and compelling arguments to draw a conclusion, whether the chances for regionalization through institutionalization in Northeast Asia exist, and whether and how the various steps suggested by the contributors could and should be taken up in the challenging process of achieving lasting order, stability and prosperity in (and beyond) Northeast Asia.

Notes

1. Suzuki, Sanae (2004) “East Asian Cooperation through Conference Diplomacy: Institutional Aspects of the ASEAN Plus Three (APT) Framework”, Working Paper, Institute for Developing Economies, APEC Study Center, JETRO, Tokyo.
2. Due to its bilateral security treaties with Japan, South Korea and Taiwan, the United States is deeply involved in the region from a military standpoint; this causes some security scholars to consider the United States as a part of Northeast Asia. Additionally, because of Russia’s growing role in the field of energy security, some analysts also include Russia as a member of the region (see for instance Harris in this volume).
3. See www.globalsecurity.org/military/library/report/2003/wmeat9900/18738.pdf.
4. Keohane, Robert O. (1989) *International Institutions and State Power: Essays in International Relations Theory*, Boulder, CO: Westview Press, p. 3.

5. Lamy, Steven L. (2001) "Neo-Realism and Neo-Liberalism", in John Baylis and Steve Smith, eds, *The Globalization of World Politics*, 2nd edn, Oxford: Oxford University Press, pp. 182–199, Box 9.2. For further details see Yamamoto and Higgott and Timmermann in this volume.
6. See, for instance, Rozman, Gilbert, Kazuhiko Togo and Joseph Ferguson, eds (2007) *Japanese Strategic Thought Toward Asia (Strategic Thought in Northeast Asia)*, Basingstoke: Palgrave Macmillan; Ikenberry, G. John and Takashi Inoguchi, eds (2007) *The Uses of Institutions: The U.S., Japan, and Governance in East Asia*, Basingstoke: Palgrave Macmillan; Rüländ, Jürgen, Gunter Schubert, Günter Schucher and Cornelia Storz, eds (2008) *Asian-European Relations: Building Blocks for Global Governance?*, London: Routledge/Curzon; Armstrong, Charles K., Gilbert Rozman and Samuel S. Kim, eds (2005) *Korea at the Center: Dynamics of Regionalism in Northeast Asia*, Armonk, NY: M. E. Sharpe; Pempel, T. J., ed. (2005) *Remapping East Asia: The Construction of a Region*, Ithaca, NY: Cornell University Press; Rozman, Gilbert (2004) *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization*, Cambridge: Cambridge University Press; Buzan, Barry and Ole Wæver (2003) *Regions and Powers. The Structure of International Security*, Cambridge Studies in International Relations, Cambridge: Cambridge University Press.
7. Katzenstein, Peter (2005) *A World of Regions: Asia and Europe in the American Imperium*, Ithaca, NY: Cornell University Press; Fort, Bertrand and Douglas Webber, eds (2005) *Regional Integration in East Asia and Europe: Convergence or Divergence*, London: Routledge; Beeson, Mark (2005) "Rethinking Regionalism: Europe and East Asia in Comparative Historical Perspective", *European Journal of Public Policy* 12(6), pp. 969–985; Robles, Alfredo (2004) *The Political Economy of Interregional Relations: ASEAN and the EU*, Aldershot: Ashgate; Väyrynen, Raimo (2003) "Regionalism: Old and New", *International Studies Review* 5(1), pp. 25–51; Haggard, Stephen (1997) "Regionalism in Asia and the Americas", in Edward D. Mansfield and Helen V. Milner, eds, *The Political Economy of Regionalism*, New York: Columbia University Press, pp. 20–49; Coleman, William and Geoffrey Underhill, eds (1998) *Regionalism and Global Economic Integration: Asia, Europe and the Americas*, London: Routledge; El-Agraa, Ali M. (1999) *Regional Integration: Experience, Theory and Measurement*, 2nd edn, Basingstoke: Macmillan; Ethier, Wilfried J. (1998) "Regionalism in a Multilateral World", *Journal of Political Economy* 106(6), pp. 1214–1245; Hettne, Björn, Andras Inotai and Osvaldo Sunkel (1999) *Globalism and the New Regionalism*, Vol. 1, London: Macmillan; Hurrell, Andrew (1995) "Regionalism in Theoretical Perspective", in Louise Fawcett and Andrew Hurrell, eds, *Regionalism in World Politics. Regional Organization and International Order*, Oxford: Oxford University Press, pp. 36–73.
8. Rüländ, Jürgen and Cornelia Storz (2008) "Introduction", in Rüländ et al., note 6 above, pp. 3–31.
9. Timmermann, Martina (2008) "EU-Asia Human Rights Policy: Pursuing the Path of Institutionalism", in Rüländ et al., note 6 above, pp. 143–172; Aggarwal, Vinod K. and Min Gyo Koo (2005) "The Evolution of APEC and ASEM: Implications of the New East Asian Bilateralism", *European Journal of East Asian Studies* 46(2), pp. 233–262; Pempel, note 6 above; Hänggi, Heiner (2003) "Regionalism through Inter-Regionalism: East Asia and ASEM", in Fu-Kuo Liu and Philippe Régner, eds, *Regionalism in East Asia: Paradigm-Shifting?*, London: Curzon Press, pp. 220–230; Dent, Christopher and David Huang, eds (2002) *Northeast Asian Regionalism: Learning from the European Experience*, London: Curzon Press; Ravenhill, John (2001) *APEC and the Construction of Pacific Rim Regionalism*, Cambridge: Cambridge University Press; Kahler, Miles (2001) "Legalization as a Strategy: The Asia-Pacific Case", *International Organization* 54(3), pp. 549–571; Rüländ, Jürgen (2000) "ASEAN and the Asian Crisis: Theoretical Impli-

- cations and Practical Consequences for Southeast Asian Regionalism”, *Pacific Review* 13(3), pp. 421–451; Acharya, Amitav (1999) “Realism, Institutionalism and the Asian Economic Crisis”, *Contemporary Southeast Asia* 21(1), pp. 1–19; Soesastro, Hadi and Simon Nutall (1998) “The Institutional Dimension”, in Carolina Hernandez, Simon Nutall and Hadi Soesastro, eds, *The Rationale and Common Agenda for Asia-Europe Cooperation: CAEC Task Force Reports*, Tokyo and London: Council for Asia-Europe Cooperation, pp. 75–85; Aggarwal, Vinod K. (1998) “Analyzing Institutional Transformation in the Asia-Pacific”, in Vinod K. Aggarwal and Charles E. Morrison, eds, *Asia-Pacific Cross-Roads. Regime Creation and the Future of APEC*, New York: St Martin’s Press, pp. 23–61; Acharya, Amitav (1997) “Ideas, Identity, and Institution-Building: From the ‘ASEAN Way’ to the ‘Asia-Pacific Way’”, *Pacific Review* 10(3), pp. 319–346; Acharya, Amitav (1997) “How Ideas Spread: Whose Norms Matter? Norm Localization and Institutional Change in Asian Regionalism”, *International Organisation* 58(2), pp. 239–275; Aggarwal, Vinod K. (1993) “Building International Institutions in Asia-Pacific”, *Asian Survey* 33(11), pp. 1029–1042.
10. In spite of the high importance of “identity” in international relations, there is as yet no unanimous definition. In addition to factors such as the struggle for power, security and welfare, identity is often used as a complementary variable for explaining political action. The ambiguity of the term and its understanding is not only characteristic of the field of international relations but runs through all the social sciences, where the debate on identity is characterized by conflicting opinions on its existence, its power of explanation and its provability. See Weller, Christoph (2000) “Collective Identities in World Society”, in M. Albert, L. Brock and K. D. Wolf, eds, *Civilizing World Politics: Society and Community beyond the State*, Lanham, MD: Rowman & Littlefield, pp. 45–68. In this volume, the importance of values for the process of regionalization in East Asia is a particular focus of He, Higgott and Timmermann, Rozman and Oshimura.
 11. See Timmermann, note 9 above; Timmermann, Martina (2006) “Regional Community-Building in Asia? Transnational Discourses, Identity- and Institution-Building in the Fields of Human and Women’s Rights”, in Claudia Derichs and Thomas Heberer, eds, *The Power of Ideas: Intellectual Input and Political Change in East and Southeast Asia*, NIAS Studies in Asian Topics No. 36, Copenhagen: Nordic Institute of Asian Studies Press, pp. 202–220.
 12. The process that led to this official inclusion of human rights has been long. It was substantially supported by the working group for an ASEAN human rights mechanism following the 1993 UN World Conference on Human Rights. For details, see Timmermann (2006), *ibid.*
 13. It was for this same reason that the tentative working title of this volume and the workshop held at UNU and Aoyama Gakuin University in Tokyo on 20–22 September 2005 was “Institutionalization of Northeast Asia: Making the ‘Impossible’ Possible?”.
 14. “The 1960 US-Japan Treaty of Mutual Cooperation and Security applies to territories under the administration of Japan, including the Senkaku Islands. In November 1996, US Assistant Secretary of Defense Campbell stated that the basic position of the US is that the Japan-US security treaty would cover the Senkaku Islands. US Secretary of Defense William Perry reconfirmed this fact on 3 December 1996.” This was repeated on 24 March 2004 by Adam Ereli, deputy spokesman of the US State Department, who said: “The Senkaku Islands have been under the administrative control of the Government of Japan since having been returned as part of the reversion of Okinawa in 1972. Article 5 of the 1960 U.S.-Japan Treaty of Mutual Cooperation and Security states that the treaty applies to the territories under the administration of Japan; thus, Article 5 of the Mutual Security Treaty applies to the Senkaku Islands.” Both quotes are available at www.globalsecurity.org/military/world/war/senkaku.htm.

15. In 2004 a 10-year, US\$225 million gas exploration project was started south-west of Dokdo by Korea Gas, a state company. Korea National Oil and Woodside Petroleum of Australia started oil and gas exploration in the summer of 2005 north of Dokdo. See www.globalsecurity.org/military/world/war/liancourt.htm.
16. The year 2005 marked the sixtieth anniversary of the end of the Second World War, as well as the fiftieth anniversary of diplomatic normalization between the two countries.
17. In his view, Japan had been compelled to accept the outcome of the Tokyo Tribunal in order to become an independent nation. "Under Japanese Law, 14 at Yasukuni Not Criminals: Abe", *Japan Times*, 7 October 2006, quoted in Thakur, Ramesh (2006) "Asia-Pacific Challenges for Diplomacy", revised paper of keynote lecture "Diplomacy in the Asia-Pacific: Changes and Challenges", delivered at Diplomatic Update 2006, Asia-Pacific College of Diplomacy, Australian National University, Canberra, Australia, 12–14 November, p. 14, note 32.
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Part 1

Institutionalization, regionalization and regionalism

1

Institutionalization in Northeast Asia: Is outside-in regionalization enough?

Yoshinobu Yamamoto

Introduction

Northeast Asia, including China and Mongolia, Japan and the two Koreas, is the least institutionalized region in most topic areas – one might even say that the region is in a pre-institutional stage. However, Northeast Asia is now facing many regional and global challenges related to security, economic, environmental and several other issue areas. Consequently, the demand for institutionalization in this region has increased tremendously.

This chapter will try to derive implications by examining institutionalization in Northeast Asia. Based on a set of theoretical reflections and definitions, it will analyse current and future institutions in the region. The assumptions are that the objective conditions of Northeast Asia are not ripe for institutionalization, even though the demand for institutions is very high; that one of the ways for the Northeast Asian countries to institutionalize their own relations is to borrow the principles of global institutions or to become part of larger regional institutions (the author calls this “outside-in” regionalization, as compared to autonomous “inside-out” regionalization); and that even though “outside-in” regionalization may turn out to be successful, such regionalization will fall short of solving the basic and crucial issues of Northeast Asia.

Theoretical perspectives

The concepts of institution and institutionalization

“Institution” and “institutionalization” are relatively difficult concepts to define; similar concepts are used, such as international regimes, governance, organizations, etc., in addition to international institutions.¹ Table 1.1 defines international institutions by showing different kinds and levels of institutionalization.

Institutions are defined, at a minimum level, as patterned behaviour among the members of a group. If nations repeat the same or similar behaviour in relation to each other, we can say that an institution exists. This implies that if there is no patterned behaviour, if nations behave solely on the basis of narrow national interests and thus if there is no predictability about national behaviour, we have no institution (A in table 1.1). But when nations repeatedly balance each other through alliances to maintain peace, the balance of power is considered to be an institution defined by patterned behaviour (B).²

In addition to patterned behaviour, nations forge sets of rules and norms in specific topic areas, which are usually called international regimes (C). An international regime usually consists of principles and norms that lay down concrete rules of behaviour, rules for collective decision-making and consequences for rule violations.³ International (regional) regimes can frequently be found in relation to the international topic areas of economics and the environment; the World Trade Organi-

Table 1.1 Levels of institutionalization

Levels of institutionalization	Characteristics
A. No institution	Independent action Behaviour without predictability (no patterned behaviour)
B. Least institutionalized institutions	Patterned behaviour
C. International regimes in specific issue areas	Rule-based behaviour Cooperation to solve common problems
D. International regimes in many issue areas	System of policy coordination in security and economic areas Participation of non-state actors Governance (without government)
E. Single body of decision-making in economic and social areas	Government (without state)
F. State	Common foreign and security policies

zation (WTO) is a typical example. Peacetime alliances, if they last long enough, can be institutionalized in the sense that a set of behavioural rules among the allies will be developed. Some of the alliances that were formed during the Cold War have lasted long enough to be called security institutions, such as NATO and the US-Japan alliance.⁴ In addition to alliances, a coalition of the willing – e.g. wartime coalitions like the one in Iraq, the Six-Party Talks and the Proliferation Security Initiative (PSI) – can be institutionalized through the creation of a set of rules among the member states.

In addition to rules and norms, we can think of a framework to solve a set of wide-ranging common problems through a variety of means and by a variety of actors; this framework is called governance (governance without government – D in table 1.1). If governance is taken further, we achieve an authoritative decision-making body within a certain set of issue areas (government without state – E) and, finally, an authoritative decision body including foreign and military affairs that comes close to the state (F).⁶

Institutionalization also differs depending on the category of institutions involved. If we understand institutions as patterned behaviour, institutionalization will mean forging (more) stable patterns of behaviour. We proceed from patterned behaviour to creating regimes by setting rules. If we are talking about existing international regimes, then institutionalization will mean the process of changing from a non-regime to a soft regime (such as a set of declaratory principles), and from a soft regime to a hard regime. When we reach the stage where the set of rules is clearly stated in detail, where everybody complies with the rules and where a third party decides the interpretation and application of the rules, then we are at the highest stage of institutionalization within the international regime category, i.e. legalization.⁷

Functions of institutions (or institutions as independent variables)

Functions

Institutions are created, maintained and strengthened to achieve certain common objectives and goals among the members. In addition to solving specific issues within a certain topic area, institutions are evaluated in terms of lowering transaction costs and creating infrastructure and venues for member states to deal with a variety of issues cooperatively. The latter may further include forming group identity among member states. Given that the basic purpose of institutions is to achieve common

purposes, we have to pay close attention to how institutions (a set of rules and norms) influence the behaviour of their member states – which is related to the issue of internalization of the norms and compliance with the rules established by the institution.

Public goods perspectives (institutions as a means to provide public goods)

Institutions differ depending on the nature of the common problems they try to solve, and on how nations seek to solve them. The common issue can be handling of public goods by all the nation-states within the institution. Public goods can be global, such as global warming, or regional, such as economic stability.⁸

As a matter of fact, institutions are sometimes designed to provide club goods rather than public goods, in the sense that the benefits of the institution apply only to the members. Alliances are typical examples: the deterrent benefits of an alliance are only applicable to the alliance members.⁹ Free trade agreements (FTAs) are also institutions that provide benefits to members but not (at least explicitly) to non-members. Even when institutions are intended only to provide club goods to members, they have positive or negative externalities to non-members or the region as a whole: institutions designed to provide club goods may provide positive externalities. Thus non-inclusive institutions should be carefully analysed, not only in terms of their internal mechanisms but also in terms of their external effects and functions.

A typology of institutions

Table 1.2 shows a typology of institutions by utilizing two dimensions. One is an inclusive-exclusive dimension, which is concerned with whether the institution includes all relevant members or excludes some nations intentionally. The other concerns whether the institution assumes a particular, fixed, built-in adversary/competitor within or outside the institution (a competitive/non-competitive dimension).

Types A and D are contrasting types of institutions. Type A institutions are exclusive and competitive; examples are military alliances formed during the Cold War. For example, the US-Japan alliance and NATO during the Cold War were exclusive and competitive, in the sense that they excluded, and competed against, the communist countries. However, they became exclusive but non-competitive in nature after the Cold War (type B), in that they do not have any fixed adversary even though they have to cope with varied threats outside their institutions.

Table 1.2 Types of institutions

	Competitive (assumes built-in adversary/competitor)	Non-competitive
Exclusive	Type A US-Japan alliance and NATO in the Cold War	Type B US-Japan alliance and NATO after the Cold War FTAs
Inclusive	Type C CSCE Six-Party Talks	Type D ARF OSCE APEC WTO United Nations

Type D institutions are all-inclusive and non-competitive in nature; examples include the ASEAN Regional Forum (ARF) and the Asia Pacific Economic Cooperation (APEC), as well as such global institutions as the United Nations and the WTO. For example, the ARF includes all the countries (and the European Union) that have relevance to security in the Asia-Pacific region and does not have any specific adversary within or outside the ARF. Regarding Northeast Asia, a Northeast Asian FTA between China, South Korea and Japan and an institutionalized Northeast Asian summit will be examples of this type, if they are indeed created.

Type B institutions are those institutions that are exclusive but non-competitive *vis-à-vis* excluded states. The US-Japan alliance and NATO after the Cold War are typical examples of this sort of arrangement. FTAs can be considered as this type of institution, since they are exclusive but designed not to diminish the economic welfare of countries outside the institution. Type C institutions are inclusive but based on competitive aspects of international relations. The Conference on Security and Cooperation in Europe (CSCE) during the Cold War is a typical example, in that it included all relevant European countries as members but it assumed adversarial relations between East and West. The six-party talks can be considered another example of this type (or a harbinger for such an arrangement in the Korean peninsula): all-inclusive in the sense that all members concerned are included, but competitive in the sense that we can assume there are competitive elements within (between the United States and North Korea, for example). As a matter of fact, the Six-Party Talks could transform into a type D institution in the future, where all the relevant countries participate without any adversarial

relations among them, just as the CSCE became the OSCE after the end of the Cold War.

Type D institutions – all-inclusive and non-competitive – are the ideal. However, which type of institution develops depends on the general situation in international and regional relations and the particular configuration of conflict and convergence of interests among the nations concerned.¹⁰

Cross-level institutionalization: Institutions and regions

International institutions are created and maintained not only for different issues, but also at different regional scales (including a global scope). Since the major focus of this chapter is on institutionalization in North-east Asia, we should briefly discuss the concept of “region” and related concepts.

A “region” is a set of nations geographically located in a certain area, and is usually given its name by geographers for geographic purposes.¹¹ The nations in a region will have varying degrees of mutual interactions – economically, politically, strategically and so forth – and will even have some group (regional) identity. In this sense, a region will have some state or level of mutual interdependence in terms of economics, security and identity. In some geographical regions the degree of mutual interdependence is low or none; in others, the nations involved may possess a high level of mutual interdependence and have highly developed regional institutions.

We may term these different states of mutual interdependence “region-ness”, which is measured from low to high. Region-ness comprises both substantive and institutional factors. Substantive region-ness refers to the level of mutual interdependence in economic, political, security and psychological dimensions, while institutional region-ness is the level of institutionalization in the region. In some regions there is neither substantive nor institutional region-ness; these are merely geographical regions. In other regions both substantive and institutional components are well developed. In still other regions, institutions may be created without substantive mutual interdependence. In these cases, institutions are either uprooted (ineffective) or are demonstrative of governmental efforts to promote substantive mutual interdependence by creating institutions first. Finally, in some regions, even though high mutual interdependencies are observed, institutions are not sufficiently developed to manage them.

Regionalization is a movement towards higher region-ness. There are two types of regionalization in this context. One is substantive (a

movement towards mutual interdependencies in economic, political, security and psychological areas), and the other is institutional (or regional institutionalization). Economic regionalization will be promoted by the cross-border activities of private companies and also by governmental efforts.¹² Regionalism means governmental and non-governmental ideology and policy efforts to promote substantive regionalization and/or to stabilize mutual interdependencies that already exist by creating institutions (institutionalization).

Regions can be categorized not only by the state of internal region-ness, but also by how they are related to larger institutions or systems in terms of geographical scope. In relation to the global system/institutions (or institutions with larger geographical scope), we have different kinds of regions. One is a hypothetical case in which a region behaves independently of global institutions; that is, some of the nations in the region do not belong to (or do not follow the rules of) global institutions. Alternatively, the major countries in the region do not belong to important global institutions and behave differently to the rules of the global institutions. Such regions may be termed independent regions, and sometimes they might dominate the global scene. As a matter of fact, many different global institutions exist, and countries may belong to some global institutions but not to others.

A region may be subordinated to the trends in the global system.¹³ During the Cold War, Northeast Asia was divided according to the global competition between the East (China and North Korea) and the West (South Korea and Japan). Therefore there was no region-ness in terms of economic relations and regional identity, even though (ironically) security competition was mutually interdependent. In the post-Cold War era, the alliance structure still remains in the region. But since Cold War global competition has become something in the past, the alliance structure has changed its meaning and function (see table 1.2). If, in the future, FTAs are formed between South Korea and the United States (as in June 2007) and between Japan and the United States, leaving China out, and if the global economy were divided by FTAs, then Northeast Asia would be subordinated to the trends in the global economic system of divided FTAs.

A region may be termed a dominated region: i.e. the region is dominated by the universal rules of global institutions rather than by global competition. If there is no region-ness (neither high mutual interdependencies nor regional institutions), the nations in the region may follow the basic rules of the global institutions, such as those of the United Nations or the WTO. Even if the nations in the region have no economic integration scheme, they may still comply perfectly with the rules of the WTO because they are dominated by global institutions.

Some regions can be considered autonomous even though they are embedded (nested) in the global system/institutions. The European Union and ASEAN are now in a stage of high region-ness, and they develop regional institutions that enable them to pursue autonomous regional policies, even though they observe the basic rules of the global institutions.

In this way, institutions in some topic areas are developed at different geographical scales. In security areas there are global institutions such as the United Nations and the Non-Proliferation Treaty (NPT), regional institutions such as the ARF and smaller regional arrangements such as ASEAN and the Six-Party Talks. In economic areas there are global institutions such as the WTO and the IMF, regional institutions such as APEC and smaller regional arrangements such as the ASEAN Free Trade Area (AFTA). All these arrangements are nested upon one another.¹⁴ In some cases smaller institutions are more developed than larger ones; in other cases it is vice versa. In the former instance, larger institutions will be more institutionalized by adopting the norms of smaller ones, while in the latter case the smaller institutions will be further institutionalized by borrowing the rules of the larger ones.

Many regional institutions are not nested with each other, but coexist independently. In these cases, the less institutionalized institutions may borrow the rules and norms of the more institutionalized ones.¹⁵ For example, ASEAN surely borrows from the European experience when it tries to form and develop economic and social communities, in addition to the security community which many think ASEAN has already achieved.¹⁶ Some may argue that Northeast Asia can borrow from ASEAN in creating security and economic institutions.

Causes of institutionalization (institutions as dependent variables)

What factors push forward the creation and promotion of institutions? Power, interests, common knowledge, norms and crises are said to play important roles, alone or in combination, in forming international institutions.¹⁷

Power

Institutions (international regimes) can be created, on some occasions, by a hegemonic power.¹⁸ If the preponderance of a hegemonic power declines, then the institutions created by the hegemony will be destabilized or collapse. However, the GATT trade system did not collapse (only the monetary system collapsed) even though the relative economic power of the United States declined.¹⁹

Interests

Interests play an important role in forming institutions. Common interests are a basis for creating multilateral institutions. To avoid common disasters, such as nuclear wars and environmental deterioration, nations will form multilateral institutions. The structure of interests affects the type and content of institutions.²⁰ For example, when countries try to form a set of rules to avoid inadvertent wars, cooperation is the most desirable outcome for all the countries. In these cases, the most important factor is transparency and exchange of accurate information about the structure of interests. The set of rules will be complied with rather easily.

Another structure of interests that will require institution building is termed “the prisoners’ dilemma”. This is a situation in which, if everybody cooperates, all enjoy beneficial social outcomes, but each has an incentive not to cooperate. To solve the issue a stronger institution is required, particularly in terms of rule compliance.

As far as conflicts of interests are concerned, international regimes are essential to solve what is called a “mixed-motive” game, where incentives for both cooperation and discord exist. If the situation is strictly zero-sum, however, international institutions are hard to come by. The only way to deal with a zero-sum situation is to change the structure of interests – i.e. to transform it into a mixed-motive game by, say, increasing economic transactions.

Common knowledge

Common (scientific) knowledge also plays an important role in forming international institutions. The call to ban ozone-depleting chemicals is based on scientific knowledge, as is the international regime on climate change. Common knowledge is produced and applied for regime creation through what is called an epistemic community²¹ – a group of people with scientific knowledge who have access to policy-making in their respective countries and raise issues to the international community. Common knowledge includes not only pure natural scientific knowledge, but also social scientific knowledge (such as economic science).

Norms

Norms underlie international institutions and regimes.²² They range from inter-state to domestic, and from higher and moralistic norms to instrumental ones.²³ Inter-state norms are those that regulate inter-state relations; they include respect for sovereignty (non-interference in domestic affairs), a habit of dialogue, peaceful resolution of inter-state conflicts, compliance with inter-state norms and so forth. Domestic norms

include democracy, human rights, freedom of information and gathering, and so forth; these can become international norms.

Internationalized domestic norms differ from inter-state norms in the sense that they are not the norms regulating inter-state relations *per se*. Domestic norms differ vastly in Northeast Asia, and differences in domestic norms can sometimes trigger conflicts among nations.²⁴ Inter-state and domestic norms sometimes collide with each other, such as in the case of the collision between the non-interference principle and human rights norms.

Inter-state norms and internationalized domestic norms can become the objectives of international institutions. Common norms can also be developed in particular issue areas (issue-specific norms). For example, environmental protection and sustainable development are the norms that are necessary for creating environmental institutions. Increases in economic welfare through free trade and investment are an example of norms that promote many economic institutions.

Even though norms are varied in nature, they are the basis for national behaviour²⁵ and for creating international institutions. If norms are developed and commonly shared through repeated interactions and socialization, institutions are ready to form; in turn, institutions make repeated interactions and socialization possible.

Crises and perception of common problems

Shared concerns and problems must exist for the member states to create institutions. The common problem can be most clearly perceived when crises occur; this can apply for both inclusive and non-inclusive (exclusive) institutions.

An example of crisis-triggered regime formation is the deepened economic cooperation in East Asia after the Asian economic crisis of 1997. The fact that the creation of some institutions is triggered by crises indicates that they are designed to control the possible damage inflicted by the crises, and that the damage is perceived to be common in the sense that everybody (every country) will suffer.²⁶

However, the damage can occur over a long period of time, so a feeling of crisis may not exist – thus making it difficult to create an international institution (or, at least, a strong one). Climate change represents such a case. Despite this, institutions can be formed to promote long-term economic and security interests. The ARF was started in 1994 when no crisis feeling existed, and the participating countries looked for long-term security stability in the region. In sum, crises are important in forging institutions in the sense that they raise a sharp sense of a common problem, but they are neither necessary nor sufficient conditions for institution creation.

The above-mentioned causes of regime formation and strengthening – power, interests, knowledge, norms and crises – will provide the basic guidelines for analysing institutionalization in the Northeast Asian region.

Institutionalizing Northeast Asia

In Northeast Asia there are hardly any multilateral regional institutions. Serious security flashpoints, such as the Korean peninsula and the Taiwan Strait, and several territorial disputes between countries within the region, as well as what may be termed the problem of negative identity (due to past history), have hampered the development of regional institution building. Thus, the region-ness of Northeast Asia is very low.

The nations in the region basically behave independently. The region as a whole, however, is nested within (and at the same time penetrated and divided by) global systems and institutions. All the nations are under the global umbrella of the United Nations, e.g. the WTO and the NPT (at least until North Korea withdrew from the NPT during the second nuclear crisis, and notwithstanding that North Korea did accept an IAEA inspection in July 2007).

Economic domain

Even though the region-ness in Northeast Asia is very low, some substantive regionalization has been advanced in economic areas, particularly between China, South Korea and Japan.²⁷ Japan and South Korea's trade with China has increased tremendously over the decade as China's economy has grown rapidly, surpassing their trade with the United States, their number-one traditional trading partner. Therefore, strong incentives exist for these three countries to liberalize and stabilize economic relations further among themselves. FTAs between China and Japan and China and South Korea are under consideration. Bilaterally (not multilaterally), the three countries have forged a currency stabilization mechanism within the context of the multilateral efforts to stabilize monetary relations in East Asia.

Furthermore, the three countries have been forging bilateral and multilateral cooperation mechanisms to cope with environmental issues such as acid rain and deforestation. Cooperative efforts on environmental issues have been made not only by the governments but also by private organizations, such as NGOs and universities. One can say that regional economic institutions are being forged at both governmental and non-governmental corporate levels.²⁸

Security domain

Compared to the economic sphere, the security domain is not so conducive to forming regional institutions among the Northeast Asian countries. Traditional alliance systems during the Cold War still exist in the region and continue to play an essential role.²⁹ While the Sino-DPRK alliance is still alive, at least on paper,³⁰ South Korea and Japan are allies of the United States. The most institutionalized relations in terms of security are the US-Japan and US-South Korea alliances. There are no other effective security institutions in this region which are all-inclusive and totally regional in terms of membership.

Security relations have ameliorated after the end of the Cold War. Bilaterally, between China, Japan and South Korea, what are termed confidence-building measures have been developed; these include a security dialogue and mutual visits of military personnel. Dialogue at the non-governmental level has also been increasing. However, suspicions have never dissipated among the Northeast Asian countries.

Institutions tend to be created to cope with crises, and we can observe this dictum in the region. The Korean Peninsula Energy Development Organization (KEDO) was established after the framework agreement in 1994 between the United States and the DPRK in response to the first North Korean nuclear crisis in 1993–1994. KEDO was, in effect, a multilateral arrangement, but not all-inclusive in the sense that Russia and China were not participants, and it was finally dissolved in 2006.

After August 2003, the Six-Party Talks were initiated to solve the second, current, nuclear crisis of the DPRK. This arrangement is the first all-inclusive multilateral security framework in the region.³¹ Even though the Six-Party Talks focus on the DPRK's nuclear issue, and even though we do not know how successful the talks will be, they could become a model for security institutions in this region.

Functional approach?

When we think about possibilities of institution building in the area of economics, security and the environment, we have to pay attention to the psychological and identity dimensions of the three countries. Recent events also demonstrate that historical issues lie behind the relations (and tensions) among the countries in Northeast Asia, with Japan's behaviour in the pre-war period and during the Second World War being the major issue.³² In order to have stable relations in this region – to say nothing of institutionalization – the historical tensions must be overcome.

There seem to be three contrasting strategies related to cooperation surrounding different topic areas. One is a realist strategy; this involves

firstly creating stable relations in the area of security (“high politics”), and then forging better relations in the fields of economics, the environment and identity (“low politics”). Another is a functionalist strategy; this involves firstly cultivating better relations in areas such as economics and the environment, and then moving into better security relations and identity formation. The third strategy may be termed parallel (or pragmatic), where efforts are made to create better relations simultaneously in all areas of concern.

Given the configuration of conflicts of interests among the countries in Northeast Asia, the most promising strategy should be functional and bottom-up, because one can see a basic convergence of interests in functional areas such as economics and the environment. Indeed, we recognize more institutionalized relations in these areas than in any other topics facing this region.

However, an important characteristic of cooperation and institutionalization in Northeast Asia is that the state is strong. NGOs are not yet fully developed in this region (see table 1.3). Therefore, even though private

Table 1.3 Some characteristics of Northeast Asian countries

	China	Japan	North Korea	South Korea
Military expenditure (constant 2005, million US\$), 2006	49,500	43,701	NA	21,853
GNI (current million US\$), 2006	2,641,586	4,899,965	NA	856,564
GNI/capita (current US\$), 2006	2,010	38,410	NA	17,690
Polity rating, 2008	PR 7; CL 6	PR 1; CL 2	PR 7; CL 7	PR 1; CL 2
Number of secretariats of NGOs (density per million population), 2002	105 (0.0)	263 (2.1)	1 (0)	51 (1.1)

Notes:

The data source for military expenditures is *SIPRI Yearbook 2007*, available at www.sipri.org/contents/milap/milex/mex_database1.html. The data source for GNI and per capita GNI is World Development Indicators Database, 2007.

The data source for polity rating is Freedom in the World Country Ratings, Freedom House, available at www.freedomhouse.org/uploads/fiw08launch/FIW08Tables.pdf, January 2008.

PR = political rights; CL = civil liberty; ratings are 1 to 7, with 1 being most free and 7 being least free.

The numbers of secretariats of NGOs are taken from Kaldor, Mary (2003) *Global Civil Society*, Oxford: Oxford University Press.

companies and NGOs play important roles in the process of institutionalization in Northeast Asia, for the foreseeable future institutionalization in the region will have a top-down nature (conducted by governments) rather than a bottom-up nature (pursued by private entities).³³

Within a wider framework – Asia-Pacific, East Asia and global

As the Six-Party Talks suggest, Northeast Asian security should include the United States and Russia (and maybe other countries, depending on the situation or the issue at hand). Importantly, when we consider possibilities of institution building, the issue of the decomposability of Northeast Asia as a region must be taken into account.

Northeast Asia is not perfectly decomposable, in either the economic or the security domain. In order for potential institutions in the region to work effectively, nations other than those located in Northeast Asia must be (at least *de facto*) members of the institutions. This presents a further paradox with respect to institutionalization in Northeast Asia: while regional institutions will not, and cannot, be exclusive with regard to extra-regional countries (a positive factor), this fact makes it very difficult to form autonomous regional institutions (which is, at least seemingly, desirable).

East Asia

A possibility exists that the Southeast Asian cooperative framework could be extended to Northeast Asia. The ASEAN+3 framework has been increasingly institutionalized, with summits having been held since 1997. In effect, the ASEAN+3 framework became institutionalized in 1999, in the sense that the 1999 Joint Statement on East Asian Cooperation set out the principles and purposes of cooperation in the region. In December 2005, in addition to the ASEAN+3 summit, the East Asian Summit (including Australia, New Zealand and India) was held separately in Kuala Lumpur, Malaysia. ASEAN+3 and the East Asian Summit definitely make efforts to promote economic cooperation (and, eventually, a region-wide free trade area) as well as security and political dialogue systems. The summits will provide another valuable forum for discussion and cooperation among the leaders of the three Northeast Asian countries.

The ASEAN+3 framework and the East Asian Summit are, as the author conceives it, an extension of ASEAN. This is clearly seen in the recent joining of China, Japan, Australia and others in the Treaty of Amity

and Cooperation (TAC); membership of the TAC is a requirement by ASEAN for other countries to join the East Asian Summit. The TAC posits that, *inter alia*, the members respect sovereignty and will resolve conflicts peacefully.³⁴

ASEAN+3 and the East Asian Summit look like a reversed hub-and-spoke system centring on ASEAN; that is to say, ASEAN tries to extend “bilateral” relations with countries such as Japan, China and South Korea as well as with Australia, New Zealand and other countries. These “spoke” countries do not usually have close relations among themselves as compared to the internal relations within ASEAN. Regarding China, Japan and South Korea, each has close relations with ASEAN, despite not having a trilateral framework among themselves and despite the fact that they are much larger and stronger than ASEAN economically.

However, it is difficult to judge to what extent ASEAN+3 and the East Asian Summit can contribute to solving issues in Northeast Asia *per se*, even though they may contribute indirectly to promoting cooperation among Northeast Asian countries. This is one reason why we need the region’s own institutions to solve regional issues.

While institutionalization is intended to promote cooperation, it often begets competition. Both China and Japan have been trying to lead the movement towards an East Asian community *vis-à-vis* the other, while ASEAN tries to sit in the driver’s seat. The United States, increasingly suspicious of being left out, has been trying to form its own FTAs with some of the ASEAN countries and South Korea. However, ASEAN+3 and the East Asian Summit will definitely help in promoting cooperation among the countries in the Northeast Asian region, despite this (soft) competition.

The Asia-Pacific

We also have to pay attention to the position of (and institution building in) Northeast Asia within the context of the Asia-Pacific region as a whole. The late 1980s and early 1990s witnessed a formation of Asia-Pacific region-wide institutions: APEC in the economic domain and the ARF in the security domain.

APEC has played important roles in the areas of both economics and security. China joined APEC in 1991, making the country a member of the international economic community. The Bogor Declaration in 1994 set the roadmap for economic liberalization in the entire region, even though the APEC liberalization process has been rather stalled in recent years. Since 1993 APEC has held an annual informal summit meeting, which provides a venue for the leaders of the Asia-Pacific region to discuss political and security issues in addition to economic matters.

The ARF is the only region-wide security dialogue system in the Asia-Pacific. It now includes the DPRK (as well as the European Union and India). Even though the ARF has played an important role as a forum for security discussions among foreign ministers, it has failed to strengthen itself in dealing effectively with conflicts (both external and internal). The ARF has, one must admit, played only marginal roles in Northeast Asian security affairs.

Instead, the APEC summit meetings seem to have gained importance in the area of security, since the top leaders are able to raise and discuss freely issues of concern other than economic matters. The APEC summit in Beijing in 2001 provided a forum for Asia-Pacific leaders to discuss issues of international terrorism.

In the post-Cold War era, what are known as “second-track meetings” have proliferated bilaterally and multilaterally. Regarding security issues, the Council for Security Cooperation in the Asia-Pacific (CSCAP) has been the only region-wide second-track meeting in the area of security, and arguably played an essential role in creating the ARF.³⁵

In 2002 the London-based International Institute for Strategic Studies (IISS) started to organize, with other private and governmental organizations, the Shangri-La Dialogue of defence ministers from the Asia-Pacific region; at the sixth meeting, in 2007, 25 countries participated.³⁶

This annual meeting has several interesting characteristics. Firstly, it is attended by defence ministers and security advisers of the respective governments, but sponsored basically by private organizations (with the IISS taking the lead role). Thus it is not a purely governmental meeting, nor a purely second-track meeting. Second, it is the first region-wide meeting of defence ministers in the Asia-Pacific region (ARF meetings are attended by foreign ministers). Third, the Shangri-La meetings are neither confidence-building meetings nor venues for decision-making. They seem to be a place where defence ministers can present the defence and security policies of their countries. Their frank presentations will contribute to mutual understanding among the participating countries regarding defence and security policies.

While the thinly spread institutions of the Asia-Pacific region, such as APEC and the ARF, have played important parts, they have failed to institutionalize themselves sufficiently to play significant roles in Northeast Asian security and economic issues. Thus other institutions with a smaller geographical coverage, such as the Shangri-La Dialogue, have attempted to solve issues like trade liberalization and security.

Therefore, from the Northeast Asian point of view, even though APEC and the ARF have helped in enhancing relations among Northeast Asian countries and in relating these countries to non-Asian coun-

tries such as the United States, Asia-Pacific institutions may not directly help solve issues of the Northeast Asian region.

Global institutions and Northeast Asia

For the time being, utilizing global institutions such as the United Nations, the NPT regime and the WTO may have more relevance for the countries in Northeast Asia to solve their issues than creating separate regional institutions. Even though there are no regional trade institutions yet within Northeast Asia, the basic rules of economic interactions among the countries are those of the WTO. In this respect, China's entry into the WTO in 2001 marked an epochal turn in the international political economy of the region, and greatly stabilized regional (as well as global) economic relations.

The nuclear issue of the DPRK is indeed a concern for the NPT: regional and issue-specific arrangements such as KEDO and the Six-Party Talks were created because global rules were not observed. Thus it is advisable to examine the relationship between global institutions on the one hand and regional institution building in Northeast Asia on the other.

Cross-level institutionalization – Autonomous, outside-in and inside-out

As depicted in figure 1.1, the levels of institutionalization seem to go up outwardly from the centre of the concentric circle (with exceptions). Northeast Asia is the least institutionalized region. Wider East Asia is already more institutionalized, as is the Asia-Pacific. The global institutions, such as the United Nations and the WTO, are more institutionalized than the Asia-Pacific and Northeast Asia. This image differs from a commonly held perception that, for a given region, the centre is most institutionalized, with a high level of region-ness, and the level of institutionalization goes down as we go outwards from the centre of the circle.

The geographical area covered by an institution differs depending on the nature of the issue, and the institutionalization takes different forms. Furthermore, some regions forge regional institutions autonomously; ASEAN and the European Union have tried to create regional institutions autonomously from within. After successfully institutionalizing their own regions, they try to project their institutional principles outwardly (an inside-out institutionalization). For example, ASEAN has tried to extend its principles (the ASEAN way) to the outer world; and provided the basis for the ARF, ASEAN+3 and the East Asian Summit.

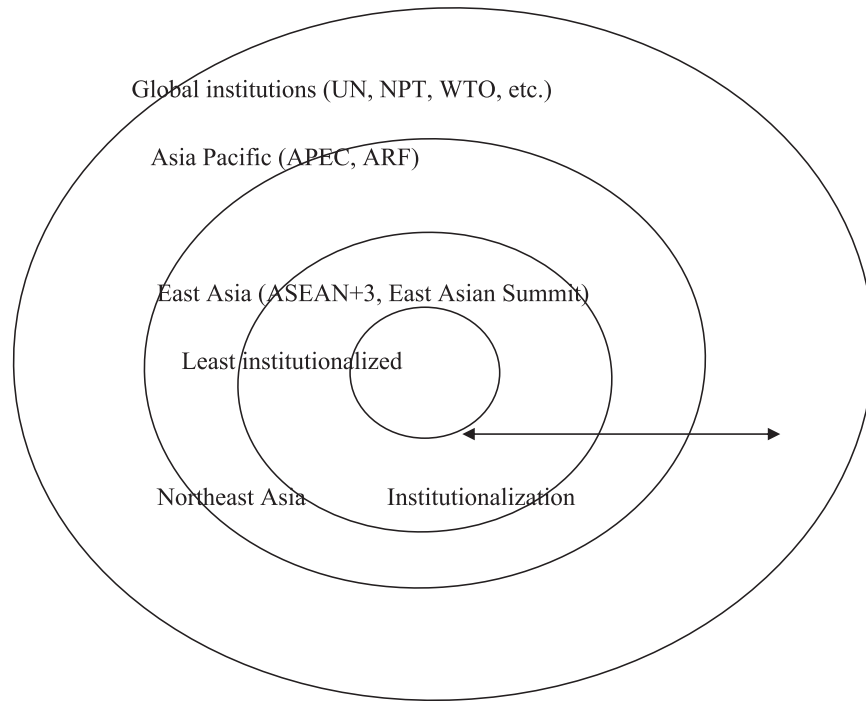


Figure 1.1 Spatial location of Northeast Asia in terms of international institutions

For the reasons stated above, it is difficult for Northeast Asian countries to form their own institutions autonomously (indigenous regional institutions). Thus, one of the ways for them to institutionalize their relations is to adopt, or adhere to, the principles that have been developed outside the region. This may be termed outside-in institutionalization.

There are different types of outside-in institutionalization. One, as already discussed, is to apply strictly the set of principles of global institutions such as the United Nations, the NPT and the WTO to the region. Another is for Northeast Asian countries to join existing regional institutions. For example, if the three countries in Northeast Asia extended the TAC principles to regulate their own relations, then we would see some institutionalization in the region.³⁷

If the outside-in type of institutionalization is the most probable and effective way for Northeast Asia for now, the countries still have a chance to create their own institutions autonomously, as demonstrated by the recent developments of the Six-Party Talks. Since outside-in institutionalization, such as ASEAN+3, may not create institutions strong enough to

solve crucial security and economic issues in Northeast Asia, we must continue the efforts to forge the region's own institutions. This does not mean that we should take such broader institutions as ASEAN+3 and the East Asian Summit lightly. What is important will be creating a network of institutions relating to Northeast Asia in varied topic areas and with differing members, including autonomous institutions among China, the two Koreas and Japan. Just as any other region, Northeast Asia is "fuzzy and leaky",³⁸ and thus even though institutions limited to narrowly defined Northeast Asian countries (i.e. China, the two Koreas and Japan) are necessary to solve their own problems, a broader perspective is always required.

Conclusions

Northeast Asia is the least institutionalized region in many topic areas, and its region-ness is low. The basic pattern of national behaviour is for the countries to behave rather independently from each other on the basis of their national interests. However, given the problems and issues that Northeast Asia faces, more institutions are needed to solve them and maintain stability in the region.

To promote the autonomous development of regional institutions in Northeast Asia, a multidimensional approach is required. Non-governmental, bottom-up institutions must be forged in many functional areas, such as surrounding economic activities and environmental issues, while a top-down government approach is necessary to create security institutions.

Nonetheless, it will not be easy to institutionalize international relations in the region autonomously in security, economic and other topic areas. An alternative to autonomous institutionalization would be an outside-in approach, i.e. the Northeast Asian countries would adopt the principles of larger institutions under which they are nested. They might adapt the TAC principles to their own relations, or join AFTA to create an East Asian economic zone. Another way might be to adopt strictly the principles of global institutions such as the United Nations and the NPT in the security domain, and the WTO and the IMF in the area of economics. However, even though outside-in institutionalization is an effective way to institutionalize international relations in a region, Northeast Asia has its own issues, and the process and institutions must have tailored rules and norms to solve them. By developing autonomous institutions for Northeast Asia and connecting the region with larger existing institutions (Asia-Pacific and global), we will have an effective network of institutions for Northeast Asia.

Notes

1. See Young, Oran (1999) *Governance in World Affairs*, Ithaca, NY, and London: Cornell University Press.
2. Balance of power can be an internalized behavioural norm, and thus we can observe balance of power as a pattern in international politics. See Bull, Hedley (1995) *The Anarchical Society: A Study of Order in World Politics*, 2nd edn, Basingstoke: Macmillan; Duffield, John (2007) "What Are International Institutions?", *International Studies Review* 9, pp. 1–22.
3. See Krasner, Stephen (1982) "Structural Causes and Regime Consequences: Regimes as Intervening Variables", *International Organization* 36(2), pp. 185–205.
4. Haftendorn, Helga, Robert O. Keohane and Celeste A. Wallander, eds (1999) *Imperfect Unions: Security Institutions over Time and Space*, Oxford: Oxford University Press.
5. Rosenau, James N. and Ernst-Otto Czempiel, eds (1992) *Governance without Government: Order and Change in World Politics*, Cambridge: Cambridge University Press.
6. For a fuller discussion of the stages of institutionalization, see Yamamoto, Yoshinobu (1997) "Political Economy of Regional Integration" (in Japanese), *Kokusaimondai* 452, pp. 2–23.
7. Regarding legalization, see Goldstein, Judith, Miles Kahler, Robert O. Keohane and Anne-Marie Slaughter, eds (2001) *Legalization and World Politics*, Cambridge, MA: MIT Press.
8. Regarding international and global public goods, see Kaul, Inge, Isabelle Grunberg and Marc A. Stern, eds (1999) *Global Public Goods: International Cooperation in the 21st Century*, New York and Oxford: Oxford University Press; Sandler, Todd (2004) *Global Collective Action*, New York: Cambridge University Press.
9. For a classical argument about this point, see Russett, Bruce (1970) *What Price Vigilance?*, New Haven: Yale University Press.
10. One of the current research concerns about international institutions is not the lack of but the density and complexity of proliferated international institutions. The focus is on interactions among institutions in terms of competition and forum-shopping which would determine the outcomes and even stability of the international system. See Raustiala, Kal and David Victor (2004) "The Regime Complex for Plant Genetic Resources", *International Organization* 58, pp. 277–309. In contrast, Daniel Drezner argues that when the number of institutions is still small and increasing, the world order will move away from power-based outcomes to rule-based outcomes, while further proliferation of institutions triggers forum-shopping and power-based results: see Drezner, Daniel W. (2006) "The Viscosity of Global Governance: When Is Forum-Shopping Expensive?", revised paper presented to American Political Science Association Annual Meeting, Philadelphia, 31 August – 3 September, unpublished.
11. For a general discussion of regions, see Fawcett, Louise and Andrew Hurrell, eds (1995) *Regionalism in World Politics: Regional Organization and International Order*, New York: Oxford University Press; Pempel, T. J., ed. (2005) *Remapping East Asia: The Construction of a Region*, Ithaca, NY: Cornell University Press; Katzenstein, Peter (2005) *A World of Regions: Asia and Europe in the American Imperium*, Ithaca, NY: Cornell University Press. Regarding regionalism in Northeast Asia in particular, see Dent, Christopher and David Huang, eds (2002) *Northeast Asian Regionalism: Learning from the European Experience*, London: Curzon Press.
12. Regionalization by cross-border activities of non-state actors is said to be "bottom-up regionalization", while regionalization by the efforts of governments is called "top-down regionalization". See Pempel, *ibid.*

13. See Brecher, Michael (1963) "International Relations and Asian Studies: The Subordinate State System of Southern Asia", *World Politics* 15, pp. 213–235.
14. Regarding nested institutions, see Aggarwal, Vinod (1998) *Institutional Designs for a Complex World: Bargaining, Linkages and Nesting*, Ithaca, NY: Cornell University Press.
15. This is termed the "transportability of a regional institution to other institutions", in Haftendorn, Keohane and Wallander, note 4 above, Introduction and chapter 1.
16. Regarding ASEAN's formal declaration on security, economic and socio-cultural communities, see the Declaration of ASEAN Concord II (Bali Concord II), issued on 7 October 2003, available at www.aseansec.org/15159.htm.
17. Krasner, note 3 above.
18. Ibid. See also Crone, Donald (1993) "Does Hegemony Matter? The Regionalization of the Pacific Political Economy", *World Politics* 45(4), pp. 501–525.
19. See Keohane, Robert O. (1991) "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967–1977", in K. J. Holsti, ed., *Change in the International System: Essays on the Theory and Practice of International Relations*, Brookfield: E. Elgar, pp. 131–162.
20. Martin, Lisa (1992) "Interests, Power, and Multilateralism", *International Organization* 46(4), pp. 765–792; Stein, Arthur A. (1983) "Coordination and Collaboration: Regimes in an Anarchic World", in Stephen D. Krasner, ed., *International Regimes*, Ithaca, NY: Cornell University Press, pp. 115–140.
21. Haas, Peter M. (1997) "Banning Chlorofluorocarbons: Epistemic Community Efforts to Protect Stratospheric Ozone", in Peter M. Haas, ed., *Knowledge, Power, and International Policy Coordination*, Columbia, SC: University of South Carolina Press, pp. 187–224.
22. Acharya, Amitav (2001) *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*, New York: Routledge; Acharya, Amitav (2002) *Regionalism and Multilateralism: Essays on Cooperative Security in the Asia-Pacific*, Singapore: Times Academic Press.
23. Regarding the moralistic and instrumental functions of norms, see, for example, Snyder, Jack (2003) "'Is' and 'Ought': Evaluating Empirical Aspects of Normative Research", in Colin Elman and Miriam Elman, eds, *Progress in International Relations Theory*, Cambridge, MA: MIT Press, pp. 349–380.
24. For a general discussion on this point see, for example, Nau, Henry (2002) *At Home Abroad*, Ithaca, NY: Cornell University Press.
25. Finnemore, Martha (1996) *National Interests in International Society*, Ithaca, NY: Cornell University Press.
26. In this vein, one of the hypothetical cases where the countries in Northeast Asia would form high-level cooperation is in the case of a common external threat.
27. Regarding the perspectives of economic cooperation, see Weiss, Pempel, Iida and Harris in this volume.
28. On the top-down and bottom-up approaches, see Pempel, note 11 above.
29. Regarding the US-Japan relationship, see Tsuchiyama in this volume.
30. For a detailed analysis of the Sino-DPRK relationship, see Takagi in this volume.
31. On the Six-Party Talks see the analysis of Kikuchi in this volume.
32. On identity see Oshimura in this volume; on the history issue see Berger in this volume.
33. See Pempel, note 11 above.
34. The Treaty of Amity and Cooperation in Southeast Asia is available at www.aseansec.org/1217.htm.
35. Regarding CSCAP, see Evans, Paul (1994) "Building Security: The Council for Security Cooperation in the Asia Pacific (CSCAP)", *Pacific Review* 7(2), pp. 125–139; Ball,

- Desmond (2000) “The Council for Security Cooperation in the Asia Pacific: Its Record and Its Prospects”, Canberra Papers on Strategy and Defence No. 139, Canberra: Australian National University, Strategic and Defence Studies Centre.
36. See International Institute for Strategic Studies (undated) “The IISS Shangri-La Dialogue”, available at www.iiss.org/conferences/the-shangri-la-dialogue.
 37. TAC principles, such as peaceful resolution of conflict, apply only to the Southeast Asian region as far as the TAC is concerned.
 38. The term “fuzzy and leaky” is used by Baldwin, Richard (2006) “Multilateralizing Regionalism: Spaghetti Bowls as Building Blocks on the Path to Global Free Trade”, *The World Economy* 29(11), pp. 1451–1518.

2

Institutionalizing East Asia: Learning lessons from Europe on regionalism, regionalization, identity and leadership

Richard Higgott and Martina Timmermann

Introduction

As processes of *economic* globalization deepen they need to be institutionalized if they are to avoid increased hostile and negative *social* and *political* responses. While the level at which these institutions will flourish is yet to be determined, what is clear is that this cannot be either global or regional. It is a multilevel enterprise in which the limits of institutionalism at the global level are likely to enhance institutional thinking at the regional level and make problem-solving here more attractive.

East Asia (foremost ASEAN Plus Three, but since the East Asian Summits also Australia, New Zealand and India; with Russia in an applicant's position since 2007) shows a clear trend towards stronger regional cooperation. This trend was first indicated by the development of the ASEAN Plus Three (APT) processes in the late twentieth/early twenty-first centuries, then strengthened by the Chiang Mai agreement¹ and the enhanced dialogue on monetary cooperation, and finally emphasized by the most recent East Asian Summits held in Malaysia (2005) and the Philippines (2007).

The interesting *policy* question is therefore no longer *if* East Asia will become more institutionalized but rather *what form* that institutionalization might take. The interesting *scholarly* question is *what are the key drivers* that might assist or impede that process of regional institutionalization? What are the prospects for regional institutionalization in East

Asia in the early twenty-first century? These questions will be discussed in a comparative context with Europe.

Starting from a general assumption that the need for institutions² is particularly important in those regions of the world in which the market economy is less embedded, it is argued that East Asia may well learn the principles of institutionalism that flourished in the twentieth century in Europe; but this is not to suggest that their implementation will follow the same modalities in the twenty-first century. Rather, what makes East Asia so interesting is that it is a vehicle for the *adaptation* of, not adoption of, some of the key principles of governance that developed countries took on board during the twentieth century.

In spite of the differences, however, there are some insights that East Asia, being in its own process of institutionalization, can gain into the role of institutions and institutional theory in Europe. How salient are they in practical terms to an understanding of enhancing cooperation in East Asia? Which lessons can provide guidance for developing plausible suggestions on how to foster prosperity and stability in Asia?

The need for institutions in light of economic globalization

Social science has demonstrated the theoretical and practical importance of institutions³ as:

- the reducers of uncertainty and transactions costs
- vehicles for ensuring learning and socialization
- shapers of collective identity and compliance
- deal-makers ensuring credible promises in adversarial situations.

But these principles do not give a complete definition of what constitutes institutionalism as a trust-enhancing commitment or why it often lacks support at the global level.

One reason for this has been that it is not so easy to distinguish, in practice, between an institution and a “norm” of behaviour. It is therefore worth recalling the standard definition of multilateralism as the management of transnational problems with three or more parties making policy on the basis of a series of acceptable “generalized principles of conduct”.⁴ These principles are indivisibility, non-discrimination and diffuse reciprocity. It was expected that, over time, decision-making underwritten by these principles would lead to collective trust among players within an institution. But a key element in the development of trust must come from the willingness of the institutional hegemon(s) – that is the strongest member(s) of the institution – to agree to be bound by these principles.

It is not sufficient, however, simply to identify the principles inherent in multilateralism as an institution. It is also necessary to understand the degree to which they coin the processes and deliver outcomes; the rhetorical prominence of an international organization (*pace* the United Nations and APEC) does not always correlate with a high rate of success in issue-specific problem-solving. The decreasing salience of the principal *multilateral* institutions in the late twentieth century has been a factor in the search for *regional* solutions to collective problem-solving action since that time.

It is therefore important to add a fifth dimension to the theoretical and practical importance of institutions: they also serve as “social” venues rather than just capsules in which rational action takes place – with regional dialogue forums, for instance, being prominent examples of this.

Observers of regional cooperation in Asia consequently need to recognize the salience of the relationship between institutionalized interaction on the one hand and the emergence of regional identities and interests on the other. Strategic action by state actors is important, but such action must continue to be placed within a wider complex of actors (both state and non-state) and institutional venues that influence the development of regionalism.⁵ It is in this context that the role of institutions, and indeed institutional theory, is more important than traditionally thought in the policy dialogue on regionalism that prevailed in Asia prior to the Asian financial crises.

This is an important theoretical insight that, as yet, has only partially found its way into the analysis of East Asian regionalism.⁶ But before turning to East Asia it is useful to take a look at the theoretical insights on regionalism and regionalization learned from Europe.

Regionalism and regionalization – Europe as a reference case

Policy-makers invariably conceptualize regionalism with reference to Europe. This is especially so where it is seen as a response to globalization. Whether viewed negatively or positively, the European experience looms large.⁷ In fact, the European Union is the paradigmatic case of regionalism against which all other regional projects are judged. This dominance of the European Union on our mental maps imposes an understanding of regionalism as “formal institutionalization”.

Consequently, the oft-repeated characterization of Asian regionalism as “loose” or “informal” reflects a teleological prejudice informed by the assumption that “progress” in regional organization is defined in terms of EU-style institutionalization.

At the heart of this thinking is the classic “Balassa”⁸ model of European economic integration. Balassa suggested that the logic of accumulation first drives countries to decide to create a free trade area, which is followed by the creation of common external tariffs and a *de facto* customs union. To enhance efficiency further, the third step is the creation of an internal common market. The cooperation within this common market, again, would profit from use of a common currency – that is, monetary integration. And finally, such developments would generate incentives for political integration.⁹

To equate mature regionalism with the creation of supranational political institutions equivalent to the European Commission, the European Parliament and the European Court of Justice prejudices any judgments we might want to make about the emergence of a world order based on alternative forms of regional organization and cooperation. Questioning these assumptions is therefore crucial to any comparative analysis of the European and East Asian experience.¹⁰

Moreover, it is essential to take into account the changed features of the “new regionalism” which has developed in response to the challenges of economic globalization.

And finally, for any analysis of regional projects, it is essential to consider the salience of extra-regional relations. Failure to do so was a principal deficiency of early theories of integration. It is especially important to avoid this mistake in the analysis of the East Asian region.

The “new regionalism” as a response to globalization

While early regionalism might have been identified as a “defensive” mechanism to reduce dependence on the international economy, the “new regionalism”¹¹ is seen as a forward-moving, proactive mechanism. It is a means of gaining greater access to global markets, not regional autarchy. Regionalism is more multidimensional than in the past. Where the defensive legacies of the earlier phase still remain – among those political élites sceptical of the unregulated nature of contemporary global capitalism – this does not imply a growing regional resistance to all elements of the globalization process. Rather, regionalism can be seen as a pathway to globalization.

This is a key distinction between current and old explanations for regional projects. Rather than building (or joining) regional arrangements to enhance independence from the global economy (as was once the case), many developing states now see regionalism as a measure to continue participation in it, but within a meso-level comfort zone. Regional projects are both a facilitator of globalization *and* a regional

counter-governance layer in the world political economy. This relationship between regions and neo-liberal economic paradigms and policies stands at the heart of the new assessments of regionalism and regionalization at the beginning of the twenty-first century.

In this context, simple dichotomies between regionalization and globalization, and “one-size-fits-all” explanations for change, are pointless. The former explicit distinction between *de facto* and *de jure* regional activity is no longer helpful. Rather, the interconnectedness of both processes should be emphasized. While markets are the key drivers of regionalization, state-led initiatives to enhance integration into the global economy lead to the pursuit of more strongly politico-strategic regional policies.

While this reminds us of Balassa’s four-stage sequence of integration, East Asia is unlikely, for a range of reasons, to repeat this process.

East Asian regionalism: Adaptation but no adoption of the European model

The Asian regional experiment in the twenty-first century is, surprisingly, less trade-led in a *regional sense* than the European project of the twentieth century. Of course, *de facto* market-led integration is strong,¹² but such has been the success in liberalizing trade in goods under GATT that the need to free up trade on a regional basis has become less pressing. This is not to suggest that trade is not a motor of growth in East Asia. It remains so, but it needs to be considered a global activity more than a regional one, and it is not the only motor of increasing regional cooperation.¹³

Monetary cooperation but trade as the main incentive

The financial crises of 1997–1998 highlighted the manner in which dramatic increases in deregulated, unrestricted capital mobility can lead to catastrophic volatility. As a consequence, two compatible trends have emerged since that time. These are a gradual movement towards enhanced monetary cooperation in East Asia on the one hand, and the growing interest in bilateral trading arrangements on the other (see also Pempel and Iida in this volume). Several points about regional monetary policy as an example of emerging institutional cooperation should be made.¹⁴

Development of an East Asian interest in mitigating the prospects of further financial volatility

Regional dialogue has moved dramatically since the time of the financial crises of 1997–1998. Before the crises, trade-led regionalism in the

Asia-Pacific had been driven by the Caucasian members of APEC. For the United States, APEC clearly “remains America’s primary vehicle for advancing both economic cooperation and trade and investment liberalization in the Asia-Pacific region”.¹⁵ For Asian policy-makers, however, the tangible benefits provided by APEC are limited. Even prior to 9/11, resistance of Asian policy-makers to a strengthened APEC was caused by their fear of American dominance.¹⁶ The manner in which the United States has treated APEC in the wake of 9/11 has confirmed such initial Asian perceptions.

Strengthening of bilateral preferential trade arrangements

As one of the consequences, there has been a strengthening of bilateral preferential trade arrangements (PTAs).¹⁷ However, no state pursues just a bilateral or a multilateral trade policy. The two arms are reinforcing. Bilateral activity should be seen as a complement to other initiatives, such as the development of an ASEAN Economic Community and the APT, both of which have different but complementary agendas and functions.¹⁸

Critics of bilateralism argue that such initiatives have the effect of undermining the wider regional project in East Asia. Intellectual and technical capability and political will (key components of institution building) are finite resources that cannot be indefinitely subdivided without diminishing their utility and effectiveness. Enhanced economic cooperation and integration at the regional level are a possible outcome of the trend towards bilateralism, but this is not inevitable; countervailing tendencies and alternative outcomes are possible. We have little or nothing in the historical or scholarly armoury to make a strong prediction one way or the other at this stage. The degree to which the positive outcome might prevail will in part be determined by the success or failure of activities in other areas of the policy domain and with other putative economic initiatives, such as monetary cooperation, where the collective urge in East Asia is currently stronger.

Strengthening “East Asian” as opposed to “Asia-Pacific” understanding of regionalism

The debate about “East Asian” cooperation, writ small to mean ASEAN, continues with discussions about the creation of an ASEAN Economic Community (AEC) to integrate the activities of the ASEAN Free Trade Area (AFTA), the ASEAN Framework Agreement on Services and the ASEAN Investment Agreement.¹⁹ But it is at the level of East Asia – writ large to include ASEAN, the People’s Republic of China, Japan and South Korea – that a dialogue on how best to mitigate the kind of volatility experienced during the financial crises of 1997–1998

developed most rapidly. Notwithstanding the failed attempt to establish an Asian Monetary Fund (AMF) in 1998, the principle behind the proposal did not die. The regular ASEAN summits were expanded by the participation of Japan, the PRC and South Korea, the new body being called ASEAN+3 (or APT).

A driving momentum was recognition of the need to cooperate in the face of the shared problem of financial volatility. Emanating from this mode of thinking, recent initiatives which aimed at reducing the distances between individual national financial markets and exchanges show that this is a stronger urge than any desire to liberalize trade on a purely regional basis – a clear contrast to the European process.²⁰ The Asian financial crises demonstrated to policy élites that there was no consensus on how to manage the international economic order in the closing stages of the twentieth and the early stages of the twenty-first centuries.

The crises, however, also opened the way for clearer, less naïve thinking about regionalism in East Asia²¹ and pushed states to think again about how best to build a regional order capable of preventing financial crises (or at least competent to deal with crises when they arise).²² Even if such initiatives languish, the discussions that have taken place indicate a growing regional self-definition of “East Asia” as a valid economic space with a discernible political voice. Analytically, this suggests that such policy initiatives do not arise merely as rational and functional spill-over. Rather they depend upon an emergent sense of collective regional identity²³ that frames the way in which policy élites respond to exogenous shocks, as caused for instance by the effects of globalization.

Regional identity building

At this point it is useful first to take a closer look at the role of identity building in the process of regional institutionalization, and then embed this discussion in the wider context of the “new regionalism” as a response to globalization.²⁴

At a time when the issue of identity has become a challenge to the extended European Union, the development of an East Asian self-definition suggests that “norm-based” and identity-stressing influences have gained in momentum in East Asia.

Collective identity has been understood as a “bond” in the processes of institutionalization at the national, regional or global level. But in spite of the high importance ascribed to identity by scholars and practitioners in international relations, there is as yet no unanimous definition.

The working definition here is that identity involves the rational and/or emotional (self-)attachment/reference of a person or collective to a group such as a nation or a region that is being demarcated from others (by the

person/collective, a third person/collective or the nation or region itself) because of its ideas and/or goals, values, activities, physical looks, language and/or historical experiences.

What are the functions of identity for regional institutionalism and the process of regionalization?

The function of “identity”

With regard to Europe, some important functions of identity were discussed by Hermann Bausinger as early as 1978. He argued that identity had only become a focus of attention since identity itself had become a problem.²⁵ His observations in the 1970s rested on the period of the Helsinki process, when for the first time human rights were acknowledged to be of major importance for security policy. The discussion on the meaning of human rights centred on Western democratic and Eastern communist interpretations respectively, and the maintained specific identities thereby gained a special significance. The respective interpretations of identity became in fact an instrument of political élites to demarcate East and West.

The discussion of Asian values and human rights mainly focused on the quality and efficiency of different development models. The argument was started by government élites from Singapore and Malaysia who opposed the Western understanding of democracy and human rights that they felt was to be imposed upon their states. (For details on the debate see the introduction in this volume.) This debate between Western and Asian élites lasted until the middle of the 1990s and was mainly an inter-regional discussion. With the beginning of the Asian crisis in July 1997 the discussion came to a halt, because the economic problems removed the foundation for what had been suggested by the East Asian élites and believed by many Western discussants.

The deliberate use of the variables “identity” and “values” in such inter-regional discussions, however, was an important tool for both inter-regional demarcation and the strengthening of regional unification. This went along with a rhetorical upgrading of the Asian in-group and the degrading of the Western out-group, and can be understood as an additional important indicator of identity building within the process of regionalization.

A more recent example of a demarcation between an East Asian “us” and a Western, or mainly US, “other” can be found in the shifting perceptions within the framework of APEC. APEC, rather than being a potential instrument for trade liberalization at the Asia-Pacific level, has come to be seen in large sectors of the policy communities of East Asia as an additional site at which the United States might promote its own agendas for capital market liberalization and, since 9/11, a vehicle for advancing the US security agenda.²⁶ The fear of being on the receiving

end of asymmetrical agreements in times of low trust in the multilateral trading system has seen governments in East Asia developing stronger bilateral strategies, especially in the trading domain. Thus the United States – while still regarding APEC as the main regional venue in the Asia-Pacific in both economic and military terms – has actually become an unwitting exogenous catalyst in the “East Asianization” of the Western Pacific seaboard.

The function of identity in processes of institutionalization

Mead proposed a concept of reflexive identity where the subject and the object of identification are the same.²⁷ A person (subject) identifies with a group (object) because of her or his feeling of sharing ideas, goals, values, physical looks, language, activities and/or history. (An example could be somebody who perceives him/herself as a human rights activist.) Such reflexive identity does not develop by itself but *in discourse with the social environment* (Mead, emphasis by the author). ASEAN and APT summits and the more recent East Asian Summits, as any other regional conferences, offer such social environments.

In terms of the actors involved in this process, it is also important to keep in mind that there has been an increasing involvement of non-governmental actors in agenda setting, counselling and monitoring the results of regional conferences. This may well lead to an even stronger discourse at the regional level, resulting in the strengthening of self-identification with the region and perceived regional values.

And, further, when do such identities influence actions? When and how do they influence the process of regionalization in East Asia?

Identities and actions

The theory of social identity proposes that individuals in specific social contexts attach themselves to groups with whose members they can identify. This attachment to a group, however, can change depending on the situation. Several identities can become relevant in different situations and settings. They may also compete or clash with each other.

So why is it that in some cases the self-categorization of a group is so strong, whereas in others it is denied?

An answer is offered by the theory of self-categorization, which postulates that actors compare the differences between the in-group and out-group and draw the conclusion that the differences within the in-group are not as strong and costly as compared to those with the out-group(s).

In sum, the identity approach should be of particular value for any analysis of the future perspectives of Northeast Asian regionalization and institutionalism. The relationship between the PRC, Japan and the Republic of Korea, for instance, is coined by several unresolved conflicts on history, territories, economy, environment and human rights, among

others (see for instance Berger, Harris, Rozman, Iida, Weiss, Takagi, Ohta, and Akaha and Etkins in this volume), that need to be addressed in order to progress successfully with regional institutionalism. Such approaches will be framed by those identities coming up, competing or clashing in different situations and different environments. Among them the issue of sovereignty will no doubt be vital.

The sovereignty issue

If we look at the European Union, a major purpose of it as an institution has been to create “credible commitments” among members in areas where collective-action problem-solving is needed. It has done so via a pooling and delegation of sovereignty. This is the main difference between the European Union and other regional integration schemes. Pooling and delegating sovereign decision-making has created a quasi-integrated governance system. This system has institutional capacity, a degree of democratic legitimacy and, through the European Court of Justice, a substantial legal framework.²⁸ In individual policy areas (for example, trade and competition policy) Europe has a sophisticated regulatory framework that is unequalled at the global level. The European Union, for all its shortcomings, has managed to instil a spirit of cooperation among a diverse group of member states, showing the benefits of cooperation for its members and proving that cooperation need not be zero-sum and can be learned.

In East Asia, in contrast to Europe, the intellectual leap over the more bounded notions of sovereignty that beset decision-makers in the region has still to be made. The repressive potential of the state remains considerable, especially given the changing dynamics of international security post-9/11.

It is therefore unlikely at present that East Asia will follow the European model of “sovereignty pooling”. Rather, we are seeing the rise of what some call “regulatory regionalism”²⁹ as state actors develop selective, issue-specific strategies to enhance regional stability and competitiveness in the face of recognized limitations in the institutional structures of global economic and political management in the late twentieth and early twenty-first centuries. Leadership in and for this process will be essential.

Regional leadership and regulatory regionalism in East Asia

Leadership is not the same as hegemony; that is, leadership is not just economic and military preponderance. Leadership can be intellectual

and inspirational. In the development of the European Union we can see both kinds of leadership over the life of the organization, *pace* the intellectual leadership of figures such as Schuman and Monnet in the crucial agenda-setting period of the 1950s and the quasi-cooperative hegemony of France and Germany as the economic core of Europe in the following era.

From where will the leadership come to take the cooperative dialogue in East Asia forward at this time? Where are the necessary actors to be found? What are the structural constraints on actor-based leadership? Can they be overcome? The leadership and political resolve seen in Europe in the second half of the twentieth century have yet to emerge in East Asia. Will the United States play as supportive a role in building East Asian cooperation in the twenty-first century as it did in building European cooperation in the twentieth century? Can the PRC and/or Japan play the role in Asia that Germany and France played in the evolution of the European Union?

The role of the United States

To talk of regionalism in East Asia without addressing the role of the United States is to miss the wider context since the Second World War, especially when compared with its role in the reconstruction of Western Europe. In historical terms the US role as an exogenous actor in the development of a European Community was pivotal.³⁰ Within a Cold War context, US foreign policy proactively supported the European project. This is not the contemporary case in East Asia. Beeson argues that one reason for slower economic cooperation in East Asia has been the constraining role played by the United States in the Cold War context.³¹

Whereas the European Union sprang from a highly successful attempt to reconstruct Western Europe on a new integrated basis, in East Asia American foreign policy is having a more ambivalent impact on the region that is gradually moving it to assume greater autonomy despite, rather than because of, American policy.

If the Cold War in Europe was centripetal, in East Asia it was centrifugal. For 50 years US policy split the region along ideological lines and built a structure of bilateral hub-and-spoke relationships between it and its major East Asian partners that rendered impossible any leadership pretensions of the region's two major powers. For the second half of the twentieth century Japan subordinated any leadership ambitions to its asymmetrical bilateral relationship with the United States. Its rise to become the world's second-largest economic power in the 1980s and 1990s was achieved at the expense of its own regional leadership ambitions. The PRC for ideological reasons and Japan for its own particular

debilitating historical reasons were effectively denied regional leadership roles. US attitudes towards regional projects are now ambiguous, to say the least. Thus in the twenty-first century the bilateral strategic architecture of the region is undergoing a process of gradual dismantlement that requires us to think positively about regional leadership issues, especially as the relationship between the United States and East Asia becomes more economically symmetrical.

US GDP in 2003 was only 80 per cent of that of East Asia. East Asia's share of total world trade is, at approximately 25 per cent, almost double that of the United States at 13 per cent. As of 2005, East Asian exports are double those of the United States; inter-regional trade in East Asia is strengthening rapidly, and the US share of East Asian export trade has declined to 25 per cent. Holdings of foreign currency reserves in East Asia are now more than 20 times those of the United States.³² As a consequence, the ability of the United States to set the regional agenda is becoming less convincing than at any time in the last two decades. The likelihood that it will actively support greater institutional cooperation in the region should not be taken for granted.³³

Of course, quantitative indicators alone are not definitive. East Asia cannot axiomatically secure enhanced political leverage over the United States given that "the region" does not formulate policy towards the United States in a way that reflects any such aggregate interest. Decision-making resides firmly at the level of the constituent states. The agenda-setting abilities of the United States far outweigh those of any single East Asian state. For East Asia to narrow the asymmetry with the United States, it needs to enhance its collective institutional decision-making capabilities. For this to occur, *endogenous* regional leadership needs to strengthen. How this might be achieved is the most important regional policy issue for the future.

The leadership issue in and for East Asian cooperation

Japanese and Chinese regional leadership aspirations continue to grow, and the discursive practices of regionalization in East Asia continue to evolve in a non-trivial manner. Consider the endeavour to develop enhanced monetary cooperation, especially since the Chiang Mai Initiative, as the major exercise in regional cooperation in the twenty-first century. In this initiative we see, in contrast to the development of APEC, a position where both the Japanese and the Chinese are supportive of this regional project. For sure, they are not engaged in coordination of their foreign policies, but both powers recognize that the agenda for enhanced monetary policy coordination can be supported, comfortable in the knowledge that it is a positive-sum, not zero-sum, game. This suggests

that where Japanese and Chinese interests coalesce, this can be a force for regional cooperation. How the relationship between the PRC and the rest of the region plays out is the long-run key to security, cooperation and institution building in East Asia.

This issue is best approached by posing a question: “Do increased wealth and power lead to greater cooperation or greater competition?” A perennial question of international relations, it is central to the relationship between the PRC and Japan. The evolution of their respective economies, over the last two decades at least, has been complementary rather than competitive.³⁴ Longer term, however, it is likely that the economic relationship will become increasingly competitive (both bilaterally and with the United States), especially in the search for energy and other resources. Moreover, there are also still strong residual nationalistic antagonisms between the two countries. While Aaron Friedberg’s suggestion that the region is “ripe for rivalry”³⁵ could be countered by Pempel’s more recent cogent suggestion that the region could just as easily be “ripe for cooperation”,³⁶ how it turns out will depend on how the regional conversation is managed in the coming decades.

The worst-case scenario

In a worst-case scenario, contemporary strains in the relationships between the regional great powers are seen as fundamentally irresolvable. There are two factors that we might anticipate in this scenario.

The unwillingness of policy-makers to distance Japan sufficiently from the atrocities of the Second World War persists, and remains unacceptable to the rest of the region. In a way that has long ceased to be the case in Germany’s relationships with the rest of Europe, these historical roots continue to cast long policy shadows over Japan’s relationships within the region (see Berger in this volume).

A conflictual rather than a peaceful outcome to the increasing contest for energy supplies among the United States and the PRC (and Japan) may become more likely. Demand in these countries and in the region in general (not to mention India) will grow rapidly. Provided the increased pressure is “lateral”, bringing on gradual structural reform of the system rather than provoking confrontation between the hegemon and the rising great powers, there is hope for a non-conflictual outcome (see Harris in this volume).

The worst-case scenario also assumes certain courses of action by the United States regarding greater regional economic cooperation in East Asia. Successful economic integration in Asia today by the PRC (more so than Japan) is a challenge to US competitiveness (and for some analysts its security). Indeed, Asian regionalism is seen by much of the current US policy community as just a vehicle for China’s ambitions. The

Sino-US relationship does not have to be zero-sum,³⁷ but how the United States takes it forward is still to be determined.³⁸

The best-case scenario

Thinking more positively, there is an alternative, more favourable scenario that can be developed around the rise of regulatory regionalism. The key elements are enhanced regional economic dialogue and interaction both *among* the states of Northeast Asia (the PRC, Japan and South Korea) and *between* them and the states of Southeast Asia through the development of the APT process.

In a best-case scenario, a regulatory regionalism will develop that links national and global understandings of regulation via the region at a “meso” level. It is a multilevel exercise reflecting several trends.

- Policy coordination to mitigate risk at the regional level is delegated to the state. It is sovereignty-enhancing, with a strong relationship between state form, the global economic and political orders and the emerging regional governance. Compromise is inevitable if the tension between nationalism and regionalism is not to jeopardize the cooperative endeavour.
- The meshing of multilevel processes of regulation reinforces connections between the international institutions (especially the IMF and the World Bank) and regional institutions such as the Asian Development Bank (ADB) and the emerging instruments of regional regulation such as the ASEAN surveillance process (ASP) and the regularized meetings of regional central bankers.

The transmission of internationally agreed codes, emanating from the perceived best practice of international institutions, helps enforce market standards.³⁹ The key to regulatory regionalism is closer integration through the development of *common*, but nationally driven, “regulatory” action. This carries fewer negative connotations for sovereignty and regime autonomy than regional institution building. Institution building throughout the pre-crisis days in East Asia carried with it the implications of sovereignty pooling of the European Cartesian legal formalist variety that alarmed Asian regional élites. Regulatory regionalism in Asia carries no such implications. While it reflects a different understanding of regionalism to that which prevails in Europe, it nevertheless demonstrates a greater interest in the development of regional institutions and inter-regional relationships to enhance collective-action problem-solving under conditions of globalization than is found in contemporary US foreign economic policy. While the growth of bilateral initiatives may be suboptimal in terms of pure economic theory, they should not cause alarm if they lead to competitive liberalization, domestic reform and enhanced regional knowledge and transparency. This is the positive gloss

that might be put on the “Sino-Japanese FTA race”.⁴⁰ When looked at collectively the processes in train in East Asia may actually represent a more systematic package of regional governance activities than would at first sight appear to be the case. The APT process is being institutionalized through the evolution of an overlapping multidimensional process of regional conference diplomacy strengthening and creating links between the states of Northeast and Southeast Asia.⁴¹

The regional discourse

Of course, the future of the regional discourse is dependent on both the Japanese and the Chinese; especially the willingness of the PRC to continue its new-found regional cooperative economic role that has developed since 1997. If this continues in a positive way and trust can be built in the region between the major actors, then regionalism will grow as an important meso-level expression of the desire to optimize sovereign decision-making by states confronting the rigours of global competition. If Japanese and Chinese *instrumental interests* can be privileged over their *cognitive differences*, this could be a massively powerful force for regional cooperation in East Asia. The extent to which either major player is committed remains problematic, and for both, but especially Japan, it is in part a function of their relationship with the United States. Japan remains a reluctant regional institutionalist, and the United States does nothing to dissuade it from that position.

These alternative scenarios are not merely determined regionally. They need to be located in the wider discussion of globalization and regionalization in the early twenty-first century. There is a general principle that we can draw about power and regionalism from a comparative discussion of Europe and Asia. Again, it is better put as a question than offered as an assertion. “Is it likely that we are entering an era where large sections of the global community look less to the major multilateral institutions – so much the playthings of the major powers – as vehicles for collective-action problem-solving and more towards the development of regional activities and communities?” If so, then the growing salience of the regional dialogue is a positive trend in international relations in general and in East Asia in particular.

Regionalism is an effort to transcend a unipolar world in which the United States is reluctant, in contrast to times past, to engage as an “altruistic”, as opposed to a “selfish”, hegemon. To this extent, although this is not the intended outcome, contemporary US foreign policy can act as a catalyst to regional consolidation in Asia. Taken to extremes, it is not impossible to envisage a situation in which the world does become more multipolar, in the sense that the United States becomes somewhat

less salient as an actor in the activities of other regions. That we can even raise this proposition is testament to the magnitude of change that has taken place in thinking about the strength of the glue holding contemporary global order together in the early twenty-first century.

None of this should allow us to underestimate the continuing power and influence of the United States in East Asia. A growing Asian rhetorical resistance to US policy in the region should not cause us to neglect the residual and still strong structural influences from the United States – what Nye would call “soft power”⁴² – and especially a shared support for the broad neo-liberal economic agenda. Moreover, for most states of the region, notwithstanding the increasing role of China, the United States remains the major bilateral relationship, even though for many of them it is not an easy one; indeed, the second Bush administration has been the most self-regarding US administration any Asian post-colonial leaders have known.

Conclusion: Towards regulatory regionalism in East Asia in the twenty-first century

Both the practice and the theory of regionalism are undergoing a period of significant change. The key element has been a shift from a Cold War to a post-Cold War/globalization era. During the Cold War, regional theory was statist, European-influenced and stressed intergovernmental bargains. In the era of globalization it has become more complex, multi-dimensional and, despite the increased salience of security issues post-9/11, still primarily economically focused. In the first era, the “economic” and the “political” were largely treated as separate issue areas for investigation and action. In the second era, politics and economics are more clearly linked. In addition, as the relationship between state authority and market power becomes fuzzier, the state is joined by a series of other significant non-state actors in the practice of regionalism.

The early Balassa model, based on a reading of the evolution of the European Union, no longer stands scrutiny in the context of globalization. Guarding against the volatility and erratic mobility of capital is in many ways now a factor of as great, if not greater, regional concern than guaranteeing the openness of the trade regime. Balassa-style theory pays insufficient attention to the possibility of different routes to, or different agendas for, regional cooperation. It is also silent on the significance of socio-cultural factors, especially the role of identity and norms in region building. In this sense, the contemporary discussion in East Asia illustrates the differences between the two eras and two approaches to theo-

rizing, and offers us an alternative reading of regionalism in a wider global context.

East Asia is a region of economic experimentation. The glue of regionalism at the level of the Asia-Pacific – embodied in APEC – has come unstuck since the time of the Asian financial crisis. Events post-9/11 exacerbated this trend. Moreover, Asian policy communities have learned that globalization and regionalization are not mutually exclusive activities, but rather exist in a dialectical relationship. Regionalism is not an alternative to globalization. Following this logic allows us to explain the emergence of a multiplicity of policy responses to recent economic issues in the Asia-Pacific.

The regionalism we see in East Asia in the twenty-first century is not regional cooperation with a strong European intellectual pedigree. Rather it is a “regulatory regionalism” that links national and global understandings of regulation via the intermediary level. This regulatory urge is not simply restricted to trade. Indeed, it is in the area of monetary regionalism that it is advancing most rapidly. In discursive terms, “regional regulation” carries fewer negative connotations for sovereignty and regime autonomy than “regional institution building”.

In the absence of consolidating global structures of economic governance we must expect policy-makers to explore regional alternatives. Traditional state-centric, power-politics approaches to the management of the world order under conditions of economic globalization persist, but they are becoming less salient. More diffuse networked understandings of power, with loosely institutionalized regulatory actions providing a *modus operandi* for cooperation, are becoming increasingly attractive.

In this context, the role of institutional capacity – especially institutions as transaction cost reducers and vehicles for the enhancement of transparency and norm compliance (but not sovereignty pooling) – casts increasingly long policy shadows over current regional activities in East Asia. It is here that the current discourse on regionalism (and multilevel governance) offers the bones of an alternative model. The European experience, or that of the multilateral international organizations, is not simply an “off-the-shelf” export model. Some key elements, especially those of a sovereignty-pooling nature, will be resisted. But other elements will be adjusted and/or localized in a specifically East Asian fashion. The degree to which East Asia can develop institutional capacity in the absence of some sovereignty pooling is the key research and policy question for the future. Meso-level regulatory regionalism can enhance cooperation only so far. East Asian regionalism will not mirror the European institutionalism of the second half of the twentieth century, but neither will it be trivial.

Notes

1. On Chiang Mai see the chapter by Pempel in this volume.
2. Following Bob Keohane's classical definition, institutions are "persistent and connected sets of rules (formal and informal) that prescribe behavioural roles, constrain activity and shape expectations". See Keohane, Robert (1989) *International Institutions and State Power: Essays in International Relations Theory*, Boulder, CO: Westview Press, p. 3. For a more recent comprehensive definition and analysis, see the preceding chapter in this volume by Yamamoto.
3. See Keohane, *ibid.*; Keohane, Robert (2002) *Power and Governance in a Partially Globalized World*, London: Routledge; Simmons, Beth and Lisa Martin (2002) "International Organisations and Institutions", in Walter Carlsnaes, Thomas Risse and Beth Simmons, eds, *Handbook of International Relations*, London: Sage Publications, pp. 192–211.
4. See Ruggie, John G., ed. (1993) *Multilateralism Matters: The Theory and Praxis of an Institutional Form*, New York: Columbia University Press, p. 11.
5. See Hurrell, Andrew (1995) "Explaining the Resurgence of Regionalism in World Politics", *Review of International Studies* 21(4), pp. 331–358; Hurrell, Andrew (1995) "Regionalism in Theoretical Perspective", in Louise Fawcett and Andrew Hurrell, eds, *Regionalism in World Politics. Regional Organization and International Order*, Oxford: Oxford University Press, pp. 36–73.
6. See Acharya, Amitav (2004) "How Ideas Spread: Whose Norms Matter? Norm Localization and Institutional Change in Asian Regionalism", *International Organisation* 58(2), pp. 239–275; Timmermann, Martina (2006) "Regional Community-Building in Asia? Transnational Discourses, Identity- and Institution-Building in the Fields of Human and Women's Rights", in Claudia Derichs and Thomas Heberer, eds, *The Power of Ideas: Intellectual Input and Political Change in East and Southeast Asia*, NIAS Studies in Asian Topics No. 36, Copenhagen: Nordic Institute of Asian Studies Press, pp. 202–220.
7. See Breslin, Shaun (2005) "Studying Regions: Comparativism and Eurocentrism", in *Conference on China and Asian Regionalism*, Shanghai: Fudan University, pp. 1–39.
8. See Balassa, Bela (1962) *The Theory of Economic Integration*, Homewood, IL: Richard D. Irwin.
9. An excellent discussion can also be found in Christl, Josef and Christian Just (2004) "Regional Monetary Arrangements – Are Currency Unions the Way Forward?", Österreichische Nationalbank Eurosystem (OeNB), Workshop No. 3, 60 Years of Bretton Woods – The Governance of the International Financial System, 22–24 June, in *Workshops Proceedings*, pp. 90–111, available at www.oenb.at/de/img/regional_monetary_arrangements_tcm14-23776.pdf.
10. See Breslin, Shaun and Richard Higgott (2000) "Studying Regions: Learning from the Old, Constructing the New", *New Political Economy* 3(5), pp. 333–352.
11. There is a plethora of activity in East Asia in the current era. For reviews see Soesastro, Hadi (2005) "Realizing the East Asian Vision", CSIS Economics Working Paper Series, Jakarta, available at: www.csis.or.id/papers/wpe090; Dent, Christopher (2004) "The New Economic Bilateralism and Southeast Asia: Region Convergent or Region Divergent?", British International Studies Association, IPEG Papers in Global Political Economy No. 7, April; Desker, Barry (2004) "In Defence of FTAs: From Purity to Pragmatism in East Asia", *Pacific Review* 17(1), pp. 3–26; Ravenhill, John (2006) "The Political Economy of the New Asia-Pacific Bilateralism: Benign, Banal, or Simply Bad?", in Vinod K. Aggarwal and Shujiro Urata, eds, *Bilateral Trade Agreements in*

the Asia-Pacific: Origins, Evolution and Implications, London: Routledge, pp. 27–49. For a detailed analysis in this volume, see the chapter by Iida.

12. East Asian intra-regional trade at 26.5 per cent of regional GDP in 2002 was larger than that for any other developing region. See Evian Group (2005) “East Asian Regionalism: Integrative versus Disintegrative Forces”, paper presented at Evian Hong Kong Initiative meeting, Hong Kong, 17–18 May, pp. 1–12, available at www.eviangroup.org/.
13. See also Ravenhill, John (2004) “Globalization and Economic Governance in East Asia: Responding to the New Rules of the Game in Foreign Investment”, in Yoichiro Sato, ed., *Growth and Governance in Asia*, Honolulu: Asia-Pacific Center for Security Studies, pp. 25–38.
14. For a detailed analysis see Pempel in this volume; also Pempel, T. J., ed. (2005) *Remapping East Asia: The Construction of a Region*, Ithaca, NY: Cornell University Press.
15. The US position on APEC is available at http://usinfo.state.gov/eap/east_asia_pacific/apec.html.
16. See Kahler, Miles (2000) “Legalization as a Strategy: The Asia Pacific Case”, *International Organisation* 54(3), pp. 549–571.
17. For detailed analysis see the chapter by Iida in this volume; also Ravenhill, note 11 above.
18. This is a position advanced by Singapore and Thailand as part of their trade strategies. See Desker, Barry (2004) “In Defence of FTAs: From Purity to Pragmatism in East Asia”, *Pacific Review* 17(1), pp. 3–26.
19. For details see “Comprehensive Integrations Towards The ASEAN Community”, Statement of Mr Ong Keng Yong, Secretary-General of the Association of Southeast Asian Nations at the APEC Ministerial Meeting, Santiago, 18 November 2004, available at www.aseansec.org/16570.htm.
20. See Dieter, Heribert and Richard Higgott (2003) “Exploring Alternative Theories of Economic Regionalism: From Trade to Finance in Asian Co-operation”, *Review of International Political Economy* 10(3), pp. 430–454.
21. See Higgott, Richard (1998) “The Asian Financial Crisis: A Study in the Politics of Resentment”, *New Political Economy* 3(3), pp. 33–56.
22. For a discussion of the emergence of monetary cooperation since the crises, see Dieter and Higgott, note 20 above.
23. For an analysis of regional identity see Timmermann, note 6 above; see also Oshimura in this volume.
24. See Breslin, note 7 above.
25. Bausinger, Hermann (1978) “Identität”, in Hermann Bausinger, Utz Jeggle, Gottfried Korff and Martin Scharfe, eds, *Grundzüge der Volkskunde*, Darmstadt: Wissenschaftliche Buchgesellschaft, pp. 204–263.
26. Higgott, Richard (2004) “The ‘Securitisation’ of U.S. Foreign Economic Policy in East Asia”, *Critical Asian Studies* 36(3), pp. 425–444.
27. See Weller, Christoph (2000) “Collective Identities in World Society”, in M. Albert, L. Brock and K. D. Wolf, eds, *Civilizing World Politics: Society and Community beyond the State*, Lanham, MD: Rowman & Littlefield, pp. 45–68; Mead, George H. (1973) *Geist, Identität und Gesellschaft*, Frankfurt am Main: Suhrkamp.
28. See Moravcsik, Andrew (2004) “Is there a ‘Democratic Deficit’ in World Politics? A Framework for Analysis”, *Government and Opposition* 39(3), pp. 344–346; Moravcsik, Andrew (1998) *The Choice for Europe: Social Purpose and State Power: From Messina to Maastricht*, Ithaca, NY: Cornell University Press; Sweet, Alex Stone (2004) *The Judicial Construction of Europe*, Oxford: Oxford University Press.
29. See Jayasuriya, Kanishka, ed. (2004) *Asian Regional Governance: Crisis and Change*, London: Routledge.

30. See Latham, Andrew (1997) *The Liberal Moment: Modernity, Security, and the Making of Postwar International Order*, New York: Columbia University Press.
31. See Beeson, Mark, (2005) "Rethinking Regionalism: Europe and East Asia in Comparative Perspective", *European Journal of Public Policy* 12(6), pp. 969–985, at p. 970; Beeson, Mark and Richard Higgott (2005) "Hegemony, Institutionalism and US Foreign Policy: Theory and Practice in Comparative Historical Perspective", *Third World Quarterly* 26(7), pp. 1173–1188.
32. See Ravenhill, John (2005) "US Economic Relations with East Asia: From Hegemony to Complex Interdependence", in Mark Beeson, ed., *Bush and Asia: America's Evolving Relations with East Asia*, London: Routledge, pp. 42–63. For more recent data on foreign currency reserves see www.imf.org/external/np/sta/ir/8802.pdf.
33. See Munakata, Naoko (2003) "The Impact of the Rise of China and Regional Economic Integration in Asia: A Japanese Perspective", Statement to the U.S.-China Economic and Security Review Commission, Hearing on China's Growth as a Regional Economic Power: Impacts and Implication, 4 December, Washington, DC, p. 10.
34. Taniguchi, Makoto (2003) "Towards the Establishment of an East Asian Economic Zone: How Can Japan, China and Korea Cooperate to Attain This Aim?", Working Paper 171, Research Institute of Economy, Trade and Industry, Tokyo, pp. 1–11.
35. Friedberg, Aaron (1993/4) "Ripe for Rivalry: Prospects for Peace in Multi-Polar Asia", *International Security* 18(3), pp. 5–33.
36. Pempel, note 14 above.
37. See Shambaugh, David (2005) "China Engages Asia", *International Security* 29(3), pp. 64–99.
38. For a discussion of US-Japanese relations, see the chapter by Tsuchiyama in this volume; for a discussion on China's economic role see Weiss in this volume; on the security situation see Takagi in this volume.
39. Manupipatpong, W. (2002) "The ASEAN Surveillance Process and the East Asian Monetary Fund", *ASEAN Economic Bulletin* 19(1), pp. 114–115.
40. Munakata, note 33 above, p. 6.
41. Suzuki, Sanae (2004) "East Asian Cooperation through Conference Diplomacy: Institutional Aspects of the ASEAN Plus Three (APT) Framework", Working Paper, Institute for Developing Economies, APEC Study Center, JETRO, Tokyo.
42. Nye, Joseph (2002) *The Paradox of American Power: Why the World's Only Superpower Cannot Go it Alone*, New York: Oxford University Press.

3

Normative regionalism in East Asia

Baogang He

Normative regionalism has been largely overlooked and ignored; and normative questions concerning regionalization are deemed unimportant, idealist and irrelevant to Asia. This is mainly due to the domination of realism, pragmatism and functional approaches, thus inhibiting the substantial progress of regionalism in East Asia. It is time that scholars and policy-makers take normative orders of regionalism seriously.

This chapter examines the state of normative regionalism and its impact in East Asia through an overview of the historical evolution of the concept of regionalism, the meanings of and variations in Asian regionalism, and the impact of all these on regional cooperation in East Asia. It examines the old pan-Asianism, the advocacy of “re-Asianization” in Japan, Mahathir’s idea of neo-Asianism in Malaysia and the ideas of regionalism developed in Korea and China. This examination provides the basis for a discussion of the normative order of East Asian regionalism by addressing a set of questions concerning national sovereignty, nationalism, democracy and regional identities.

In particular, this chapter will examine how Asian nationalist and statist normative thinking influences various ideas of regionalism and constrains the development of genuine regionalism in East Asia.

Normative regionalism

Four approaches to regionalism have been summarized in the preceding chapter (see Higgott and Timmermann in this volume).

Institutionalizing Northeast Asia: Regional steps towards global governance, Timmermann and Tsuchiyama (eds), United Nations University Press, 2008, ISBN 978-92-808-1156-8

- *De facto* regionalism is concerned with informal, market-led economic integration and takes a rationalist-economic analytical orientation.
- *De jure* regionalism is about formal, rule-governed, state-led institutional cooperation, and takes a legal-political analytical orientation.
- Instrumental regionalism focuses on identifying the interest to be gained by the development of a common policy towards third parties in a given topic area.
- Cognitive regionalism builds on shared cultural, historical and emotional affiliations that distinguish “insiders” from “outsiders”.

While these four stances are comprehensive enough to cover almost all approaches to regionalism, there is still room to add another substantial approach: namely, normative regionalism that focuses on shared values and provides conflict-resolution mechanisms. Normative regionalism is extremely important, for four reasons.

First, any regionalization involves substantial changes in normative thinking and behaviour (particularly in adjusting national norms and establishing regional identities and values). If regionalization is possible in East Asia, the development of regional norms and values is an essential precondition.

Second, normative regionalism has constructive roles to play in guiding directions, providing visions and setting up the principles of organizing and creating a regional community.

Third, normative regionalism is required because of the insufficiency and inadequacy of instrumental or functional regionalism. Economic trade and cooperation have been an engine of Asian regionalism. Functional regionalism, however, is limited to a few selected areas and is based on the calculation of economic interests. It is unstable and has an inherent limitation in developing effective and good governance on a regional basis. Shared values are essential for solid normative regionalism.

A fourth reason for normative regionalism is the challenge of the EU normative model for East Asia. Do the European practice of regionalism and its normative assumptions provide a successful model for East Asia? Is the application of EU standards appropriate for East Asia?

The state of normative regionalism and its impact in East Asia will be analysed through an examination of Asian ideas of regionalism and their associated normative assumptions.

Japan's ideas of Asianism

As early as 1916, Odera Kenkichi (1878–1949) elaborated the idea of Greater Asianism as a tool of racial unity to confront the White Peril.¹ Pan-Asianism held the view that East Asians are of the same yellow

race, in opposition to the white race, and that Japanese, Chinese and Koreans should unify to establish a new order and an East Asian Co-Prosperity Sphere. Rin Kaito, a publicist, called for a spirit of Japanese pan-Asianism: "For over a century-and-a-half, the Asiatics have been pressed down by the Whites and subjected to Western tyranny. But Japan, after defeating Russia, has aroused the sleeping Asiatics to shake off the Western tyranny and torture."²

The idea became increasingly popular. Major-General Kenji Doihara, who had the reputation of being one of Japan's most astute military diplomats and experts on the Asian mainland, was an avowed advocate of pan-Asianism. The doctrine of "Asia for the Asiatics", according to Doihara in an issue of *Dai Asia Shugi* (a magazine devoted to expounding pan-Asian ideas), "is based on the supreme principle that Asia must be safe-guarded and maintained by Asiatics".³ In other words, the Occidentals should go – from China, first of all, and then from the Dutch East Indies, the Philippines, India and other parts of Asia. Under the conditions at that time, however, "Asia for the Asiatics" was in practice synonymous with "Japan over Asia", or Japanese supremacy in Asia through the withdrawal of the influence of the West.⁴

General Iwane Matsui also described "an Asiatic League of Nations" as one of the ideals of his organization. He declared that pan-Asianism had won followers in China, India, French Indo-China, the Philippines and Afghanistan.⁵ On 3 November 1938 Japanese Prime Minister Konoye Fumimaro proclaimed a New Order in East Asia, and on 1 August 1940 Japanese Foreign Minister Matsuoka Yosuke made public the concept of a Greater East Asia Co-Prosperity Sphere.

If pan-Asianism took the form of religious spirit and non-violence in India, it assumed a military and violent form in Japan. This difference was reflected in the different understandings of "spirit", which the Japanese usually thought of as *bushido*, or the martial ethos of the samurai warrior class that had dominated Japanese society until its class privileges were abolished in the late nineteenth century. The businessman Kuni-hiko Okura, for example, defines the "national spirit" as complete loyalty to the state and all its activities: "The Japanese Spirit consists in realizing the glory of being a subject of the Emperor."⁶

Military pan-Asianism contributed to Japan's drive for expansion. Japanese pan-Asianism justified the war against Korea and China by suggesting that the objective was to safeguard the "Japanese spirit that we have cultivated for thousands of years" against the threat of communism. For Okura, it was the war of "Asia" with "each person of the country doing his own bit for the realization of idealism" and, as a result of the war, the Japanese had grown "spiritually strong and true".⁷

Re-evaluation of the Greater East Asia Co-Prosperity Sphere began in the early 1950s, and continued through the 1960s and into the 1990s.

Kobori Keiichi, a professor at Tokyo University, believed that there would come a time to return to the idea of pan-Asianism. Former Japanese Prime Minister Takeshita expressed his affirmative view of the Greater East Asia War. Although the idea of pan-Asianism is not likely to have much impact on Japanese policy, the idea lies beneath the surface of popular consciousness like an unexploded bomb.⁸ An increasing number of Japanese scholars have identified a “re-Asianization” of both Japan and the region. Increasingly it is argued that a shared set of values, which include respect for personal relationships, cooperation, balance, harmony and non-contentious consensus building, signify an emerging sense of pan-Asianess.

The economic dynamism of the Pacific-Asian region and the end of the Cold War facilitated a search for a new conception of regionalism. The “new Asianism” was promoted mostly by economic rather than geopolitical élites. Kobayashi Yotaro, the president of Fuji Xerox, encouraged his country to undergo “re-Asianization”.⁹ Japan’s Economic Planning Agency identified Japan, the NIEs and ASEAN as potential forces to form one organic unit, and called for the formation of a regional organization.¹⁰ Under the Hashimoto cabinet, the ASEAN-Japan Multinational Cultural Mission was established to create a contemporary Asian culture.¹¹ Toshio Watanabe, an economist at the Tokyo Institute of Technology, points out that “Japan’s new nationalism is real, and it is intimately linked with Asianism”.¹²

This new Asianism has cultural normative implications and represents Asian culture as a counterpoint to Western culture. Shintaro Ishihara, a Japanese parliament member between 1968 and 1995 and author of *The Japan That Can Say No*, asserts:

The end of East–West ideological conflict has finally enabled Japan to start to disengage from the West. Given the historical forces at work, our sojourn was unavoidable, but now we must free ourselves from delusions fostered by the Cold War. We can begin with self-awareness. Under the Japan-US mutual security treaty, the Self-Defense Forces are a battalion on call to the Pentagon. Japanese are Asians related to this region by blood and culture, and Japan is an Asian country.¹³

In December 1990 the Malaysian Prime Minister Mohamad Mahathir, in his first proposal for an East Asian Economic Group (EAEG), which subsequently became the East Asian Economic Caucus (EAEC), gave Japan the prominent role of being the “voice of Asia” in the G7 meetings.¹⁴ Such a role would enhance Japan’s international position and contribute to its independence from the United States.

Japan has been ambivalent about the EAEC. It was constrained by US policy and did not have full autonomy on regional issues. Since the

United States rejected the EAEC and supported APEC, Japanese Prime Ministers Miyazawa, Hosokawa, Hata and Murayama have placed the highest priority on multilateral forums that included the United States and promoted "open regionalism". In February 2002 Japanese Prime Minister Junichiro Koizumi proposed an open regional partnership with Southeast Asia, China, South Korea, Australia and New Zealand, thereby making ASEAN+5 practically no different from APEC.

Malaysian ideas of regionalism

Malaysia initiated the Association of Southeast Asia in 1959, and Maphilindo (Malaya, Philippines, Indonesia) in 1963. Although both organizations disintegrated, they were illustrative of Malaysia's attempts at regional coalition building. At present, Malaysia participates in two major regional organizations: the Association of Southeast Asian Nations (ASEAN) and the ASEAN Regional Forum (ARF).

The ARF provides an important security forum for Malaysia. It illustrates the fact that "the states of East Asia are viewing their security increasingly in regional, rather than global, terms, as the region becomes ever more distinct as a differentiated security complex".¹⁵

Mahathir's proposal of the EAEC in 1990 was the boldest and most assertive attempt to build an exclusive Asian regional bloc. It provided an "Asian-only" alternative to APEC: Malaysia criticizes APEC as being too large to be effective and dominated by Australia and the United States.

The EAEC was also designed to act as a counterweight to the powerful, competing organizations of NAFTA and the European Union. Mahathir said, "We think the EAEC will prevent domination of world trade by any one bloc, enhance East Asian prosperity, and contribute to regional stability and peace."¹⁶ He stressed Asia's own regionalism, independence and dignity. His proposal was a significant indication that some Asian countries increasingly wish to be seen as a single, coherent region.¹⁷

His version of Asianism implicitly or explicitly adopts the doctrine of defending traditional culture and resisting the penetration of Western culture, and had a strong anti-US element. It even implied that Australia, if it wanted to be a part of Asia, must not follow the policies of the United States.¹⁸

Mahathir's proposal deliberately excluded the United States, which supports APEC. In turn, the United States has marginalized the EAEC project and prevented an East Asian economic "bloc" from emerging. The proposal thus not only overlooked the overlapping patterns of

economic development in the late twentieth century, but also the reluctance of East Asian states to exclude important trading partners such as the United States from regional organizations. Moreover, East Asian security relies heavily on the United States; China and Japan have felt more comfortable with Western countries than with each other; and Southeast Asian countries are worried about Japan-led regionalism.

On the whole, the EAEC has not developed into an institution, and has not gained the approval of as many countries as Mahathir wished. Nevertheless, its putative membership has emerged as “ASEAN Plus Three” (China, Japan and the ROK) and it has reinforced regional countries’ affinity with, and commitment to, the concept of East Asia – albeit without creating a political and ideological identity.¹⁹

Korean ideas of regionalism

In line with Mahathir’s position, Koo Jong-suh proposes a Korean version of pan-Asianism for the primacy of East Asia. He argues that the current unipolar system, with the United States at its apex, will be replaced by a multipolar system wherein East Asia, Western Europe and North America will share international hegemony. He even imagines that a global order could be dominated by East Asia at the end of the twenty-first century. For such a grand agenda, Koo suggests that a pan-Asianist movement should take a fresh approach, with Korea’s mission being to build a Northeast Asian community of cooperation.²⁰

Ahn Byung-joon from Yonsei University does not favour Malaysia’s re-Asianization approach. He argues that “re-Asianization” actually means “de-Westernizing” Asia, or “de-Americanization”, and that South Korea has supported the Pacific view of open regionalism as a counter-balance to the more conservative assertions of Asianism. Ahn suggests that the United States, Japan, China and other actors should share leadership in facilitating regional cooperation, with Japan taking a leadership role in economic regionalism and the United States taking a lead in security regionalism.²¹

Rhee Sang-woo from Sogang University discourages the competition between China and Japan for hegemony in East Asia, and welcomes the formation of a new Asian community based on cooperation. In his conception of a new order for an East Asian Community, he suggests that China and Japan should build an economic community through integrating their economies, developing a joint security system, promoting cultural exchange and developing a new East Asian culture.²²

In pursuing EU-style economic integration, Chang-Jae Lee, director of the Center for Regional Economic Studies at the Korea Institute for

International Economic Policy (KIEP), suggests that the Korean government should propose the formation of a Council for Northeast Asian Economic Cooperation to discuss economic cooperation and major economic issues among China, Japan and South Korea.²³ In Singapore, on 27 November 2000, President Kim Dae-jung proposed that the current ASEAN+3 be transformed into an East Asian Summit that would eventually develop into an economic community, leading to Northeast Asian economic regionalism.²⁴

Churl-Jin Suk proposes that China, Japan and South Korea should imitate the European integration model to overcome their unpleasant history by establishing a prospective East Asian Community. He suggests that these three countries should establish regional goals based on common ideas and develop a sense of community in East Asia through cultural exchange among the younger generation and knowledge-based information exchange. Additionally, he says that East Asia should develop regional security cooperation, like NATO, to implement common foreign and security policy.²⁵

Chinese ideas of regionalism

Mahathir tabled his EAEG proposal during a meeting with the then Chinese Premier, Li Peng, in 1991. In the face of Chinese opposition, the idea of including Chinese Taipei was dropped.²⁶ Although Chinese leaders such as Li Peng and President Jiang Zemin supported the EAEG,²⁷ China, which has to balance its relationship with the United States, did not endorse Mahathir's exclusive regionalism against the United States.

China has been reluctant to accept Asian multilateralism. It was not a founding member of APEC, and it initially opposed the concept of a "Pacific Community". China was also reluctant to engage in multilateral security dialogue such as through the ARF. For China, however, the political costs of non-participation in the ARF are large: "China will find it far more difficult to spurn US initiatives to define a set of 'rules of acceptable behaviour' if these rules are institutionalized through the ASEAN Regional Forum."²⁸ Although its position on the ARF has warmed up, China still wants the forum to remain a consultative body rather than for it to develop as a mechanism for conflict resolution.

Regionalism, however, is a recent phenomenon in China. It does not have a larger view of regional development and cooperation. Chinese intellectuals seldom talk about great visions of regionalism or, if they do, they tend to criticize pan-Asianism or neo-Asianism.²⁹ Instead, they more often speak of "Greater China".³⁰

Unlike the middle powers of Malaysia and South Korea, China's status as a big country and big power in Asia reduces its incentive to establish regionalism for its survival and influence. The domination of Chinese nationalist discourse gives little room for genuine regionalism; rather, regionalism is used as a tool to build the Chinese nation-state. Chinese nationalist grievances about historical humiliations make it difficult to accept multilateral cooperation with Japan.³¹ The self-perceived centrality of China in its long history creates a psychological barrier for the Beijing leadership to get out of a China-centric framework to embrace regionalism and grasp and meet any peripheral challenges.³² China's tribute system consisted of a series of bilateral relations, thus it lacks experience of multilateral diplomacy. Confucian diplomacy tended to take international relations as interpersonal rather than inter-state.³³ All these factors have hindered China's role in developing regionalism.

Nevertheless, Chinese cultural attitudes and values are changing. Professor Zhang Xizhen of Beijing University has argued that China should support Japan in playing a leading role, and that Japan and China should be the core nations in building East Asian regionalism. They can check and balance each other, and prevent the formation of hegemony in the region. Equally Professor Liang Yunxiang, also of Beijing University, suggests that China and Japan could find common interest with the construction of Japan- and China-led East Asian regionalism.³⁴

Normative order of Asian regionalism

Diversities and differences still overshadow the development of an East Asian regional identity. East Asians may agree on peace, coexistence, prosperity and progress, but they disagree, for instance, on human rights and democracy. The above discussions of Asian ideas reflect a normative order of East Asian regionalism with several features: democracy is not a normative value for regional organizations; national sovereignty should not be sacrificed for a regional order; and Asian regionalism is a process of an élite-led, market-driven and ideologically biased movement against the West.

These Asian normative ideas have informed and affected regionalization in East Asia, as illustrated by the developments in Asian inter-governmental forums like the ASEAN Free Trade Area and the ARF, and informal networks between non-governmental organizations. Such forums have increasingly assumed and promoted shared economic, political, social and cultural agendas. But are there any prospects for a normative development towards the acceptance of pooling sovereignty, as seen in the case of Europe?

Pooling of sovereignty and unanimity

In the maturation process of the European Union, nation-states have pooled their sovereignty in certain areas to form a great union. Such sacrifice of national sovereignty is a new normative order for the greater unification of the EU member countries.

The development of East Asian regionalism reveals a completely different order. Rather than pooling sovereignty, national sovereignty has been strengthened in the process. From the beginning, East Asian regionalism has been based on respect for and consolidation of national sovereignty. The mutual recognition of national sovereignty and the statist emphasis on the principle of non-intervention have been prerequisites for joining ASEAN, as evidenced by the Treaty of Amity and Cooperation (1976).

In the early stage of development of East Asian regionalism, the consolidation of national sovereignty was an attractive incentive to encourage national leaders to support and push regionalism. Any early attempt to sacrifice national sovereignty would have caused panic among these leaders and invited resistance to regional integration. The pooling of sovereignty would therefore be an option only at a much later stage.

Whereas the European Community inspired the leaders of Southeast Asia to emulate European integration in the 1950s through to the 1970s, in the 1980s Southeast Asian leaders realized that the concept of European integration meant a partial transfer of sovereignty and a strong institutional framework. They stressed that ASEAN never intended to follow the example of European integration.³⁵

Their colonial past has made East Asian states sensitive to relinquishing any degree of national sovereignty, and, given their current weak position in world politics, sovereignty is seen as necessary to prevent foreign powers from intervening in their domestic affairs. In this historical and political context, most leaders in East Asia are reluctant to initiate or accept regional cooperation.

Asian consensus (or unanimous decision-making) has been another main principle in Asian regional cooperation. Unanimity guarantees that a nation-state could block regional decisions in safeguarding its sovereignty and defending its political fate, but such a process of decision-making is slow and consensus almost impossible to achieve.

This strong commitment to national sovereignty and the rule of unanimity has prevented ASEAN, for example, from developing an effective regional response to regional environmental problems,³⁶ the Asian economic crisis and the East Timor crisis. Realizing that the rule of unanimity no longer works, the notion of “flexible consensus” and the idea of “concerted unilateralism” were proposed.³⁷

Nationalism: Driving force for East Asian regionalism

The development of Asian regionalism did not begin with reducing national sovereignty, but with supporting it.

East Asian regionalism, moreover, needs to be understood in the context of nationalism. In fact, the key to understanding Asian regionalism lies in nation-states. The core element of Asian regionalism is the centrality of the nation-state. While regionalism is an application instrumental to nation building, nationalism is always of the essence. Asian nation-states are the driving forces for regional development, as in the case of the competition between Japan and China which led to the rapid development of a regional free trade proposal, agreement and implementation from March 2001. East Asian countries support regionalism for national interests and issues of state power. Asian regionalism never significantly challenges the nation-state system. Respecting and strengthening national identity will be the key to the success of any project of regionalism.

Gilbert Rozman, who examines flawed strategies of regionalism in Northeast Asia, strongly argues that nationalism stands in the way of East Asian regionalism.³⁸ Indeed, nationalism seems to be fundamentally antithetical to the creation of a regional polity and has little sympathy for regional identities. It can therefore be regarded as a significant obstacle to the promotion of genuine regionalism.

An East Asian, however, might hold a different view, and might make a distinction between several types of nationalism. While an inward-looking, narrow and irrational nationalism is dangerous and constitutes an obstacle to regionalism, an outward-looking, rational and legitimate nationalism is concerned with national status and interest. Such a consideration, taken seriously by nationalists, is the norm in the practice of East Asian regionalism and constitutes a positive force for regionalism. This kind of nationalism is perfectly compatible with East Asian regionalism because such regionalism clearly demonstrates a different normative logic of development.

Consequently, East Asian regionalism is a process of intergovernmental collaboration on a geographically limited basis. It involves no more than regional material exchange, free trade agreements and a security dialogue among countries, with no intellectual or political commitment to a greater union.

Mahathir, for instance, proposed the EAEC idea in order to promote Malay nationalism. He played an assertive role in voicing Malaysian views in the international arena and successfully raised the country's international profile.³⁹

Malaysia as a "middle power" has to build up partnerships with its neighbours of similar size in order to increase its influence. The growing

regional consciousness and continued enmity between the region's great powers suggest the construction of a multilateral regional political association centred on the small and medium powers, and drawing the great powers into a framework of voluntary restraint. The aim is to increase the voice of small and middle states in international affairs. Regionalism gives the smaller countries or middle-power states a say in the nature of the regional arrangement and its strategic organization.

Another example is China's attempt to constrain Chinese Taipei through regional organizations. Beijing's proposed FTA between China and ASEAN excluded Chinese Taipei (by contrast, Chinese Taipei is a member of APEC). Economically, Chinese Taipei is an indispensable member of an East Asia Free Trade Agreement.⁴⁰

The question of Chinese Taipei, however, poses a significant challenge to East Asian regionalism. Chinese Taipei demands regional membership in its own right, but Beijing sees it only as being a part of China. If nationalism seems to be compatible with regionalism in Southeast Asia, it certainly contradicts regionalism in Northeast Asia, as evidenced by the Chinese Taipei membership question.

Democracy and regionalism

The European Union has required democracy as a necessary precondition for its members. Thus, EU expansion has been a process of spreading democracy in Europe. The entry of Turkey into the European Union has been delayed largely due to its regime system (and, to some degree, its Islamic culture). Western commentators have consequently suggested that the expansion of ASEAN should take a democracy requirement seriously. ASEAN, however, against heavy criticism, admitted a military-dominated Myanmar as its newest member in 1997 and fostered regional relations with the authoritarian state of China.

Asian pragmatism thereby won out over normative requirements in order to push East Asian regionalism. Mainland China, North Korea, Viet Nam and Myanmar have not been democratized, Singapore, Malaysia and Cambodia have only an electoral form of democracy. This uneven political development has ruled out a democracy requirement for East Asian regionalism. One also needs to bear in mind that East Asian democratization only started in the Philippines, South Korea and Chinese Taipei in the 1980s, and in Indonesia in the 1990s, while most EU states have been democratized for decades.

In addition, historical legacies can play a more important role in the development of regional cooperation than the nature of the political regime. Japan and South Korea are both democracies, but their conflict

over the history textbook issue has substantially inhibited the development of regionalism in Northeast Asia (see Berger in this volume).

Nevertheless, East Asian regionalism has incorporated the idea of democracy in recent years. The year 2005 was a watershed in the history of East Asian regionalism. The Kuala Lumpur Declaration on the Establishment of the ASEAN Charter embodied the first written requirement for the promotion of democracy and human rights, and obligations for transparency, good governance and strengthening democratic institutions. It was signed at the Thirteenth ASEAN Summit in Singapore in November 2007.

The ASEAN way is strikingly state-centric, but the statist norm has increasingly been challenged by networks of non-governmental organizations that have advocated the principle of “people-hood”, or a people-centric approach to regionalism. In order to build a people-centric order, civil society groups demand more funding from, and representation in, various regional governmental bodies. For example, it was argued that non-governmental organizations should be accredited or granted observer status at the East Asian Community Summit. Regional cooperation among civil society groups within Asia complements regionalism at the non-governmental level, and there is a need to develop closer cooperation between NGOs and governments.⁴¹

In response to mainland China’s blockage politics, several democracy-centric organizations (reaching beyond East Asia) have been established under the sponsorship of Taiwan, which has been excluded from some regional organizations.

The Democratic Pacific Union was established in 2004 and aims to safeguard human rights, democracy and the rule of law; ensure the peaceful resolution of regional disputes and the protection of human security; and promote maritime culture and sustainable development in the Pacific region.⁴² The World Forum on Democratization in Asia was founded in 2005, with the objective of pledging solidarity and support for Asian democracy activists struggling against autocratic forces in the region.⁴³ In addition, the Initiative and Referendum Institute Asia (2006) and the Global Forum on New Democracies (2007) were supported by the Taiwan Foundation for Democracy to advance constitutional reform and promote new democracies.

Asian culture is problematic for Asian regionalism

Shared cultural heritages have facilitated the formation of the European Union. But is a common regional cultural identity indispensable for a regional group?

Mahathir's proposal assumed a common regional identity and culture to justify the formation of the EAEC. The emphasis on cultural homogeneity limits membership, resulting in a greater role for regional actors. By restricting membership in this way, power can be concentrated within the region while avoiding Western influence and dominance. Mahathir tried to argue that regional cultural identity is the basis for Asian regionalism.

Yet Mahathir's cultural identity argument cannot hold. Anti-West sentiment is the pitfall of Asian regionalism. The idea of opposition between West and East is unworkable because of the penetration of Western influence,⁴⁴ the domination of the United States and the overlapping of communities. Asia has undergone a process of Westernization and/or modernization; Marxism and liberalism are mixed with Islam, Confucianism, Daoism and other traditional beliefs. Around 30 per cent of the South Korean population, for example, are Christian. Singapore is best described as an immigrant and commercial society, or a legalist-controlled and Chinese-dominated community where Western capitalism, the rule of law and diverse cultures coexist. Asian culture as a mechanism for regional identity does not constitute a strong basis for regionalism. As Anwar points out, "Asia has not a settled identity at present. It is in the process of coming into being."⁴⁵

Take, for example, the proposal that China and Japan be treated as part of the same civilization, with common features such as a Confucian value system and the same written characters, and that this commonality could provide a foundation for regionalism. This is not a viable proposal, however. Some Japanese nationalists emphasize the uniqueness of Japan, while Chinese nationalists take little interest in any such regional identity. In addition, mainstream opinion in China harbours strong resentment against Japan.⁴⁶ In fact, it was the competition between Japan and China that ASEAN countries were able to draw on as an incentive to speed up regional cooperation. The fact that Japan and China competed with each other to push for a free trade agreement with ASEAN is evidence of this.

Although the diversity in Asian cultures is problematic for providing common ground for a single regional identity, the cultures do play important roles in building East Asian regionalism. First, they tend to prevent Australia from participating in East Asian regionalism, simply because Australia is not regarded as being a part of Asian culture. Second, diverse Asian traditions play a part in the construction of regional orders. Japan has taken a leading role in developing a great vision of Asian regionalism, and this has been associated with its tradition of pan-Asianism. China's conception of regional order is a remnant of a post-tribute system in which China attempts to pacify neighbouring countries through a trade surplus with China. And the historic rivalry between

Japan and China has continued to play various roles with regard to the development of regionalism. East Asian regional order has been, and will continue to be, rooted in its history and culture.

Certainly, Asian conceptions of regionalism are constrained by geopolitics, and by historic and economic factors. What underlies Asian perceptions of regionalism is the awareness of a dominant US power in Asia. The unipolar system, under which US power is felt in East Asia and maintains the fragmentation and division of East Asia, has made it difficult (if not impossible) for a common Asian identity to emerge.

Washington has defined the basic norm of East Asian regionalism: that such regionalism should be open, inclusive and transparent. This is designed to preserve American domination in the region, and explains why the United States supported APEC but rejected the EAEC.

Washington promotes Asia-Pacific regionalism that centres on the Pacific Ocean. It is an open regionalism associated with the values of human rights, democracy, individualism and free trade. The governments of the United States, Australia, Japan and South Korea support this concept. The competing normative regional order is based on pan-Asianism and is centred on the Asian continent. It is a closed regionalism, restricted to Asians themselves and associated with Asian values and cultures. Malaysia, some sections of the Japanese business élite and some Korean scholars support this kind of regionalism. These two competing orders are divergent and in conflict, and they create different expectations and visions of how the East Asian region should evolve.

In this context, there are enormous challenges to normative rethinking of Washington's leadership. The arrogance of the position that East Asian regionalism achieves nothing if it lacks American endorsement and support is unproductive, and the argument that Asian regionalism should not alter or undermine the bilateral agreement between the United States and South Korea (or Japan) is problematic and unhelpful. The traditional divide-and-rule strategy does not help to promote a cohesive regionalism in Asia. It is time for Washington to accept that certain forms of strong and stable Asian regionalism are in the greater interest of the United States. The policy-makers in Washington will regret in the future if the United States inhibits or destroys East Asian regionalism.

At the same time, the recent development of East Asian regionalism demonstrates the increasing influence of China's regional power and the slow erosion of US power, as evidenced by the exclusion of the United States from ASEAN+3, the Asia-Europe Summit, the SCO and the GMS summit, and by the decline in the importance of APEC. The gradually declining American influence on various regional organizations and summits, the increasing critique of the application of the EU model in East Asia and the increasing self-confidence of East Asian countries –

plus the rise of China's power – will dictate the future of East Asian regionalism.

Conclusion

East Asian regional development has been measured against the benchmark of the European Union, which for a long while has offered inspiration, hope and standards. But an examination of different normative orders of regionalism in East Asia and the European Union reveals that simply borrowing the ideal order of the European Union is superficial. European regionalism and East Asian regionalism have several different normative elements and tensions. The normative foundations of the European Union are democracy, human rights, individual liberty, the reduction of national sovereignty and the rise of regional organizations that are able to override national governments. The normative foundation of Asian regionalism is a nationalist doctrine with a clear and unvanishing focus on sovereignty, statist power and Asian culture or values.

The Asian pragmatic and functional approach is problematic, and especially inadequate to deal with international normative challenges. One thing is certain, however: the Asian normative order of regionalism will strengthen national sovereignty through the strategic use of nationalist ethos and forces. At the same time, East Asian states will need to be flexible enough to surrender a portion of their sovereignty to regional organizations in order to make regionalism effective. So far, the East Asian preoccupation with (and overcommitment to) national sovereignty and the approach of unanimous voting make it impossible to develop a powerful regional organization to tackle intra-regional common issues. It is time for East Asians to go beyond existing intellectual constraints and search for an appropriate order that is suitable for the region.

The question of how to strike a healthy balance between the understandable desire for national sovereignty and the needed willingness to give up some sovereign powers in order to respond better to global and regional challenges will be a thorny one for East Asia.

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Part 2

Institutionalizing Northeast Asia – Premises and prospects

4

Northeast Asian regionalism at a crossroads: Is an East Asian Community in sight?

Gilbert Rozman

When the first East Asian Summit (EAS) met in Kuala Lumpur in December 2005 in the wake of the ninth meeting of ASEAN+3, many asked: are the Northeast Asia (NEA) three really serious about forging an “East Asian Community” with each other, let alone with the 10 states of Southeast Asia (SEA) and the new EAS trio of India, Australia and New Zealand? Events soon suggested that they were not. On security matters, the Six-Party Talks limped along in 2006 without any meetings until December, as North Korea registered its frustration with a barrage of missile launchings and finally a nuclear test in October, while Japan’s tough tone contrasted with South Korea and China’s renewed determination to achieve a compromise. On the matter of regional leadership and inclusiveness, the widening rift between China and Japan, and South Korea’s declining patience in dealing with Japan, left growing doubt that differences could soon be resolved.¹ Economic affairs were also troubled, as exemplified by the dour mood over prospects for completion of a free trade agreement (FTA) between Japan and South Korea, planned for 2005. While the situation improved in 2007–08, severe cultural barriers remain.² Forming a community is unlikely soon; only by learning the lessons of past failures might a roadmap be found to do so after a considerable transition period.³

Boosters of regionalism have long claimed that much progress is being made, citing the goal-setting activities of think-tanks and governments alike. Yet strategic discord, intensified historical differences, national emotions aroused against each other and lack of cultural consensus continue

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to demand a sober outlook. With no breakthrough in sight, the most urgent priority is to create a framework which enhances confidence in the process for moving forward towards regionalism that befits the name “East Asian Community”.

The goal under consideration here is the establishment of an institutionalized community that signifies regionalism in East Asia, taking China, Japan and South Korea as the core. By regionalism is meant a group of countries that share five attributes: strong and rapidly increasing economic ties; substantial and growing political ties; advancing social integration; shared consciousness of regional identity; and a broad security agenda. A community of nations exists when there is agreement on a mixture of universal values, shared historical understandings and cultural priorities that promise to draw people closer together and avoid exacerbating their most sensitive concerns. In contrast to functional cooperation, institutionalization of regionalism is marked by formal establishment of organizations and rules that separate the new entity from the outside world.

Apart from accelerating economic ties centred on China, there was scant good news for the fundamentals of regionalism in 2005–2006, even as agreements to pursue it went forward. Indeed, three of the six countries active in NEA had turned decidedly more negative. Under George W. Bush the United States became suspicious of regionalism as a vehicle for China’s rise, advising Japan to limit its role and, at a minimum, to press for a diffuse, inclusive organization.⁴ Under Junichiro Koizumi, Japan in turn narrowed its support, rejecting any institutional approach that aimed for a comprehensive framework in the near future and hinting at only modest functional steps.⁵ On the sidelines of this process, North Korea under Kim Jong-il chose to flex its nuclear weapons despite the availability of an integrated regional approach to economic reform if it were to dismantle them. In various respects, these three leaders left no doubt that other priorities stood in the way of regionalism, no matter how eagerly some may pursue it. Regardless of how much true supporters of regionalism object to the extreme positions of each, all three recalcitrant regimes have good reason to seek more reassurances before they cast their lot with regionalism. They have yet to hear a strong case for trust in regionalism in the context of other issues that matter: renewal of security, revision of history and reunification of territory. This was the case even after the situation brightened somewhat when Bush opted for multilateralism in the February 2007 Joint Agreement at the Six-Party Talks, Hu Jintao wooed Koizumi’s successors—Abe Shinzo and Fukuda Yasuo—, and Lee Myung-bak was elected president of South Korea as Kim Jong-il faced a reasonable offer but also concerted pressure should he insist on keeping his nuclear programs and weapons.

The United States and Japan had alternatives to suggest. In November 2006 Bush made the case for APEC as the unit for economic regionalism based on a wide-ranging FTA, while his administration gravitated towards a kind of NATO East centred on Japan, as it drew Australia closer and reached hopefully to India as well as at least one or two states in SEA. One former US official even warned South Korea that if it did not join this budding regionalism, rooted in universal values, it would risk isolation.⁶ Japan, in turn, proposed establishing an “arc of freedom and prosperity”, ranging across the southern periphery of Asia and through the Caucasuses to the Baltic states. The overlapping US and Japanese ideas called for open regionalism centred on US security leadership and assertiveness about values, rather than on the type of regionalism that had led to the formation of the EAS. The latter combined idealism with economic pragmatism, while the former touted alliance security and universalism.

The champions of idealistic regionalism have not done enough to help their cause. South Korea is the natural centre of Northeast Asia and is best positioned to draw others together.⁷ President Kim Dae-jung became the leading advocate of ASEAN+3 and also the EAS, and President Roh Moo-hyun took office making a strong appeal for regionalism in NEA. Yet Roh concentrated on reasserting his country's leadership role in the nuclear crisis, while losing a moderating role vital to the countries that have grown nervous about regionalism.

Russia has failed to encourage foreign investment that could integrate the Russian Far East into NEA, even as it has drawn closer to China and, in some contexts, seconded its approach to regionalism.⁸ Relying increasingly on China's leadership, as in the Shanghai Cooperation Organization (SCO), and no longer showing keen interest in Japan or the United States as essential regional partners, Vladimir Putin appears to lack a strategy for either securing the Russian Far East or forging a region whose balance offers a guarantee for the future. High energy prices reduce the urgency of creating a favourable regional climate. Yet in 2007 Putin grew increasingly assertive about extending Russia's influence, as a new programme for the development of the Russian Far East offered some possibility, if suitably funded, that Vladivostok would become a “window on the East”.⁹ This thinking may have reflected a growing interest in the East as Russia seemed to be stymied in the West,¹⁰ but it lacked the trust in globalization essential for today's regionalism.

Finally, China has given priority to the recovery of Taiwan and security of access to energy and natural resources without sufficiently following through on the promising 2003 slogan of “peaceful rising”.¹¹ Instead of exploring political reform at home, it has backed political oppression in places such as Uzbekistan and Myanmar. Such actions set back any

chance for even partial agreement on common values along the path towards regionalism. Hu Jintao looked to the Asian continent to bolster China's competitive standing, which appears to lay the foundation for regionalism but actually alienates vital forces for realizing that objective.

Events in NEA will determine if regionalism can succeed. North Korea could continue to be a pariah state with regionalism proceeding around it, or could become part of a regional plan for integration of the Korean peninsula that takes its transformation as a signal of rising regionalism. The United States may stay adamantly against any regionalism that could limit its control, maintaining Japan's backing as it continues to resist acknowledging its weakened position in Asia. Most critically, the successor to Fukuda will have to decide whether to follow his lead by redoubling efforts in Asia, including support for more progress in regionalism. Russia could be just an outlier, using energy power to resist integration occurring near its eastern border, but it may eventually seek to convert its energy assets into a springboard for regional cooperation consistent with globalization. Lee Myung-bak may set a new course, re-establishing balance in relations with Japan and trust with the United States without diminishing South Korea's voice in regionalism. Finally, Hu Jintao's consolidation of power in the fall of 2007 after improving ties to the United States through the North Korean nuclear crisis may signal realization that despite the short-term gains already achieved, making regionalism a reality demands a more long-term and global approach. With regionalism still facing resistance from hesitant states and struggling to overcome the myopic approach of others, a comprehensive case is needed for all to grasp in one interconnected process.

Success for the EAS requires that NEA does not remain merely an appendage of ASEAN, but that regionalism gains ground there as well. Even if the 10 states of ASEAN remain a core of regionalism, the anomaly of the NEA economic giants and champions of market economics constantly deferring to a motley group, including states with little taste for globalization, should end. The fate of the EAS depends more on the NEA 3 than on the ASEAN 10. Yet, given Japan's hesitation and South Korea's divided loyalties, the United States has to play an active role in the process. On security matters it must be fully included. On economic issues it must have full confidence that the standards of globalization are kept in the forefront. Finally, on values the United States needs reassurance, as do many residents in the region, that the models of the SCO, where human rights do not matter at all, and ASEAN+3, where they receive some lip-service but not serious attention, are not followed.¹² At last in 2008 separate three-way meetings of leaders from China, Japan and South Korea were on the agenda, but the long-term prospects were unclear.

Steps that would help the states of NEA advance towards regionalism include being forthright in identifying the barriers while looking for bridges that ameliorate them; exploring steps towards a functional approach without losing hope in institutionalization; and striving to improve the overall context in which regionalism is pursued, preparing for a decade of transition before even declaring that any East Asian Community is in place. This is not likely to happen without consensus on some sort of security framework, inclusive of managing North Korea, and renewed focus on cultural barriers with some recognition of the importance of acknowledging universal values.

Acknowledging barriers and building bridges to regionalism

Few would disagree that managing Sino-Japanese relations is the heart of the regional challenge. If these two Asian great powers agree, then South Korea is likely to fall in line and the United States, as an outsider, would not have a convincing case to block a deal. Even if Japan would be unlikely to proceed without US understanding, we should turn first to Sino-Japanese relations to comprehend the prospects for regionalism. Apart from the security dimension, we observe rival forms of nationalism at work. It seems obvious that without agreements between leaders of these two countries to meet some concerns of the other side by checking the advance of nationalism, there is little prospect of a regional community. Since many of the same nationalist themes operate in Japanese-South Korean relations, we should acknowledge that community building must proceed in the NEA 3 apart from ASEAN+3.

On the one hand, the countries have distinct advantages: a shared Confucian heritage, extraordinary results of economic dynamism and integration, and well-established grassroots networks. More than any other states, they also face the challenge of enticing North Korea into the region or, if need be, containing its challenge. On the other hand, this is where tensions over regional leadership and historical identity are most pronounced.¹³ No matter how much effort is put into broad mechanisms in ASEAN+3 or the EAS, they cannot get very far without complementary efforts on a bilateral or trilateral basis among China, Japan and South Korea. The character of US-Japanese and Sino-US relations matters most for this trio, and they also have a value dimension that could be addressed simultaneously with important effects for regionalism.

At least four confidence-promoting measures would confront serious barriers that operate in the path of regionalism. One is to shift attention from mistrust over history to the promise of future cooperation. A second is to manage territorial disputes in a manner where they do not heighten

tensions while showing the way to cooperation. A third is to strike a balance between open and closed regionalism in terms of who should be included and functional and institutionalized regionalism in terms of what aims should be set. Last, with China and Japan sharing leadership it is essential to consider how “bridge” countries, especially South Korea and the United States, can play a constructive role in the process.

Refusal to remove history as a sore spot will doom regionalism. If Bush’s cavalier treatment of global values and trust has lulled Japanese leaders into thinking that the way is open for special ties based on common values, they would be well advised to put more credence on exploring more diverse shared values with Asians as well. South Koreans need to hear from Japan that it is a partner which can be trusted not to revise history. In 2007 Shinzō Abe’s mishandling of the comfort women issue and the US House of Representatives resolution calling for Japan to apologize over this issue demonstrated anew that Japan’s leaders were isolating their country by dwelling on history. Kim Dae-jung’s October 1998 agreement with Prime Minister Obuchi Keizo can serve as a model which China’s leaders appear inclined to accept. If Japan will not stir up emotions about revising the verdicts over history – through visits of the prime minister to the Yasukuni shrine, change in coverage of sensitive issues in school textbooks and statements by cabinet members – then China and South Korea should pledge that on an official level they will not raise the history issue and in addressing public opinion they will not arouse emotions. At the same time, the leaders should agree on a forward-looking agenda focused on working together. Fukuda’s visit to the inauguration of Lee in February 2008 indicated progress along these lines.

A second confidence-enhancing move would be to find an interim approach that can keep territorial disputes from stirring emotions. In the fall of 2004 the Kuril Islands/Northern Territories dispute between Japan and Russia flared up again, as Koizumi made a well-publicized tour by boat in the vicinity and Putin responded by drawing the line at the return of only two islands. In February 2005 a downward spiral in South Korean-Japanese relations started with the rekindling of the Dokdo/Takeshima question, as Japan’s Shimane prefecture declared a “Takeshima Day” and Roh rallied a receptive Korean public against irredentism as well as the entire process of normalization from 1965. And when history did not take centre stage in Sino-Japanese relations, troubles over the territorial division in the East China Sea that permitted energy exploration brought the dispute over the Senkaku/Diaoyu Islands back to the fore in 2005.

Previous understandings that had allowed all of these unsettled matters to be set aside for the time being or to be handled quietly were called

into question. As long as nascent nationalism focuses on these issues in each country, it seems unlikely that quiet diplomacy will be as effective in the future as it was in the 1990s. Territorial disputes require a more direct approach, involving compromises that were postponed when they would have been easier. This is not to suggest that any of these disputes is likely to be resolved soon. It should suffice to find ways for joint use of the water and natural resources in the disputed areas. Since there are various past agreements along these lines, especially on fishing rights, a spirit of compromise may suffice to produce similar arrangements in the coming years.

The geography of Asian regionalism remains complicated. Many in Japan sought regionalism in the first half of the 1990s as a mechanism to confirm their country's lead in Asia. It offered a short cut to "re-entering Asia" and reducing dependency on the United States. Yet by 2005 the reality was that China was outflanking Japan along its borders. A broader approach is needed, opening the door to states that would balance China in one manner or another. This requires a functional path to regionalism that leaves the members of the EAS to be decided on the basis of specific objectives, an unusually open form of regionalism. China favours a more institutional approach with less room for the United States to dilute its leadership. South Korea is in between, suspicious that Japan with US support was really trying to block regionalism. In December 2005 Japan was pleased that India, Australia and New Zealand were added to the EAS, but China had its way in ensuring that ASEAN+3 would take charge of any plans for an East Asian Community. In the January 2007 EAS, postponed from December 2006, little progress was achieved in moving beyond this divide. Yet the establishment of a working group on forging a multilateral security framework as part of the joint agreement at the Six-Party Talks in February boosted the chances in NEA for proceeding on parallel tracks. Multiple working groups with varying membership had different functions, while the United States agreed to a security discussion that reached beyond its alliance system. This may point the way to open regionalism in which the US role is considerable, even as, in some areas, a more closed form of regionalism just centres on states in the region. Russia's role may also be conditional on the functions identified for particular regional working groups.

To the extent that progress towards regionalism has been realized, it has come through the leading role of bridge countries. The great powers of NEA require a bridge to advance their ties beyond bilateralism. The most important bridge has been ASEAN, allowing the NEA 3 to make progress towards regionalism. Why was ASEAN a safe choice? Economically, it is relatively weak in total output but parts of it are readily available for increased trade, leading the three core NEA states to compete

for markets without fearing serious rivalry. Politically, it operates by consensus, meaning that an unwieldy group of 10 will avoid abrupt moves or even pressure on those joining with it. The idea that ASEAN can serve as a kind of Benelux (bridging the gap between France and Germany) gained currency. Even in Japan, where some decided that Japan is falling too far behind China to allow this sort of balance, others pointed to a GNP still three times that of China as well as to confidence that SEA states are eager for balance. They argued that “community” is within reach.¹⁴ Yet in the background is widespread awareness that despite the name “ASEAN+3”, the weight of the NEA 3 dwarfs that of ASEAN. The SEA bridge worked for a time, but it seems unlikely to carry regionalism much further.

The only country that has the potential to bridge China and Japan is South Korea, but it has recently failed in that role. Neither China nor Japan gave it much opportunity, and its priority became North Korea instead of regionalism. Also, Roh Moo-hyun in 2005–2007 showed impatience in the face of serious challenges from George W. Bush and Kim Jong-il, losing the prospect of earning the trust of all sides. Yet there was probably little that could have been done, since no other state was eager enough for regionalism in NEA to accept South Korea in the role of mediator. Seoul must strive to regain the bridge role as a facilitator, but without exaggerated ambitions for becoming a balancer if regionalism is to succeed, and Tokyo and Beijing should help it. Lee Myung-bak is starting on this track.

China and the United States put supporters of Asian regionalism in a bind. If they approved China’s assertive, exclusive approach, they would be leaving their countries vulnerable to dependency on that rising power without any balancing force. If, however, they accepted the US logic against regionalism, there would be no regional force to limit US power or stabilize China’s exercise of power, and it would mean further confusion. As in the stand-off between the United States and North Korea over the nuclear crisis, states in search of compromise solutions find little room for manoeuvre.

Ultimately, the United States is the most promising bridge to regionalism. If it has success in new “security dialogue” with China and receives suitable Chinese assistance in dealing with North Korea, Iran and other challenges to security, the United States may back away from its one-sided support for Japan that from 2001 has contributed to the divisive atmosphere. Yet the United States, even under a more multilateral president than George W. Bush, is not likely to become a strong supporter of regionalism in Asia. Its bridging role would make it easier for China and Japan to work closer together, but others inside the region would have to

make their own contributions. In addition to ASEAN and South Korea resuming their active roles, India and Russia are two great powers whose interest would be served.

In 2005 reform of the UN Security Council caused China and South Korea to respond to Japan's aspirations to become a permanent member. Both actively opposed the move, insisting that they disapproved of Japan's quest because it had failed to draw appropriate lessons from its period of twentieth-century aggression. Many also suspected that China was selfishly safeguarding its privileged position in the Permanent Five and that South Korea, advancing its own proposal for reform, was defending the middle powers which were unwilling to see a line drawn between a wider circle of recognized great powers and themselves left just below the dividing line. Differences over this reform effort, which failed, reflected sharp divergence in reasoning about the security priorities in East Asia. In 2005 these came to the surface in the Six-Party Talks, where the United States and North Korea struggled to win support from the other parties. The rift over the United Nations further damaged the atmosphere for regionalism.

Focusing on functionalism but failing to narrow the cultural divide

East Asian regionalism was born of economic crisis in 1997–1998. Thailand, South Korea and Indonesia were left to the mercies of the International Monetary Fund (IMF), while the countries of SEA and NEA reacted to the enormous US power in deciding the fate of their regions. There were at least four important consequences. First, APEC, the favourite mechanism of the United States, lost support, as America's struggle against protectionism there was seen as an extension of the methods and goals that had produced the crisis and made its resolution unsatisfactory. Second, Japan accepted the need for a regional entity exclusive of the United States, first with its proposal to establish the Asian Monetary Fund (AMF) and, after that was blocked, with its enthusiasm for strengthening ASEAN+3 and giving the NEA 3 an annual summit of its own in 1999. Third, China found a mechanism to win trust in SEA and, before long, to put pressure on Japan to keep pace. Fourth, birth of a new organization in a time of economic crisis narrowed attention to functional steps to advance towards regionalism, even if all three NEA members had broader goals in mind. Despite much talk of moving beyond this legacy, it requires support from the country most nervous about regionalism. That is Japan, with encouragement from the United States.

More than any other country, Japan holds the fate of regionalism in its hands. At the end of the Cold War the Japanese insisted that their country was poised to “re-enter Asia”, embracing the countries in its region in pursuit of joint economic advantage and some sort of regional cooperation that would produce political clout in a world being redrawn into regions. To the extent that Japan’s concern was to reduce dependency on the United States, the goal of regionalism offered hope that a strategy was within reach. In the Asian financial crisis Japan’s focus remained on positioning itself between the United States and the IMF, which were seen as having made undue demands on the states caught in the crisis, and states such as South Korea and Thailand, which expected to benefit if Japan’s proposal for an AMF was adopted. Yet domestic nationalist priorities took precedence over gaining the trust of South Korea or concentrating on a forward-looking agenda with China on each occasion when relations stumbled. In 2004–2005 the message from Japan was qualified support for the establishment of the EAS, stressing openness and flexibility – a “functional approach” towards regionalism. After the EAS membership was chosen, with three additional countries appealing to Japan, its interest grew even if it seemed to be opposed to ASEAN+3 as regionalism which China could control.

By a “functional approach”, Japanese mean selective cooperation with varying combinations of countries on limited issues, ranging from economic to non-transitional security ties. Of the latter, we see examples in counter-piracy and counterterrorism initiatives as well as tsunami relief and environmental preservation programmes. A major role in “soft-power regionalism” would also be granted to development assistance. Yet increasingly this is steeped in a struggle over the direction of economic growth and integration across SEA. China concentrates its assistance on north-south axes, allowing access to the sea from its south-western provinces and also inland Guangxi, while Japan gives preference to east-west axes, smoothing the movement of goods along the coasts.

In 2003–2005 China’s more active diplomacy on North Korea, Russia, Central Asia and Taiwan included a major drive towards regionalism in multiple directions. In 2003 China pressed to go forward with the establishment of the EAS, calling without success for the first summit to be held in China in 2004. This was also the year China signed the TAC with ASEAN and formed strategic partnerships in SEA, putting Japan on the defensive until December, when it hosted the Japan-ASEAN summit and signed the TAC too. Hu Jintao’s entry as China’s leader came not only with reassurances about “peaceful rising”, but also with assertiveness on how it could lock in place regionalism to draw nearby countries into a close embrace. This path towards accelerated regionalism left

both Japan and the United States wary, while not resolving doubts in parts of SEA about excessive dependency on China. China became the champion of regionalism without reassuring Japan.

Experts in China recognize that getting far in front in pursuit of regionalism can produce a backlash. They accept the need to start the EAS with concrete projects and limited fanfare, but insist on maintaining ASEAN+3 as the core. Such reasoning accepts assurances to the United States that it can be part of the process, if not formally in the region, and puts principles of globalization in the forefront. More effort is needed to show that the main thrust of Chinese policy does not belie this cautious thinking.

Three different types of community are at stake in manoeuvring over regionalism. Consensus is greatest over the advantages for all from an economic community, although there remains some caution over how far China's rise may impinge on essential sectors of other countries' economies. The Asian financial crisis of 1997 is recalled as a formative event for achieving consensus on the need for an economic community. The goal of a security community is more controversial. While some in Japan see 11 September 2001 as an event parallel to 1997 and are seeking consensus on steps that lead to a security community, others in the region, especially in China, do not accept the assumptions of aggressive US security leadership based on existing alliances – as embodied, for instance, in the new Proliferation Security Initiative (PSI). Left almost as an afterthought is the third goal of a socio-cultural community. Even as anxieties about security stayed in the limelight in 2005, differences over history and other matters linked to national identity played the leading role in spreading distrust in NEA. Clearly, pursuit of a community based solely on economics would not succeed. Functionalism cannot proceed by ruling out community building of a diverse character and denying the goal of institutions.

In the three core countries of NEA we can discern three different orientations to culture as a force in regionalism. Japan in 2005 became more assertive in pressing for universal values, arguing that China would have to pass the test of democracy before it could be trusted. In turn, China has remained resistant to such values, instead stressing that Japan would have to pass the test of historical contrition before it deserved trust. Finally, South Korea was divided as the Roh administration was obsessed with not giving offence to North Korea while intensifying the critique of Japan's handling of history. Old themes of Confucian traditions, Asian values and joint struggle against terrorism paled before this widening cultural divide. Institutional expression of regionalism is blocked by this chasm. ASEAN+3 can only limp along, while there is no mandate for the new EAS.

Ideas for improving the overall context for regionalism

The security dilemma in NEA pits China and Russia against the United States and Japan, with differences that were hardening in 2003–2005 despite a basic consensus that North Korea should dismantle its nuclear weapons programmes. On the one side are those who joined the Bush administration in 2001 convinced that the US military role in NEA and SEA is widely appreciated and serves as the “glue for peace”.¹⁵ Without it, stability in the region is in danger of unravelling. Handling of the North Korean nuclear crisis has been undertaken in this spirit. On the other side are Chinese officials, and Russians as well, who deem the US approach that is now supported by Japan to be self-serving pre-emption of the rise of China, possibly aimed at regime change in North Korea and independence for Taiwan. Their strategies towards the North Korean nuclear crisis reflect such doubts.¹⁶ Given these differences, forging a security community is not easy. Perched between these clashing positions, South Korea has tried to find room to manoeuvre.

In the summer and fall of 2004, after the foreign ministers of ASEAN+3 had indicated their willingness to plan for the EAS in 2005, American diplomats turned their attention to regionalism in Asia. The outcome was a victory for a group that concentrates on parallels with Europe in the Cold War and a defeat for “Asianists”, who seek some accommodation with the aspirations in the region for a post–Cold War framework that does not revolve around US alliances. Until late 2004 there was no indication from officials that the United States opposed the agenda of the EAS, but that was soon to change. As the old State Department team for Asia headed by Richard Armitage left at the conclusion of Bush’s first term, new faces replaced the ambassadors and high-up officials managing diplomacy in the region. The new team started by rejecting a more compromising stance in the Six-Party Talks and declaring its opposition to the East Asian Community. In March 2005, on her first visit to the region as Secretary of State, Condoleezza Rice delivered this sober message. In May Armitage, now retired from the government, went to Japan with a message reinforcing opposition to regionalism. These warnings suggested that regionalism is a Chinese plan to exclude the United States and dominate Asia, and the United States and Japan had to put on the brakes. Japanese officials agreed that the Pax Americana had been the key to European cooperation, and would have to be the key in East Asia as well.

The Japanese were working with the United States on an alternate strategy for regionalism, more supportive of the EAS but in a manner that would not appear threatening to the United States or beckoning to China. The election of a new president in Indonesia offered reason for

hope. In the years since the Asian financial crisis Indonesian diplomacy had grown more passive, but now a democratically elected leader with a bolder vision was drawing rapt attention in a country that, in terms of population and shared expectations, is the natural leader of the region. Japan saw Indonesia as supportive of regionalism, but in favour of caution in order to balance China and Japan as well as China and the United States. Given nervousness about the great clout of the Chinese community in the country, as well as the foreign policies of the PRC toward Taiwan and the South China Sea, Indonesia again appeared to be justifying the hopes Japan had placed on it prior to 1998 and the East Timor crisis of 1999. It remains, with India, the top recipient of Japanese ODA. Above all, rising hopes for Indonesia, along with confidence in Singapore and Viet Nam as well as some other states of SEA as unlikely to accept a Chinese-centred community, gave Japan an opening for moving forward with the EAC. Even Thailand, under an ethnic Chinese businessman seen as sympathetic to the PRC, was perceived as wavering towards China after the start of an FTA brought a surge of Chinese imports with little growth in Thai exports.

Population realities coupled with economic development changes in Asia suggest complex balancing acts to ensure that regionalism does not mean one state's domination. Now that China's huge population is reinforced by its economic dynamism, expectations about Japan's economic clout becoming an effective counterweight to China's centrality are no longer applicable. Two other balancing notions have drawn some attention. The first is for Japan to rally the countries around China, including Russia and much of ASEAN including Indonesia, but Tokyo has lost ground in the competition with Beijing in these areas. The second is for the United States to play a large role in regionalism, providing necessary balance to China. To date, this smacks more of containment in which China is outgunned and regionalism is hobbled than of actual balancing. A US strategic shift beyond alliances to regionalism would be needed. The expanded EAS is one step for Japan to find balance and the United States to find reassurance. Never before have East Asian countries joined in a regional system that does not involve the hegemony of one or another country (China, Russia/Soviet Union, Japan and the United States have all played the role of leader). While China may one day assume that role again, the only realistic path to regionalism at this time is for it to accept Japan's insistence on balance, allowing a major role for the United States in security and some other matters.

Through functional and flexible regionalism Australia, as a proxy for the West, and India, as a rising power on its own, may operate as democratic bookends at opposite ends of SEA, checking China's rise. Given the vast ODA sent to India and new-found determination inside Japan

to develop an alternate destination for industrial investment, there should be confidence in India's rising economy. Yet a lack of business or security interest in Japan (there are no Indian correspondents stationed there, in contrast to more than 50 from China, and only one sister-city relationship compared to about 230 with China) leaves the Japanese wondering if the warmth expressed in Indian public opinion will at last help to bring the two states closer. Moreover, India's still-hesitant economic reforms and unwillingness to choose sides in regional arguments leave Japan without any prospect of bypassing NEA.

A search for "community" means recognition of the need to seek common values. The United States and Japan lack the credibility to make the case for "universal values" without facing doubts about their own commitment to values that matter in the region. China and Russia cannot continue to oppose "universal values" without reviving memories of their own past outrageous abuses of human rights. South Korea's elaborate dance between the North's appeals for joint nationalism and US appeals for human rights as a priority leaves it with little to say about values. At the end of 2005 the values stand-off in Northeast Asia had reached its most intense state just when talk of the East Asian Community was on the agenda. In 2008 this stand-off is less serious, but new ways to address it are needed.

Ignoring values in order to concentrate on economic integration does not offer a way forward. Instead, a joint effort in Northeast Asia should seek consensus on essential values for regionalism, with perhaps a decade-long timetable divided into three stages. In the first stage, participating countries should agree to minimize clashes over values by taking care not to give offence in four sensitive areas: revisionist history; challenges to universal values; exacerbating ethnic and territorial controversies; and emotional appeals to nationalism over other matters. In the second stage, confidence-building measures should turn to finding common ground, highlighting similarities and identifying how trust can be enhanced. Finally, in the third stage, the nature of the East Asian Community could be clarified with joint statements on the values that would reinforce regionalism. If all of this sounds unlikely, it was so in 2005–2006 and may still be. Even a transition of one decade seemed too optimistic in the environment of sharp tensions over history and failed six-party talks. Yet in 2007 the United States changed course, Sino-Japanese relations were at least stabilized and the Six-Party Talks offered a positive example of multilateralism. Uncertainties over security will endure, but that does not preclude moves to build confidence towards a shared future. This might come in the form of a Northeast Asian Summit (NEAS) taking stock of how the Six-Party Talks have evolved and aiming for a charter setting forth forward-looking values. The US presence is

essential, but it is not likely to mean that the ideal of an East Asian Community will not benefit as well.

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5

Overcoming a difficult past: The history problem and institution building in Northeast Asia

Thomas Berger

One of the principle obstacles to the building of strong institutions in the East Asian region has been the persistence of deep-seated nationalist rivalries focused on sharply diverging interpretations of Asian history. In the media and government circles this issue is commonly referred as the “history problem”.¹ In particular, Japan’s brutal history of expansionism and colonialism in Asia between 1894 and 1945 has left behind a legacy of mutual recrimination and suspicion that periodically has roiled relations between Japan and its neighbours, especially China and South Korea, but also Russia, Southeast Asia and even the United States.²

It is tempting to dismiss these disputes over history as purely symbolic in nature, populist tempests in an East Asian teapot that mask fundamental disputes over concrete economic and security interests. Yet the intensity of the passions inspired by these disputes is impressive, to say the least, and many informed observers feel that the history problem is one of the principle obstacles to the creation of a more cooperative pattern of regional relationships.³ Time and again, disagreements over historical issues have disrupted regional diplomacy, most recently when Prime Minister Koizumi’s trips to Yasukuni brought a halt to all high-level meetings between Japan and China for five years, between 2001 and 2006. Tensions over history also exacerbate territorial disputes and have complicated efforts at working out equitable solutions for clashes of economic interests, such as the exploitation of oil and gas resources in the East China Sea. More alarmingly, they have heightened fears regarding Japan’s long-term geopolitical ambitions, caused tensions within the

Institutionalizing Northeast Asia: Regional steps towards global governance, Timmermann and Tsuchiyama (eds), United Nations University Press, 2008, ISBN 978-92-808-1156-8

regional alliance structures and heightened the possibility of military clashes.⁴

Little wonder, then, that disputes over history have hampered the development of regional integration. To put it quite simply, countries which find it difficult to talk to one another, which disagree over their territorial boundaries and which fear that they may once again become military rivals are unlikely to agree or be able to come to an agreement on the creation of binding international institutions.

The existence of historically grounded antagonisms, of course, does not rule out substantial institutional development. As many authors in this book point out, regional cooperation is already quite advanced in many areas, such as the environment and trade (see for instance Rozman, Pempel, Iida, Weiss and Ohta in this volume). Moreover, there have been other instances where historically grounded antagonisms were overcome, most dramatically in the case of Western Europe. Yet clearly, the history problem sets boundaries for the level of cooperation that can be achieved in the Asian context. As long as the major countries in the region – especially China and Japan – are unable to resolve their differences over the past, the kind of deeper institutional development that has been achieved in Europe or even Southeast Asia is likely to remain out of reach (see Higgott and Timmermann in this volume).

This chapter will explore the question of why history has become a pressing issue in Asian affairs, and investigate the ways in which disputes over the past have disrupted regional diplomacy and institutional development. The central thesis is that powerful secular trends at the levels of both the international system and domestic political systems of key Asian nations – China, Japan and South Korea – have politicized differences over history to an unusual degree. Internationally, the emergence of what could be termed a nascent “historical justice” regime has legitimated criticisms of how history is dealt with inside other countries. Domestically, the pluralization of politics in China and South Korea has allowed the emergence of nationalist forces that for historical reasons tend to be anti-Japanese, while simultaneously in Japan conservatives are trying to rally nationalist support for an expanded security role. These domestic and international trends have come together in a sort of “perfect storm” of nationalist passion that is undermining efforts at fostering regional cooperation and potentially threatening regional stability.

These forces need not lead to a breakdown of international political order in East Asia. There are powerful counterbalancing forces that prevent an outright clash between the countries of the region – including a stable balance of military power and a widely shared regional commitment to improving the standard of living through trade and investment.

The improvement in Sino-Japanese relations under the Abe administration demonstrates that tensions over the past can be contained. Political leaders, however, should not neglect the history issue and the intense emotions that it ignites. The underlying structural forces that made history such a contentious issue between 2001 and 2006 remain, and could easily be revived. Sustained efforts need to be made by all the governments of the region – including Japan, but also China and South Korea – to contain nationalist sentiments within their own countries and promote mutual understanding.

Since the issue is a new one for most analysts of international relations,⁵ this chapter will begin by briefly reviewing the underlying nature of international disputes over history. Next it will trace the evolution of the disputes in Asia since 1945, and identify the factors that have made for the emergence of the history problem in increasingly acute fashion since the 1980s. In conclusion, the practical implications of the analysis will be drawn out, with special reference to the larger question of how to promote regional cooperation and the building of regional institutions.

The origins of the history problem

Internationalized disputes over history are rooted in the first instance in differences in the ways in which the past is depicted in different countries, both at the level of the official historical narrative⁶ – i.e. the way governments and political leaders talk about the past and deal with historical issues through policy – and at the level of the broader collective memory of society.⁷ What factors shape the ways countries view the past is a matter of some dispute. Generally speaking, three types of variables are believed to play a critical role: historical experiences; societal and state interests; and the cultural prism through which history is viewed. Each of these factors interacts with one another to shape historical memory as a discourse – i.e. an ongoing and evolving set of beliefs and practices regarding the past.

First, historical memories typically have their source in the original experiences that a society has had of an event. While it is possible, in principle, for both societal and individual memories to be manufactured and manipulated in various ways, human beings do have some capacity for remembering the past, and societies have some capacity for preserving and sharing those memories. However, depictions of the past should never be accepted as accurate reflections of the actual historical events. A large body of work by historians and sociologists on the way in which collective memory functions has turned up ample evidence that various social

forces inevitably reinterpret memory to reflect the more recent experiences and concerns of those who do the remembering.

Second, it is evident that historical memory is frequently and deliberately shaped by state and societal interests. Since time immemorial, political authorities have sought to create official historical narratives that legitimize their existence and can mobilize historical resources to serve their interests. In pluralistic political systems, non-state actors – such as political parties, political lobbies, newspapers and publishing houses, and so forth – also seek to shape the collective memory of society in ways that serve their interests, and to anchor their preferred versions of the past in the official historical narrative of the state.

Third and finally, collective memory and the official historical narrative do not exist in a cultural vacuum. They are part of a larger cultural system of norms, beliefs and values that inevitably colour and shape the way in which the past as well as the present is viewed. Some of these beliefs and values may be embedded in the society in terms of fundamental religious beliefs.⁸

It is important to remember, however, that the broader culture in which collective memory and the historical narrative are embedded is never completely static. Cultures change and evolve in response to both their own internal dynamics and developments such as the passing of generations, political pressures or changes in the socio-economic basis of society. Thus cultural determinist arguments should be viewed with extreme suspicion.

While in any given instance the role of one of these three sets of factors – the memory of historical experiences, political interests or the broader cultural system – may have relatively larger impact than the others, all three elements interact to shape the ongoing evolution of the collective memory of society and the official historical narrative presented by the state.

The task of the analyst seeking to unravel the evolution of international disputes requires a painstaking analysis of the way in which these disputes have emerged over time, paying attention to all three sets of variables. Within the boundaries of the space available here, the following is intended as a first stab at providing an overview.⁹

The genesis of the history issue in East Asia: The Cold War

War and brutality are hardly strangers to Asian history. In the contemporary context, however, memories of past injustices have taken on a particular significance because of two developments: the emergence of the

modern nation-state and the post-1945 campaign to enforce universal standards of conduct through international legal mechanisms.

Nationalism and the nation-state – i.e. the doctrine that the political unit and the cultural unit should be the same – are a modern invention that took hold in Asia only in the latter part of the nineteenth century.¹⁰ Asian élites, struggling to modernize and reform their countries in order to catch up with the West, seized them as a way of mobilizing societal resources. Central to the nationalist project is the creation of a national history, and Asian élites – beginning in Japan – were quick to promote national narratives that harked back to a glorious past, one replete with great triumphs as well as terrible tragedies.¹¹ The memory of the struggle against imperialism became a particularly central feature of the national identities of virtually all modern Asian countries. Yet while the West comes in for a large portion of the blame for imperialism, arguably in China and Korea (but not so Southeast Asia) nationalism defined itself even more strongly *vis-à-vis* Japan, which by the early twentieth century had become the dominant imperial power in Northeast Asia.¹²

While many in Japan subscribe to the view that the people of Asia benefited from Japanese rule,¹³ throughout the imperial era Japan faced constant resistance in the areas it conquered. As indigenous Chinese and Korean nationalist movements took off, increasingly the Japanese found that they could maintain control only through the application of brute force. The two seminal moments in the development of modern Chinese and Korean nationalism – the May Fourth and March First movements respectively – were both anti-Japanese uprisings that erupted in 1918 in protest over concessions made to Japanese imperial interests at the Paris Peace Conference ending the First World War. The brutality of the Sino-Japanese war that broke out in 1937 and the increasingly harsh character of Japanese imperial rule in Korea added to the legacy of resentment that would later hamper relations between Japan and its neighbours.

The way in which the Japanese imperial era came to be defined in the collective memory of the Asian nations had three important long-term consequences. First, in China and Korea there emerged a powerful association between patriotism and anti-imperial, anti-Japanese sentiments. Second, it helped create a deep and lasting gulf between the ways in which the Japanese and their neighbours understood the past. Third and finally, the events of the 1930s and 1940s left millions of Asians with first-hand memories of Japanese brutality. Thus, in terms of the first dimension of collective memory – the level of impact of actual historical events – all the elements for a powerful anti-Japanese mass movement were in place in East Asia already in 1945.

This potential for conflict, however, would not be realized for most of the Cold War period, and the differences between how Japan and its neighbours viewed the history of their relationship were papered over for several decades. To understand why history did not become an issue earlier, it is necessary to examine the second dimension of collective memory – the role of political interests in shaping and guiding the official historical narrative. Three factors in particular deserve attention: the impact of the Cold War on US grand strategy and on Japanese domestic politics; the prevalence of authoritarianism in Asia during the Cold War; and the low level of regional interdependence.

In the immediate aftermath of the Second World War, and as the world came to appreciate the full scale of the atrocities that had been committed by Germany and Japan (although the two differed in many important respects),¹⁴ the United States and its allies sought to establish criteria for the conduct of international affairs that coincide with higher universal moral principles. One of the first steps in this campaign was the establishment of war crimes tribunals in Germany and Japan for the purpose of holding the top leaders of the defeated powers responsible for their transgressions.

Despite numerous shortcomings,¹⁵ Nuremberg and Tokyo set a number of important precedents. Of particular relevance to the present discussion is the fact that they established an official version of history that was sanctioned internationally and anchored in law. Under the terms of the 1951 Treaty of San Francisco that officially ended the state of war between Japan and the United States and its allies, the Japanese government agreed formally to accept the verdict of the International Military Tribunal in the Far East. In return, the United States gave up possible claims for getting compensation from the Japanese government – a policy that was followed by many of its allies. Henceforth any Japanese challenges to the version of history established by the Tokyo tribunal could be interpreted as a challenge to the post-1945 international order. The Tokyo trials, together with Nuremberg, helped establish international norms concerning historical justice that would eventually help make the issue of Japanese responsibility for past atrocities far more salient than was true in earlier eras.

At the same time, however, the Treaty of San Francisco also effectively ended significant pressures from Japan's principal ally, the United States, to pursue historical justice issues, and henceforth would provide Japan with a legal basis for rejecting demands for compensation for damages inflicted by the war. With the development of the Cold War, national security concerns dominated the international as well as Japanese domestic political agendas.

In this context, the United States looked to Japanese conservatives, including former supporters of the imperial order, to help stem the spread of socialism and communism in Japan and create a strong domestic political support base for Japanese participation in a US-led alliance system in Asia.¹⁶ The conservative Liberal Democratic Party (LDP), which dominated Japanese politics from 1955 to 1993, promoted a historical narrative that emphasized Japanese suffering as a result of the war and downplayed the issue of who was responsible for the disaster (*sensōsekinin*). The issue of Japanese responsibility for the suffering inflicted on other peoples hardly entered into the discourse at all.

For its part, the Japanese left, while highly critical of the Japanese conservatives and their connections to the imperial regime, were complicit in promoting a narrative of Japan as a victim rather than a perpetrator. The left-wing leaders of the Japanese peace movement chose to concentrate on Japanese victimization at the hands of the Allied powers – powerfully symbolized by the atomic bombings of Hiroshima and Nagasaki – calculating that by so doing they would be better able to mobilize Japanese popular support for their campaign against Japanese rearmament and the alliance with the United States.¹⁷

In this the left was aided and abetted by the People's Republic of China (PRC). During the first part of the Maoist era, China's leaders identified the Japanese people as victims of Western imperialism in order to mobilize them against the US-Japanese alliance. After its rapprochement with the West in 1972, China needed Japanese assistance in rebuilding its moribund economy too much to allow questions of historical grievances to come up.¹⁸ The authorities in Beijing even prohibited the publishing of historical studies by Chinese scholars detailing the Nanjing massacre and other atrocities. Other Asian countries were similarly circumspect, whether for ideological reasons (to support the creation of a strong anti-communist network in the region) or out of a desire for economic gain.

Second, the strongly authoritarian character of most Asian governments during the 1950s, 1960s and 1970s enabled them to squelch popular pressures that might have made for the emergence of the history issue. In 1965, for example, the dictatorial Park Chung Hee government was able to ignore the student-led street riots that broke out in Seoul to protest the normalization of diplomatic relations with Korea's erstwhile colonial master. Criticism of the United States and other former imperial powers was generally suppressed, or at least contained, by anti-communists in East and Southeast Asia for similar reasons. Strategic calculations of interest thus helped discourage raising the issue of Japanese wartime activities throughout the region.

Third, and finally, the low level of regional interdependence for much of the Cold War in Asia gave Asian governments little leverage to pursue the history issue with Japan or other countries, even if they had desired to do so. Unlike Western Europe's extensive and complex network of regional institutions, the Asian region was characterized by a network of loose and highly compartmentalized bilateral relations between the United States and its Asian allies – the so-called “hub-and-spokes” system.

In sum, for the first half of the Cold War a combination of domestic and international political factors allowed for the emergence of a more or less stable equilibrium – a balance of interests – regarding questions of Japanese responsibility for atrocities in the pre-1945 era. Inside Japan, the political left and right settled on a historical narrative that emphasized Japanese victimization – although awareness that terrible things had happened elsewhere in Asia was widespread and increased after the normalization of relations with China. Other Asian countries had neither the inclination nor the leverage to pursue the issue. As for the United States, the primary concern was with keeping Japan firmly in the anti-communist camp.

The evolution of the history problem – The post–Cold War era

By the late 1980s the three conditions that had helped contain frictions over history – dominance of national security concerns, the authoritarian character of regional governments and a low level of regional integration – began to change.

With the end of the Cold War, the battle against communism became a far less overriding preoccupation for the international community, and other foreign policy issues – trade, the environment, migration and human rights – gained increased priority on the international political agenda. The increased worldwide prominence of human rights in particular had far-reaching consequences for the history issue. Logically, it is only a small step from trying to prevent human rights abuses in the present to trying to press for remedies for human rights abuses in the past. Indeed, the two issues are intrinsically linked for a variety of reasons, since it can be argued that redress for past wrongs is itself a fundamental right, without which the victims of abusive regimes can never fully recover from their traumatic experiences.¹⁹ In addition, it is widely believed that only by punishing past human rights abuses will it be possible to deter their reoccurrence. As a result, starting in the 1990s governments

as well as political activists around the world began to press for the institutionalization of a criminal justice regime. In the early 1990s these sentiments led to the establishment of *ad hoc* international war crimes tribunals to deal with atrocities in the former Yugoslavia and Rwanda (based on the precedents set at Nuremberg and Tokyo half a century earlier) and later culminated in the movement to create an International Criminal Court attached to the United Nations.²⁰ These developments were central elements in the emergence of what could be called a global normative regime regarding historical justice issues, and, while still poorly defined and institutionalized, its development legitimated popular pressures in Asia and elsewhere to address the unfinished business of the past.²¹

The end of the Cold War also weakened the rationale for maintaining authoritarian regimes. In large parts of Asia authoritarian regimes began to crumble and were replaced by more democratic governments. Even in the PRC, where the government succeeded in squelching pro-democracy forces at Tiananmen in 1989, a significant softening of the political system ensued. With hard-line Marxism-Maoism on the wane, the Chinese leaders of the post-Maoist era turned to nationalism in their search for the ideological glue that could hold the country together. A new and potent Chinese nationalism opened the doors for various groups inside and outside the government to use the history issue as a tool for critique of those trying to promote closer relations with Japan.²² Consequently, the ability of Asian governments to ignore popular sentiments on issues of history declined precipitously. Not only Japan but also the United States in the Philippines and South Korea became the targets of unprecedented levels of criticism based on unresolved historical grievances.

Third and finally, the exponentially increasing volume of intra-Asian trade and investment stimulated the creation of new highly integrated multilateral institutional arrangements in Asia. Already clearly in evidence by the late 1970s, this trend intensified significantly after the end of the Cold War and stimulated the emergence of new regional institutions such as the Asia Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF).

In short, a variety of structural changes in the international system were propelling the history problem on to the diplomatic agenda. Already in the early to mid-1980s, Japan began to be sharply criticized for its alleged failure to face up to its troubled past, starting with a controversy over Japanese school textbooks in 1982, followed by a sharp flare-up of tensions between Tokyo and Beijing and Seoul when Nakasone Yasuhiro became the first Japanese prime minister officially to visit the Yasukuni shrine in Tokyo, where the spirits of Japan's war dead were enshrined, including the 10 class A war criminals who had been condemned

to death at the Tokyo tribunal.²³ In the 1990s a host of issues related to the history of Japanese transgressions, such as the “rape of Nanjing” and the fate of the “comfort women”, gained increasing international attention.

The calculus of interest that had kept the history issue in check in Japan changed as well, and in the early 1990s a growing number of Japanese business and political leaders came to the conclusion that Japan had to address the issue far more intensively than it had in previous decades. Increasingly, the Japanese economy was becoming dependent on maintaining good relations with its Asian neighbours. In addition, there was considerable concern at the time that with the disappearance of the Soviet Union, the United States was likely to downgrade its commitment to regional security and Japan would need to promote the development of regional institutions to deal with potential security problems as well as economic, environmental and other “low” political issues.²⁴

Starting in the early 1990s, Japan mounted a diplomatic campaign aimed at reconciling the history issue with its neighbours. A succession of Japanese prime ministers, beginning with Kaifu Toshiki in 1990, offered increasingly clear and direct apologies for its pre-1945 history of aggressive expansionism and colonial domination. The Japanese government offered limited compensation to Korean and Taiwanese forced labourers and former comfort women. School textbooks began to increase their coverage of the darker sides of Japanese history. These changes in the Japanese official narrative were underscored by a proliferation of television programmes, books and historical exhibitions devoted to these subjects.²⁵

The net result of these activities was mixed. On the level of Japanese public opinion there was a marked shift towards greater openness on the history issue than was true in the past. According to public opinion data, a substantial majority of Japanese agreed with the statement that Japan’s expansion into Asia was an act of aggression, and awareness that Japanese forces had committed atrocities was widespread. At the same time, although the calculus of interest had changed on a national level, the discourse of Japanese victimization lived on, and the popular perception that the Japanese people had been among the primary victims of the war remained strong.²⁶

On a diplomatic level the Japanese campaign to seek reconciliation with its neighbours did manage to score some notable successes. The visit of Kim Dae-jung, the president of Korea, in 1998 was of particular significance. Not only were apologies offered by Japanese Prime Minister Obuchi Keizo, but the apologies were accepted. At the same time, Japan was considerably less forthcoming in addressing the history issue in the Sino-Japanese context, and Jiang Zemin’s visit to Tokyo a few weeks

after Kim Dae-jung's was widely viewed as having been an utter failure in this regard.

Efforts by the Japanese government to project a more open attitude on the unresolved issues of the past were considerably undermined by internal bickering within Japan over what type of apologies were in order and whether apologies were even necessary. Conservative Japanese politicians and opinion leaders, including members of the ruling cabinet, repeatedly criticized the government's diplomatic efforts as historically unfounded, unnecessarily self-flagellating and damaging to the morale of the nation. The foreign media, including the Chinese and South Korean press, frequently reported such criticisms as evidence that Japan's remorse was not genuine. Outbursts of foreign criticism, in turn, fed a growing perception in Japan that the Chinese and Koreans were implacable on the subject of historical transgressions. By the late 1990s a growing number of commentators warned that a mood of "apology fatigue" was taking hold in Japan.²⁷

Beginning with the election of Prime Minister Junichiro Koizumi in 2001, conflicts over Japan's official historical narrative began to dominate the diplomatic agenda. In his campaign to win the LDP nomination for prime minister, Koizumi reached out to the powerful Mori faction – which traditionally has contained many politicians with a revisionist view of Japanese history – by promising to visit the Yasukuni shrine every year in his official capacity as prime minister. Despite repeated warnings from Beijing and Seoul, after being elected Koizumi made good his promise by visiting the shrine on 13 August, predictably sparking a storm of protest throughout the region. In retaliation, Beijing suspended direct bilateral meetings between the two heads of state, instead relying on lower-level meetings and contacts in such multilateral settings as APEC to do business with Japan. For its part, Seoul suspended military-to-military talks between Japan and Korea, the ban on Japanese cultural items – which had been lifted after Kim's 1998 visit – was reimposed and the South Korean ambassador was temporarily recalled to Seoul for "consultations".²⁸

Spurred by the need to coordinate policies in response to 9/11 and the war on terror – especially with respect to North Korea – China, Japan and South Korea managed to patch over their difficulties and resume some sort of normalcy in their diplomatic relations.²⁹ Intra-regional trade and investment continued to boom, and important steps were taken to strengthen the economic side of the relationship, most notably in the context of economic cooperation and the formation of the new ASEAN Plus Three (APT) framework for dealing with regional financial issues.

Politically, however, Japan's relations with its two most important Asian neighbours would continue to spiral downward for the next five

years, spurred by Koizumi's continued visits to Yasukuni and an increase in nationalist public sentiment in all three countries. Beginning in 2003, a series of anti-Japanese incidents occurred in China, fed by growing public anger over Yasukuni and the Japanese Ministry of Education's certification of revisionist textbooks. These incidents culminated in April 2005, when an internet campaign to collect signatures opposing Japan's bid for a permanent seat on the UN Security Council (reportedly over 30 million were collected within a year) escalated into country-wide riots in which Japanese shops and diplomatic facilities were pelted with stones and garbage and several Japanese citizens were injured in attacks by Chinese mobs.³⁰

Initially the Chinese government was slow to respond to these developments, in part for fear that intervening to defend Japanese interests could backfire, turning an anti-Japanese popular movement into one aimed against the CCP. Yet alarmed by the escalating violence, and mindful of China's substantial economic interests in maintaining ties with Japan, the communist authorities finally acted, in the name of "maintaining social order", restricting the publication of potentially inflammatory news items and using the authority of the Chinese Communist Party to quell the protests.³¹ At the same time, the Japanese government took measures to calm popular tensions over history, and in April Koizumi made a strong speech at the Asia-Africa summit in Bandung, Indonesia, in which he apologized for Japan's history of aggression and colonialism in Asia and called for improved diplomatic relations.³²

A similar deterioration was to be observed in Japanese-Korean relations. Kim Dae-jung's successor, Roh Moo-hyun, entered office promising that he would not seek to make history an issue between the two countries. An escalating war of words between the two ensued, over first the revisionist textbooks issue and then the Dokdo/Takeshima Islands in the Sea of Japan – a small group of 33 uninhabited islands controlled by Korea since 1952, but claimed by both sides. On the Korean side, a campaign to rename the Sea of Japan the "East Sea" and the issuing of a Korean postage stamp commemorating the islands enraged nationalist sentiment in Japan. When in March 2005 the Shimane prefectural government declared 22 February to be "Takeshima Day", a major diplomatic crisis ensued. President Roh stressed that from the Korean standpoint Tokudo, which had been incorporated as Takeshima into Shimane prefecture in 1905, had been the start of the annexation of Korea and therefore had a symbolic and historical significance that far outweighed its economic or strategic importance. Japan's stance, he claimed, was an effort to legitimize its policies of expansion and colonialism in Asia. Roh went on to declare the "diplomatic equivalent of war".³³ Thereafter, China and South Korea began to work together to oppose Japan in a

number of international settings, including opposing its bid for a permanent seat on the UN Security Council and frustrating it on trade and other issues in APEC and other regional forums.³⁴

As in China, domestic political developments in Korea contributed significantly to the escalation in tensions. The Roh government appointed a special Truth Commission to investigate the family backgrounds of Korean lawmakers in order to determine whether they had collaborated with the Japanese during the imperial period. It soon turned out that many prominent members of his own party came from families that had prospered under Japanese rule.³⁵ In this atmosphere, and frustrated by his failures in other policy areas, Roh tried to harness the nationalist passions stirred by the Takeshima/Dokdo dispute in order to bolster his flagging political fortunes.

Tensions between Japan and its two Asian neighbours took on a dangerous new dimension in 2006, as nationalism threatened to spark major diplomatic and potentially even military crises involving disputed territories. In April 2006, after Korea threatened to rename oceanographic features surrounding the disputed Takeshima/Dokdo Islands, Japan announced that it would send survey ships from the Japanese Maritime Safety Agency to map out the area. In response, Korea dispatched a flotilla of gunboats to the islands and threatened to respond with force if Japan sent the survey ships. Meanwhile, from autumn 2005 China and Japan engaged in an escalating war of words over the definition of the “exclusive economic zone” and the nearby Diaoyutai/Senkaku Islands, which are claimed by both nations. Both Beijing and Tokyo were interested in asserting their claims to the potentially large reserves of natural gas believed to lie beneath the ocean floor in the area, and both sides began to send armed patrols into and around the disputed area. While last-minute diplomatic efforts, including strong behind-the-scenes interventions by the United States, managed to contain the crises, none of the three Asian governments showed great willingness to compromise on an issue that had assumed a symbolic political significance which arguably far outweighed the economic stakes involved.³⁶

The downward spiral in Japan’s relations with its Asian neighbours began to provoke anxiety in many quarters. Naturally, the Japanese Foreign Ministry was deeply perturbed by Japan’s growing diplomatic isolation in the region.³⁷ The Japanese business community was concerned by the potential damage to Japan’s rapidly growing economic trade in the region. By 2006 China had become Japan’s number-one trading partner, outstripping the United States, and by some estimates as much as half the increase in Japan’s economic growth since 2002 can be attributed to exports to Asia. The United States also began to signal to Tokyo its con-

cern over what it saw as a potentially dangerous deterioration in regional relations.

After Koizumi stepped down in September 2006, his successor, Shinzō Abe, quickly moved to improve relations with Beijing and Seoul. Even before he became head of the LDP, Abe indicated that he was eager to resume high-level meetings with China, tacitly promising in return to halt official visits to the Yasukuni shrine. Instead, he adopted what might be called a stance of strategic ambiguity, neither confirming nor denying that he visited the shrine, but tacitly signalling that he continued to make visits as a private citizen but not publicly in his official capacity as prime minister.³⁸ The Chinese government chose to accept Abe's method of de-escalating of the issue, inviting him to visit Beijing and meet with his Chinese counterpart, Hu Jintao, in October 2006.³⁹ In spring 2007 Chinese Premier Wen Jiaobao reciprocated by visiting Japan. Despite lack of progress on other issues (Taiwan, territorial disputes and so forth), Wen made defusing the battle over history the main focus of his trip.⁴⁰ In a major speech before the Japanese Diet – one that significantly was televised in both Japan and China – Wen struck a conciliatory tone. After mentioning the traumatic effect of Japan's war of aggression against China, he absolved the Japanese people of any guilt for the war, blaming "a handful of militarists" instead. Stressing that Japan had contributed greatly to China's modernization and that the Japanese government had on many occasions apologized for the past, Wen said that the two countries hoped to work together for better relations.⁴¹

Wen's visit was widely viewed as a success, and public approval of the Abe administration showed a significant boost after the visit, reflecting a general sentiment that improved relations with Japan's Asian neighbours were in the national interest.⁴² While overall Abe's administration was an unsuccessful one – within a few months of Wen's visit he left office over scandals involving corruption and mismanagement of public pensions – his pragmatic stance on the history issue and his efforts to rebuild Japan's ties with its Asian neighbours were viewed as one of his chief accomplishments. Abe's successor, Fukuda Yasuo, promised to continue this part of his predecessor's agenda.

Whether this tentative suspension of mutual recrimination over the past will continue, much less open the door to a lasting settlement of the issue, remains doubtful. Within Japan, conservative forces favouring a revisionist stance on history continue to be influential. Even as Abe sought to reduce tensions over Yasukuni, his efforts to demonstrate to his conservative supporters his continued commitment to promoting a patriotic version of Japanese history sparked new controversy when he appeared to deny Japanese government involvement in forcibly recruiting prostitutes

for the imperial army during the Second World War.⁴³ Fukuda, although long known for having a moderate approach on the history issue, is bound to face pressure from conservative voices inside his own party.⁴⁴ Similarly, nationalist sentiments in China and South Korea have not disappeared, and significant differences remain on a variety of issues of both symbolic and geo-strategic importance – Taiwan, territorial disputes such as Dokdo/Takeshima and Diaoyutai/Takeshima, and so forth. The way in which interest and identity (see also Oshimura in this volume) have been constructed in China, Korea and Japan suggests that there is plentiful material for future conflict over the past. Moreover, worldwide there is a continued emphasis on addressing past injustices in the name of promoting reconciliation and deterring future crimes against humanity. Under these conditions, a re-emergence of the history issue in Asia seems to be only a matter of time.

Practical implications: Can the history problem be overcome?

It is difficult to be overly sanguine regarding the short- to medium-term prospects for a resolution of the history issue. The main political actors have driven themselves into an impasse over the issue, and the prospects for outside mediation or the creation of multilateral mediation mechanisms are dim at best. For the time being, a bilateral approach appears to offer the only hope for progress. As tensions over the history issue continue to simmer, leaders throughout the region are conscious of the need at least to contain these issues, and where possible to advance the cause of broader inter-societal understanding and reconciliation.

The prospects for doing this, however, vary according to the relationship. The best opportunities probably lie in the context of Japanese relations with South Korea. In recent years there has been a flowering of cross-border contacts between the two countries, and a general softening of popular attitudes, particularly in Japan. Domestic political factors in the two countries, however, have prevented these developments from leading to a deeper reconciliation. The change of government in Tokyo, and the possible change of government in Seoul, offer hope that the significant improvement in bilateral relations that began in 1998 after the Kim Dae-jung government and continued through 2001 with the successful joint Korean-Japanese management of the World Cup games can be resumed. In the case of China, making progress is likely to be more difficult. Differences in Chinese and Japanese national interests over issues

such as Taiwan and the US-Japanese alliance will complicate any sustained effort to promote reconciliation on historical issues. In addition, the fact that China is a non-democratic nation is likely to be a factor. Chinese leaders are more likely to resort to nationalist appeals – which in the Chinese context are prone to be anti-Japanese. For their part, the Japanese public are likely to find it difficult to see Chinese leaders – who rose to power through an authoritarian Communist Party apparatus that in the past was responsible for killing millions of its own citizens – as credible representatives of the Chinese people as a whole.

To what extent should we be concerned about the history issue? Despite occasional upward spikes in tensions, cooperation on the non-governmental level has proceeded unabated. Intra-regional trade and investment remain strong. Japanese and Korean pop culture is avidly consumed throughout the region, including in China. Millions of Chinese, Koreans and Japanese visit each other's countries as students, tourists and on business trips. And regional integration has managed to move forward on a number of levels despite the tensions.

On a political level, however, the character of regional integration has been coloured by deep mutual suspicion throughout its history. In contrast to Europe and Southeast Asia, where regional integration has been seen as a way of overcoming potential strategic rivalries,⁴⁵ integration in the Northeast Asian context has been purely tactical in nature, aimed at providing short-term solutions to specific problems, usually economic in nature. While fortunately the regional balance of power has been by and large stable (despite tensions over North Korea and Taiwan),⁴⁶ beneath the surface nationalist rivalries simmer on. If the root causes of mutual suspicion cannot be tackled by the region's leaders, the prospects for the creation of a genuine security community in the Asian context are likely to remain dim.

Acknowledgements

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Portions of the section on “The genesis of the history issue in East Asia: The Cold War” were presented at the Conference on Culture, Memory and Foreign Policy at Georgetown University, February 2005.

Notes

1. *Rekishi Ninshiki Mondai*, in Japanese.
2. See Jager, Sheila Miyoshi (2007) *The Politics of Identity: History, Nationalism and the Prospect for Peace in Post-Cold War East Asia*, Carlisle, PA: Strategic Studies Institute, US Army War College; see also Gries, Peter Hays (2005) "The Koguryo Controversy, National Identity and Sino-Korean Relations Today", *East Asia* 22(4), pp. 3–17.
3. See Rozman, Gilbert (2004) *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization*, Cambridge and New York: Cambridge University Press; Lincoln, Edward (2004) *East Asian Economic Regionalism*, Washington, DC: Brookings Institute; Tsunekawa, Keichi (2006) *Dependent Nationalism in Contemporary Japan and its Implications for the Regional Order in the Asia Pacific*, Perth: Asia Research Centre, Murdoch University.
4. See Christensen, Thomas (1999) "China, the U.S.-Japan Alliance and the Security Dilemma in East Asia", *International Security* 23(4), pp. 49–80. In this volume see the chapters by Harris on energy issues and Tsuchiyama on the US-Japanese alliance. With regard to China-related security issues see the chapter by Takagi; on Korea see the chapter by Kikuchi.
5. In recent years there has been a marked increase in the number of studies focusing on the politics of history. See for instance Olick, Jeffrey (2007) *The Politics of Regret: On Collective Memory and Historical Responsibility*, London and New York: Routledge; Torpey, John, ed. (2003) *The Politics of the Past*, Lanham, MD: Rowman & Littlefield. Relatively few studies are by scholars trained in political science and international relations. See Mueller, Jan Werner, ed. (2002) *Memory and Power in Post-War Europe: Studies in the Presence of the Past*, New York and Cambridge: Cambridge University Press; Lebow, Richard Ned (2006) *The Politics of Memory in Postwar Europe*, Durham, NC: Duke University Press.
6. A number of scholars have invented terms for this concept. See Frey, Norbert (1997) *Vergangenheitspolitik*, Munich: C.H. Beck, translated by Joel Golb (2002) as *Adenauer's Germany and the Nazi Past: The Politics of Amnesty and Integration*, New York: Columbia University Press; Bodnar, John (1992) *Remaking America: Public Memory, Commemoration and Patriotism in the Twentieth Century*, Princeton, NJ: Princeton University Press.
7. See Halbwachs, Maurice ([1925] 1980) *The Collective Memory*, New York: Harper Row and Collins; Hutton, Patrick H. (1993) *History as an Art of Memory*, Hanover, VT: University Press of New England; Wertsch, James E. (2002) *Voices of Collective Remembering*, London: Cambridge University Press.
8. Benedict, Ruth ([1946] 2005) *The Chrysanthemum and the Sword*, Boston, MA: Houghton Mifflin; Koschman, Victor (1978) *Authority and the Individual in Japan*, Tokyo: University of Tokyo Press.
9. The present chapter is an offshoot of a larger research project which seeks to undertake precisely such an analysis. See Berger, Thomas (forthcoming) *War, Guilt and World Politics: The Legacy of WWII in Europe and Asia*.
10. On nationalism as a political doctrine see Gellner, Ernst (1983) *Nations and Nationalism*, Ithaca, NY: Cornell University Press, introduction. On the emergence of nationalism in East Asia, see Dikkoter, Frank, ed. (1998) *The Construction of Racial Identities in China and Japan*, Honolulu: University of Hawaii Press; Befu, Harumi, ed. (1993) *Cultural Nationalism in East Asia*, Berkeley, CA: University of California Press.
11. On Japan see Gluck, Carol (1985) *Japan's Modern Myths: Ideology in the Late Meiji Period*, Princeton, NJ: Princeton University Press. For China see Schwarz, Vera (1986)

The Chinese Enlightenment: Intellectuals and the Legacy of the May Fourth Movement of 1919, Berkeley, CA: University of California Press.

12. This was particularly true of Korea, see Cheong, Sung-Hwa (1991) *The Politics of Anti-Japanese Sentiment in Korea*, New York: Greenwood Press.
13. For a balanced overview see Myers, Ramon and Mark Peattie, eds (1984) *The Japanese Colonial Empire, 1895–1945*, Princeton, NJ: Princeton University Press.
14. It is difficult to determine how many in fact died in the Asia-Pacific theatre between 1937 and 1945. See Rummel, Rudolf (1991) *China's Bloody Century*, New Brunswick, NJ: Transaction Books, table 5a.
15. For instructive analyses see Harries, Meirion and Susie Harries (1987) *Sheathing the Sword: The Demilitarization of Postwar Japan*, New York: Macmillan; Dower, John W. (1999) *Embracing Defeat: Japan in the Wake of World War II*, New York: W. W. Norton, chapter 15; Minear, Richard H. (1971) *Victors' Justice: The Tokyo War Crimes Trial*, Princeton, NJ: Princeton University Press.
16. See Schaller, Michael (1985) *The American Occupation of Japan: The Origins of the Cold War in East Asia*, New York: Oxford University Press; Ikuhiko, Hata (1976) *Shiroku Nihon Saigumbi*, Tokyo: Bungei Shunjū.
17. See Orr, James E. (2001) *The Victim as Hero: Ideologies of Peace and National Identity in Postwar Japan*, Honolulu: University of Hawaii Press, especially chapter 3.
18. For an excellent discussion of these issues see Yinan, He (2003) "National Mythmaking and the Problems of History in Sino-Japanese Relations", paper presented at Memory of War workshop at Center for International Affairs, Massachusetts Institute of Technology, 24–25 January, unpublished.
19. This has been a central argument of Martha Minow, among others. See Minow, Martha (1999) *Between Vengeance and Forgiveness: Facing History after Genocide and Mass Violence*, Boston, MA: Beacon Press; Minow, Martha (2002) *Memory, Law and Repair*, Princeton, NJ: Princeton University Press.
20. Broomhill, Bruce (2004) *International Justice and the International Criminal Court*, New York: Oxford University Press.
21. See Barkan, Elazar (2001) *The Guilt of Nations: Restitution and Negotiating Historical Injustices*, Baltimore, MD: Johns Hopkins University Press.
22. See Reilly, James (2004) "China's History Activists and the War of Resistance against Japan", *Asian Survey* 44(2), pp. 276–294; Gries, Peter Hays (2004) *China's New Nationalism: Pride, Politics and Diplomacy*, Berkeley, CA: University of California Press.
23. Many Japanese prime ministers had visited the shrine in the past, beginning with Prime Minister Yoshida Shigeru in the 1950s. However, the issue only really took off after 1978, when shrine officials inscribed the names of the class A war criminals in the list of those who were commemorated at the shrine.
24. See Ozawa, Ichiro (1994) *Blueprint for a New Japan: The Rethinking of a Nation*, Tokyo: Kodansha International, pp. 128–129; *Gekkan Keidanren*, April 1992, cited in Yoshida, Yutaka (1995) *Nihonjin no Sensōkan*, Tokyo: Iwanami Shoten.
25. For a compact overview of these developments see Dower, John W. (2002) "An Aptitude for Being Unloved: War and Memory in Japan", in Omer Bartov, Atina Grossman and Mary Nolan, eds, *Crimes of War: Guilt and Denial in the Twentieth Century*, New York: New Press, pp. 217–241. On compensation for forced labour, see Underwood, William (2005) "Chinese Forced Labour, the Japanese Government and the Prospects for Redress", *Japan Focus*, p. 2, available at www.japanfocus.org/products/details/1693.
26. On continuities in the Japanese public's perception of themselves as the victims of war, see Yoshida, note 24 above. On the revisionist movement in Japan, see Yoshibumi, Wakamiya (1998) *The Postwar Conservative View of Asia*, Tokyo: LTCB Library Foundation.

27. The author would like to thank Professor Onuma Yasuaki for his insights on the issue.
28. See *Korean Herald* (2001) "Korea-Japan relations at crucial crossroad", *Korean Herald*, 15 August.
29. Ito, Hiroshi (2003) "Asia Giuans: No nukes in Korea", *Asahi Shimbun*, available at www.Asahi.com/English/world/TKY200310080170.html.
30. *Asahi* (2005) "Tomoranu Chūgoku Han Nichi", *Asahi* satellite edition, 9 April, p. 2; *Asahi* (2005) "Han Nichi Kōdō Kikanu Tōsei", *Asahi* satellite edition, 10 April, p. 3; *Asahi* (2005) "Chūgoku Han Nichi Demo Kakudai", *Asahi* satellite edition, 11 April, p. 1; *Asahi* (2005) "Sōryo Jikan ni Tōseki Nikkeiten Higai", *Asahi* satellite edition, 17 April, p. 1; *Asahi* (2005) "Chūgoku Gaishō, Shazai Sezu", *Asahi* satellite edition, 18 April, p. 1; Yamaguchi, Mari (2005) "Japanese Apology Breaks No New Ground, but Impact Is in the Timing", Associated Press, 22 April.
31. Kahn, Joseph (2005) "Chinese Official Orders End to Anti-Japanese Demonstrations", *New York Times*, 20 April, p. 20. See also Zhao, Suisheng (2005) "China's Pragmatic Nationalism: Is It Manageable?", *Washington Quarterly* 29(1), pp. 131–144, especially pp. 141–142.
32. The text of the speech is available at www.mofa.go.jp/region/asia-paci/meet0504/speech.html.
33. *Asahi* (2005) "Kankoku Daitoryo: 'Nihon, Shinryaku o Seitōka' Takeshima Kyokasho-hihan no Danwa", *Asahi* satellite edition, 24 March, pp. 1, 2 and 7.
34. *Asahi* (2005) "Ajia tonō 'wakai' tōku" ("Reconciliation with Asia Remains Far Off"), *Asahi* satellite edition, 10 May, p. 2; *AFP* (2005) "APEC Meeting Sees Splits Over Trade, Japan's Past", *AFP*, 15 November, available at <http://asia.news.yahoo.com/051115/afp/051115085837.business.html>.
35. Lee, Eun-Jeung (2006) "Kampf um die Vergangenheit in Südkorea: Alte und Neue politische Eliten im Konflikt", paper presented at seminar of Bundeszentrale für politische Bildung, "Die Aufarbeitung der jüngsten Vergangenheit – eine Herausforderung für die politische Bildung in Korea und in Deutschland", Free University of Berlin, 10–13 September, available at www.bpb.de/files/GV8Q58.pdf.
36. See Weinstein, Michael (2006) "South Korea-Japan Dokdo-Takeshima Dispute: Towards Confrontation", *Japan Focus*, 10 May, pp. 2–3, available at <http://japanfocus.org/article.asp?id=596>.
37. *Asahi* (2005) "Ajia Gaiko Yuzuranu Shusho" ("The Prime Minister Refuses to Back Down on Asian Diplomacy"), *Asahi* satellite edition, 15 November, p. 2.
38. *Asahi* (2006) "Sampai Shuhō wa Kotaisho" ("Favourable Contrast in How to Visit the Shrine"), *Asahi* satellite edition, 5 August, p. 2.
39. Green, Mike and Nicholas Szechenyi (2007) "Shinzō Abe and the New Look of Japanese Leadership", *Harvard Asia Pacific Review* (Winter), pp. 29–31, available at www.hcs.harvard.edu/~hapr/winter07_gov/green.pdf.
40. For a useful overview see Przystup, James J. (2007) "Wen in Japan: Ice Melting But ...", *Comparative Connections* (July), pp. 131–145, available at www.csis.org/media/isis/pubs/0702qjapan_china.pdf.
41. The text of Wen's speech is available in English at the Chinese Foreign Ministry's website, www.fmprc.gov.cn/eng/zxxx/t311544.htm#.
42. Abe's approval rating, which had been falling steadily prior to the visit, showed a significant rise of 8 per cent. *Kyodo News* (2007) "Support for Abe Cabinet Marks Big Gains in Mainichi, Nikkei Polls", *Kyodo News*, 30 April, available at <http://asianews.yahoo.com/o70430/kyodo/d8oqktbg0.html>.
43. For a thorough review of the storm over the comfort women and the Abe administration's position on it, see Niksch, Larry (undated) "Japanese Military's 'Comfort Women System'", Congressional Research Service Memorandum, available at <http://en>.

wikisource.org/wiki/Japanese-Military's_%22Comfort-Women%22-System, especially pp. 2–6. International criticism, especially from the United States, forced Abe to reiterate his commitment to the 1993 Kono statement, in which the Japanese government admitted responsibility for forcible recruitment of the so-called “comfort women”. Almost immediately, however, a group of 130 lawmakers criticized his statement. Yoshida, Reiji and Hiroko Nakatra (2007) “Abe Endorses LDP Probe into Wartime Sex Slaves”, *Japan Times*, 9 March, available at <http://search.japantimes.co.jp/mail/nn20070309.a1.html%3Cbr/%3E>.

44. See Ito, Masami (2007) “Hawks Expected to Push Fukuda Hard”, *Japan Times*, 24 September, available at <http://search.japantimes.co.jp/cgi-bin/nn20070924a2.html>.
45. See Acharya, Amitav (2001) *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*, New York and London: Routledge.
46. For an insightful analysis see Alagappa, Muthiah, ed. (2003) *Asian Security Order: Instrumental and Normative Features*, Stanford, CA: Stanford University Press. See also Berger, Thomas (2000) “Set for Stability? Prospects for Cooperation and Conflict in East Asia”, *Review of International Studies* (Spring), pp. 408–428.

6

The function and dysfunction of identity in an institutionalizing process: The case of Northeast Asia

Takashi Oshimura

Issues surrounding Northeast Asian identity

Issues of identity in international relations are of great concern for observers of the post–Cold War world. Yet it is no easy task at this particular moment in time to speak of a regional identity for Northeast Asia.¹ Journalists say that the Sino-Japanese relationship is currently at its worst stage since the restoration of diplomatic ties in 1972. Anti-Japanese sentiment erupting in South Korea and China, in reaction to former Japanese Prime Minister Koizumi's unique philosophy about war victims, has made it unlikely that a regional identity will emerge in the medium term. Among other relevant factors are the limping and often deadlocked Six-Party Talks² and Washington's negative comments on an East Asian Community, not to mention Japan's reluctance in resolving issues related to past atrocities.

In such changing circumstances – evidently changing for the worse – the majority of commentators tend to deny any empathy for an overarching regional identity. They have good reason to be sceptical, to the extent that the above-mentioned factors are usually accompanied by a number of more general impediments: a difficulty in adjusting national identities, the asymmetric structure of power, a large gap between differing world visions, no experience of being unified under the same authority and weak incentives to think of Northeast Asia as a distinct region. Given such impediments, we are inclined to give up on conceiving any shared identity in this geographical space. Instead, open regionalism in East

Institutionalizing Northeast Asia: Regional steps towards global governance, Timmermann and Tsuchiyama (eds), United Nations University Press, 2008, ISBN 978-92-808-1156-8

Asia or the Asia-Pacific seems to be more attractive, in so far as this framework can attenuate national rivalries among Northeast Asians by extending the pie in a horizontal direction so that it may accommodate the ASEAN Regional Forum (ARF), Greater China and even the United States.

This chapter is primarily concerned with exploring how the fostering of an overarching identity may or may not contribute to regional institutionalization. It also responds to the above-mentioned scepticism and attempts to relativize the denial of an overarching identity for Northeast Asia. The point to be emphasized is that, although it was plausible before we witnessed the recent rise of anti-Japanese sentiment in neighbouring countries that Northeast Asian regional cooperation would gradually evolve into regionalization or institutionalization (for definitions see Yamamoto and Higgott and Timmermann in this volume) without any cognitive moment, the newly emerging context urges the various key actors (including governments and civil society) to foster a cognitive kind of regionalism in the form of identity and consensus.

An unwillingness to tackle the issue of identity may be based on a simplistic or impressionist logic: it is more prudent to avoid sensitive topics, like identity or values, in order to keep functional economic cooperation operating. However, the depressing result of a poll by *Asahi Shimbun* in 2005, contrary to all expectations, casts doubts on this prospect for a self-evolving process.

The poll was jointly conducted in Japan, South Korea and the Republic of China; in response to the question “What country will be the most important economic partner in coming years?”, 34 per cent of Koreans said “the United States”, 45 per cent said “China” and just 6 per cent said “Japan”. Among Chinese, 37 per cent of respondents said that the United States will be the most important partner, while 29 per cent said the European Union, 16 per cent said ASEAN and 6 per cent said Japan.³

The poll is illustrative of the fact that, even in the economic domain, awareness lags far behind the reality of interdependence and cooperation. What is the explanation for this gulf between “the way it is” (reality) and “the way one looks at it” (perception)? One constructivist-oriented interpretation would be that since most Chinese do not wish to see their country relying on Japan, they subconsciously deny the reality of the interconnectedness. Also interestingly, according to a poll, two-thirds of Chinese are unaware that Japan is a great donor of official development assistance (ODA) to China.⁴

Thus the current evolution reveals that, unless all major players (Japan, the People’s Republic of China and South Korea) turn their attention to ideational variables such as norms, culture and identity – in

search of a common awareness of geography, values and way of life – further regionalization, or regional institutionalization, is less likely to be successful even in the economic sphere. As Michael Yahuda has argued, despite booming economic relations and deepening economic interdependence, “there has been no corresponding improvement of relations in other spheres, as followers of the liberal persuasion would have expected”.⁵

Methodologically, the realist and politico-economist approach alone provides us with a poor insight into identity problems, as far as it has presupposed power-oriented (or material-based) relationships among nation-states. A more relevant approach here is a constructivist one, to the extent that constructivists have begun to apply their arguments to ASEAN, asserting that norms other than self-help have underpinned ASEAN’s security behaviour, and that the ASEAN member states now hold consensus over key norms and collective identities.⁶ Similarly, the future of the ARF will be dependent largely on how successful its members are in attaining that kind of consensus.⁷ In consequence, we have a full research motive for applying this method to identity issues in Northeast Asia on the working assumption that, for Northeast Asian institutionalization to be achieved, we should raise such issues as mutual understanding, identity sharing and the acknowledgement of economic interconnectedness. Thus a substantial part of the chapter is aimed at exploring in what ways, and by following what steps, regional consciousness can come to be cherished.

In pursuit of this goal, the remainder of the chapter is organized into four sections. It first explores some major theoretical aspects of identity and undertakes a critical examination of the conventional discourses of Northeast Asian identity from a theoretical perspective. It then introduces a comparative and cross-regional approach in reference to Europe, with the object of casting a new light on the issue of Northeast Asian identity. The third section examines the role of identity in institutionalizing regional interactions, while the final section suggests some factors that would contribute to inventing a core of shared identity in this region.

Defining identity

Prior to embarking on a search for an overarching identity in Northeast Asia, we need to deal with a set of theoretical problems. We must take this step of theorizing identity because the way in which we define the term “identity”, as made clear in the constructivist approach, may determine the reality of identity itself. Thus, the basic assumption is that the

way identity looks is largely dependent on the way that we conceptualize it.

Collective identity is a wide-ranging concept that may encompass family ties, ethnic belonging, citizens' affiliation, nationalism and regional solidarity through Kantian cosmopolitanism. Some think that people tend to unite because of something they have in common (blood, birth, land, memory), while others say that people need to unite for a common pursuit (survival, wealth, prosperity, security). Still others consider that people consolidate themselves against an outward threat (a belligerent neighbour, an oppressive majority).

These various patterns of manifesting identity imply that it can hardly be understood as an innate component of human nature; an identity, whether personal or collective, is not in the least imprinted in human instinct. In fact, a greater number of psychologists and sociologists today hold to the basic principle that identification is a social construction, in the sense that the collective identity of one group is contingent on the nature of, and the relations with, other surrounding entities. In their understanding, the sense of collectivity is not essentially an unchanged mind-set but rather a changing (or changeable) idea over time.

Placed into the Northeast Asian context, this newly formulated concept of identity suggests that identities in this region may fluctuate in response to the intra-regional and inter-regional circumstances. Identities operate, at first sight, as a convergent rather than a divergent moment in the region. Northeast Asian countries have a slight memory of once being a main or peripheral part of the Chinese empire. People living in this region have a sense of belonging to the same civilization, categorized as Confucianism. If we speak broadly, they are partially committed to a common set of values, norms and aspirations. Moreover, as a result of the emerging middle class in China and South Korea, a new type of interaction among people (connected by the internet, consumerism and modern cultural experience) has come to form an additional network of regional ties.⁸

Undoubtedly, the nations in Northeast Asia also have their own nationally defined identities, which are so persistent that these identities are likely to collide.⁹ Obsessed with internal ethnic fragmentation, Beijing is making every effort to forge a Chinese national identity; by appealing to identification with past China as a victim of foreign aggressors, Chinese officials and opinion leaders so far have been successful in building nationalistic feeling. Similarly, a sense of national insecurity or vulnerability has resulted in Japan's defence policies, which assume an ever-growing China to be an unstable factor and even a potential threat to Japan.

This volatile nature of nationalized identity seems to support the sceptical view mentioned above about Northeast Asian identity.¹⁰ Obviously, the identity shared across nations can be denied on the assumption that nationally differentiated factors like culture, language and values are impediments to regional integration. Even if we confine our scope to Confucianist civilization, people living there now have tremendous diversity in religion and culture. Hence there is a conviction that each culture must have its core, one which is irreducible to others: a Japanese culture that is unique in its heritage is untranslatable into any other culture. Understood in this way, diverse cultures are bound to be in conflict with each other. This zero-sum view of cultural clash may be defined as “essentialism”.

However, essentialism seems to have confused a nation's security and diplomatic stance (leading to a “threat game”) with identity problems, and thus fails to grasp Northeast Asian historical dynamics since cultural identity in each part of Asia is a compound one: Chinese civilization is understood to be a hybrid of different cultures. Also misguided are those commentators who argue, based on essentialism, that a human being can embrace only a single identity, not plural ones. If someone assimilates himself as an Asian, according to their view, he could never embrace a European – French, German, Italian, etc. – identity without psychological anomaly. Therefore, if he chooses to be assimilated into a European identity, he must give up being an Asian. This formula is all the more plausible when we think, by analogy, that no one is, in principle, permitted to possess several nationalities simultaneously.

Nevertheless, put in the Asian context, this view seems to be both ill-founded and unable to reflect true cultural dynamism. It is an undeniable fact that in Northeast Asia the Western way of life that has penetrated into most Asian value systems in the state-modernizing process has constituted part of Asian identity. Viewed from this perspective, each national identity in East Asia is inherently a multiple identity.

Given that the above theoretical considerations, indicating that one nation's identity can never be regarded as a pure kind, offer a better insight into identity issues, a cross-regional analysis will provide a seminal tool for looking more closely at the changing face of regional identity.

Use and limits of the European analogy

Some observe that Europeans are all committed to Christian values, whereas Asians do not share a common system of comparable values. Others argue that “Europe” is a value-oriented concept while Northeast Asia is, at most, a geographical framework. In either discourse, the Euro-

pean analogy tends to be invoked as an exception that can never be applied to other regions, least of all Northeast Asia. Based on these comparisons, both academics and practitioners concerned with regionalization in Northeast Asian are, for the most part, less enthusiastic about the EU model.

Moreover, by having recourse to the European analogy, some claim that European nations are living under similar types of a pluralistic regime, while political systems in Northeast Asia remain hopelessly diversified, with autocracy, authoritarian government and parliamentary democracies, each having a root in national tradition. Thus, Peter J. Katzenstein and Rudra Sil are sceptical about extending European insight to Asia precisely because the history of the Asian state system was, in contrast to Europe, “shaped for many centuries by the principle of suzerainty”.¹¹ They go on to point out that “most Asian states were located at the European periphery and deeply affected by colonial experience that was simply absent in the relations among the imperialist powers in the European core”.¹²

However, the view of Western Europe as an exceptional case inapplicable to Asia can be challenged based on the following rationales. Behind its common appearance of Christianity, when we look back at its genesis and evolution, European civilization also manifests itself as a hybrid type. With heterogeneous continental geography, and diversity of peoples and identities, European civilization is understood to be a fusion of the complexity of ancient Greek and Roman heritage, Celtic tradition, Germanic feudalism, Slavic and Jewish civilizations and many others. In the case of the European Union, since an overarching identity was not conceived until the economic and political arena of the European Union was sufficiently demarcated, an emerging EU identity cannot be regarded as the cause but rather a by-product of political integration.

If we assume that cultural conformity alone facilitates regional integration, then we fail to explain the difficulty that confronts some Central and South American nations in undertaking regional consolidation despite their having a Spanish tradition in common. In consequence, it can be argued that Asian diversity in culture is not to be automatically regarded as detrimental to regional integration. In fact, Southeast Asia, long described as the Balkans of Asia (having ethnic, linguistic, cultural and religious diversity), has borne witness to the most successful regional cooperation – in the form of ASEAN – of the non-Western world.¹³

Rather, the contrast worth noting is that the Cold War in Europe was fought in a way that enabled a sense of unity to be mobilized among Western Europeans in opposition to the communist bloc. Asian countries, on the contrary, have never taken such advantage of the Cold War (which is not yet completely over in the Korean peninsula).

Nevertheless, it should be noted that the Europe to which Asians looked as a model in the past was not really Europe as such, but an idealized Europe. In retrospect, Asian people, whether colonized or not, attempted to create a centralized nation-state in the European image by overcoming an enduring and deep-rooted intra-state diversity. In this way, Europe has invariably offered a creative pattern of linkage between geographical renegotiation and identity sharing. With all this taken into account, the identity sharing in the European Union may provide, if Northeast Asians are not unwilling to learn a lesson from Europe, a new pattern of interaction among people and places.

The successful output of rationalized relations among the European states suggests that the European dimension of identity does not replace national or local identities, but can be added to already complex formulations and layers of identity. With regard to the apparent sameness observed in European nations, it hardly represents a cultural commonality. Instead, it seems to be a product of a commonly embraced belief that the peaceful world outside the state is ultimately shaped by intra-state democracies.

The lesson to be learned from European inter-state relations would be that the liberal democracy practised in each national unit needs to be complemented by peaceful external relations with other countries. This awareness led Europeans to a consensus that lawful and institutionalized relationships among nations were a prerequisite for domestic well-being, and that neighbouring nations are, in this sense, an indispensable part of each nation's identity. In this process, a legal norm (or the rule of law) was internalized so that all nations adopted the same kind of regime as a quasi-universal standard. Therefore what Asians see from the outside as the common characteristics of European political regimes is procedural democracy emerging out of the political effort, not in the least as a reflection of cultural uniformity.

Northeast Asian regionalism: An ideational construction rather than a self-evolving process

Those who rely on overlapping economic incentives tend to think that renegotiation on sensitive issues, like a common past and history, may hamper rather than facilitate regional identity building. In their understanding, by virtue of a driving force often referred to as “spill-over effects”, nations can gradually cultivate economic exchange from below, from “low politics”, while abstaining from committing to controversial “high politics”. This prudentialism – seeking not to disrupt economic relationships – most often leads to status quo thinking in high politics.

Since political discourses are considered as something to be avoided, a neo-functionalist would think it desirable to focus (in avoiding the politicization of issues) on concrete economic interactions from a technical viewpoint. The firm conviction is that two nations, even those with mutual hatred and antagonism for whatever reason, will equally benefit (in theory) from economic cooperation. However, a solid counter-argument was raised by Michael Yahuda, who said:

notwithstanding the close and significant economic interdependence between China and Japan, there is no corresponding spill over into social, intellectual or security engagement. The result is that the two societies have not come closer together. The recurring disputes about school history textbooks such as the one that emerged in the spring of 2001 are not caused by ignorance of each other's processes of decision-making on the issue. They stem from a failure of empathy on both sides.¹⁴

In conclusion, he writes:

The tremendous expansion of economic exchanges has not led to the emergence of constituencies that have publicly taken a stance in favour of promoting closer ties and against manifestations that evoke hostility towards the other. As we have seen, the contrary seems to be happening as recent trends seem to be driving the two countries further apart.¹⁵

In the Northeast Asian context, two regional particularities, or European and Asian differences, which prevent the spill-over effect from operating at full scale should not be overlooked. In other words, devoid of any support in "high politics", both "low politics" and "middle politics" may be helpful in making economic cooperation among Northeast Asians sustainable – but only in so far as economic incentives overlap.

In the first place, while high politics like security for Western Europeans was provided unilaterally by the United States in the 1950s and 1960s, and this issue never became a source of dispute, the state security issue remains a main locus of dispute in Northeast Asia. If the neo-functionalist approach is less applicable to this region, it is simply because Northeast Asian nations are more firmly attached to their own security culture than other nations. Economic and trading partnerships, at most, camouflage security tensions during periods of booming trade and boosted economies.

Additionally, whereas the communist bloc during the period of the Cold War offered the imperative for unification in Western Europe, the unchanged reality observed in Northeast Asia, by contrast, is the perceived absence of a common "other" against which an alliance among Japanese, Chinese and South Koreans must be formed.

Therefore, Northeast Asians need to find their own driving force for high-politics coordination by means of identity discourse and political will. This will play a crucial role in removing Northeast Asian particularities and consolidating regional economic cooperation. Those players in Northeast Asia who intend to evade politicizing such issues as mediation and historical problems are bound to fail in regional confidence building. To sum up, economic regionalization needs to be complemented with cognitive regionalism promoted by political will. That is one of the reasons why the reconstruction of the past, initiated by strong political leadership, should precede the deepening of regional cooperation.

An encouraging factor, one that might be expected to compensate for the lack of effort in high politics, is that despite the absence of political will, a *de facto* convergence of rules of conduct in “middle politics” is emerging in Northeast Asia. In complying with the same norms, like fair trade and fair markets, or thinking of themselves as living under the same kind of rule, Northeast Asians have the opportunity to converge mutually conflicting approaches to political issues into a similar way of problem-solving. This ultimately may allow for cooperation in high politics.

China is gradually being incorporated into international society in the way that it has begun to abide by binding norms of market capitalism and, to a lesser extent, the basic principles underlying neo-liberalism. It is premature to say whether China can internalize the norms associated with the global standard, but it could manage to arrive at the stage of pre-internalization. To internalize similar norms implies having a common institutional denominator with other nations occupying that regional geography. This is not to say that Northeast Asian countries all share the same ideas and values, or a similar approach to democracy and liberalism. However, we have reason to anticipate that eventual internalization of global standards may help to accelerate the regionalization of legal and political identity.¹⁶

Conclusion

Northeast Asian identity, as we have seen, can hardly be defined on the grounds of common cultural heritage alone. In the course of modern regional history, identities were shaped distinctly in each nation's tradition and in relation to others. Therefore, the best possible route that Northeast Asians may take to identity sharing is to extend their scope to reinvent, rather than confirm, cultural and historical commonality. In this process, Northeast Asians do not need to memorize what they have in common as their direct legacy, but to interweave past and present in pursuit of some redefinition of “Northeast Asian-ness”. The consciousness

(even a newly invented one) of a shared past, as Edward Vickers observed, is fundamental to “the collective identities that underpin the legitimacy of our political regime – so much so that where a shared past does not exist, it may be felt necessary to try to invent one”.¹⁷ This also applies to any transnational cooperation that claims legitimacy and the allegiance of members.

This identity-sharing project is supposed to be the continuous renegotiation of historical events and geographical places, or reconstruction of the meaning of the past in an ideational and psychological dimension. Here again, cognitive moments like mediation, dialogue at the diplomatic level and discussion, communication and education at the level below will play a key role: the dialogue on history textbooks that is under way between Japan and South Korea constitutes one of these endeavours. Significantly, the commonality invented in this way is not likely to replace national identities, but rather will constitute an additional dimension to the existing layer of identities.

The following four potential suggestions/areas may facilitate the invention of regional consciousness.

First, by casting new light on regional history, something unique about Northeast Asians could be invented in relation to other regions. Among promising candidates are Asian values, Asian ways of life, neo-Confucianism and “relationalism” (as opposed to the Western philosophy of individualism). In retrospect, the concept of Asian values associated with popular traditions like respect for community, high work ethics and prioritizing duty over individual rights was influential among the leaders of Asian developing states during the late 1980s.

However, the concept seems to have been too politicized to be examined in academic research. State-centred orientation of Asian values proved to contain nothing more than a negative idea, according to which European values like individual freedom and procedural democracy were undermining social cohesion and becoming obsolete as guiding principles of state development. In that sense, its advocacy was completely of a defensive and particularistic nature. In a similar way, the discourses on Asian values that Mohamad Mahathir and his proponents delivered were based mainly on a “powerful and very sharp distinction between East and West which easily shades into fixed cultural/racial categories” and therefore overlooked “the hybridist of the history of the region”.¹⁸ That explains why the East Asia Economic Caucus (EAEC) proposed by Mahathir had little appeal to South Korea and China, whose attitudes towards Japan are sceptical.

Moreover, although Asian values tend to be formulated in the image of Confucianism by East Asian leaders, their commonality is not so self-evident, to the extent that interpretation of Confucianism has been

localized and some still think that Confucianism tends to preserve feudal practice and thus hamper economically based inter-state cooperation.¹⁹ Therefore, an ideal replacing mere exceptionalism needs to be elaborated in such a way that regional identity may better represent the uniqueness of Northeast Asia; Asian environmentalism inspired by Buddhism and Shintoism is more likely to be an alternative to the Western view of nature.

Second, a sense of affiliation may be forged in the form of a symbol, motto or slogan, and all of these can be effective in uniting people of different cultures. Among these are symbiosis, *kyosei*, unity in diversity and consensual democracy, as opposed to majoritarian democracy in the West, and an Asian industrial market economy as opposed to European social and American liberal marketism.²⁰

Third, the role of élites, including politicians, opinion formers, entrepreneurs, academics and the epistemic community, should not be underestimated, particularly in the shaping of a political and diplomatic identity. As has been the case with Europe, élite networks, along with political leadership, may contribute to forming the hub of interconnectedness. In this respect, personal exchanges and government-sponsored exchange programmes would promote (if not always positive, at least realistic) perceptions of interdependence.

Fourth, and no less significant, is the role of civil society. If Northeast Asians are to learn a lesson from the European process of integration, it would be that the process was initiated and urged from above, namely by policy élites, bureaucrats at Brussels and entrepreneurs in multinational corporations. Northeast Asian nations, by adopting selectively the constituent elements of the EU method, have more chance to be united regionally from below, with the assistance of citizens' interactions beyond borders.

Notes

1. The region referred to as Northeast Asia is more than a geographical referent. It encompasses China, the Korean peninsula and Japan, but occasionally (and intentionally) North Korea is excluded while geographical extensions such as Taiwan and some East and Southeast Asian nations are included in a culturally defined Northeast Asia. An account of the diversities of Asian regional framing is provided by Kim, Samuel S. (2004) "Northeast Asia in the Local-Regional-Global Nexus: Multiple Challenges and Contending Explanations", in Samuel S. Kim, ed., *The International Relations of Northeast Asia*, Lanham, MD: Rowman & Littlefield, pp. 3–51.
2. For a detailed analysis on the Six-Party Talks, see Kikuchi in this volume.
3. *Asahi Shimbun*, 27 April 2005, morning edition.

4. The poll, conducted by Shanghai Searchina Information Consulting, is available at http://news.searchina.ne.jp/disp.cgi?y=2004&d=0108&f=research_0108_001.shtml.
5. Yahuda, Michael (2004) *The International Politics of the Asia-Pacific*, 2nd edn, London: Routledge Curzon, p. 237.
6. For an account of the important role played by identities, narrative and discourse in controlling the ASEAN states' balancing strategies, see Khong, Yuen Foong (2004) "Coping with Strategic Uncertainty: The Role of Institutions and Soft Balancing in Southeast Asia's Post-Cold War Strategy", in J. J. Suh, Peter J. Katzenstein and Allen Carlson, eds, *Rethinking Security in East Asia: Identity, Power, and Efficiency*, Stanford, CA: Stanford University Press, pp. 172–208, at p. 195.
7. Cf. Hill, Cameron J. and William T. Tow (2002) "The ASEAN Regional Forum: Material and Ideational Dynamics", in Mark Beeson, ed., *Reconfiguring East Asia: Regional Institutions and Organizations after the Crisis*, London: Routledge Curzon, pp. 161–184, at pp. 162–163.
8. For more details on this topic see the contributions of Pempel, Kikuchi and Takagi in this volume.
9. A comprehensive study of state-identity formation is provided by Rae, Heather (2002) *State Identities and the Homogenisation of Peoples*, Cambridge: Cambridge University Press.
10. For more references on this scepticism see Yamamoto in this volume.
11. Katzenstein, Peter J. and Rudra Sil (2004) "Rethinking Asian Security: A Case for Analytical Eclecticism", in J. J. Suh, Peter J. Katzenstein and Allen Carlson, eds, *Rethinking Security in East Asia: Identity, Power, and Efficiency*, Stanford, CA: Stanford University Press, pp. 1–33, at p. 23.
12. Ibid.
13. Mahbubani, Kishore (2002) *Can Asians Think? Understanding the Divide between East and West*, South Royalton: Steerforth Press, p. 133.
14. Yahuda, Michael (2000) "The Limits of Economic Interdependence: Sino-Japanese Relations", paper presented at International Studies Association Conference, Los Angeles, available at www.isanet.org/archive/yahuda, p. 11.
15. Ibid.
16. This very process of international norms being domestically internalized through several phases is best described as a "norm-spiral" by Risse, Thomas (1999) "The Socialization of International Human Rights Norms into Domestic Practices: Introduction", in Thomas Risse, Stephen C. Ropp and Kathryn Sikkink, eds, *The Power of Human Rights and Domestic Change*, Cambridge: Cambridge University Press, pp. 1–18.
17. Vickers, Edward (2005) "Introduction: History, Nationalism, and the Politics of Memory", in Edward Vickers and Alisa Jones, eds, *History, Education and National Identity in East Asia*, London: Routledge, pp. 1–30, at p. 6.
18. Berger, Mark T. (1997) "The Triumph of the East? The East Asian Miracle and Post-Cold War Capitalism", in Mark T. Berger and Douglas A. Borer, eds, *The Rise of East Asia: Critical Vision of the Pacific Century*, London: Routledge, pp. 260–287, at p. 275.
19. The principal elements of Confucianist social philosophy are formulated by Zhang, Ymei (2003) *Pacific Asia: The Politics of Development*, London: Routledge, p. 5. Its core values are "social hierarchy, respect for authority, family centredness, filial piety (i.e. the obligation of offspring to look after their elderly parents), benevolent government by virtuous leaders, and individual self-improvement through education". See also Oshimura, Takashi (1999) "In Defense of Asian Colors", *Asia Perspectives* 2(2), pp. 4–6.

20. David W. Rackham, a professor of psychology, explored the role of *kyosei* (conviviality) in fostering a peaceful dynamic within or between particular communities: Rackham, David W. (2005) “Reflections on Peace, Security, and Kyosei from Several Psychological Perspectives”, in Y. Murakami, N. Kawamura and S. Chiba, eds, *Toward a Peaceful Future: Redefining Peace, Security, and Kyosei from a Multidisciplinary Perspective*, Pullman: Thomas S. Foley Institute for Public Policy and Public Service, pp. 27–39.

7

Do alliance networks in Northeast Asia contribute to peace and stability? The US-Japan alliance in focus

Jitsuo Tsuchiyama

Introduction

This chapter tries to shed light on the roles of alliance networks in Northeast Asia in the first quarter of the twenty-first century, focusing especially on the US-Japan alliance. Careful attention is paid to the changing roles and rationale of the alliances after the end of the Cold War period, and an attempt is made to formulate the conditions under which alliance networks are institutionalized in the way that they stabilize security problems in the region.

Over the past decade Japan's roles and responsibilities in the US-Japan alliance have been expanded. Meanwhile, *de facto* alliance networks (or virtual alliances) among the United States, the Republic of Korea, Australia and Japan have emerged in dealing with certain security issues in the region, such as East Timor. On the other hand, the conflicting relations that took shape during the Cold War have not only remained unchanged even after that era ended in Northeast Asia, but these conflicts have been intensified during the last few years. Those potential conflicts include the confrontations on the Korean peninsula and in Sino-Taiwanese relations. Do US-led alliances in Northeast Asia stabilize or destabilize the security relations in general – and those conflicts just mentioned in particular?

Realism versus liberalism

International relations specialists are usually divided into two schools: realism and liberalism. Although there is some cross-over, realists usually pay careful attention to international anarchy, power distribution and the threat of force, since they believe that power and security play a larger role in international politics than do international norms and institutions. In contrast, liberal theorists focus on these norms and institutions, arguing that they can be powerful since they can moderate, for example, power and security dilemma problems. During and after the Cold War, both schools attempted to explain the security situations in Europe and Asia.

Based on their presuppositions, many realists predicted that the North Atlantic Treaty Organization (NATO) and the US-Japan alliance would disintegrate, while liberal theorists predicted the opposite. The evolution of NATO and the development of the European Union (EU) in the post-Cold War era would appear to support liberalism's claim: institutions are apt to develop when actors foresee benefits from adopting their norms and rules. However, for most liberals "the security arrangements in Asia remain a puzzle",¹ since security institutions in Northeast Asia remain limited despite the presence of expected benefits from joining or strengthening institutions.

There is no widely agreed-upon definition of "institutions" in international relations. Most concepts are defined quite broadly, so as to allow the concept to cover almost all international patterns. For example, Hedley Bull defines international institutions as a diplomatic mechanism and the managerial system of inter-state relations. According to Bull, institutions are not organizations but merely "a set of habits and practices shaped towards the realization of common goals".² This chapter defines an "institution" as "a set of rules that stipulate the way in which states should cooperate and compete with each other".³ Though these rules are usually incorporated into international organizations or institutions, it is not organizations and institutions themselves that compel states to follow the rules.

Based on the discussions in the following pages, the chapter will try to show to what extent the security politics in Northeast Asia can be described by an institutional approach. Furthermore, although this chapter will suggest that the institutionalization of security issues in Northeast Asia has progressed more than is commonly understood, it will also consider whether or not the role of security institutions is still limited in this region.

Post–Cold War security debate over Northeast Asia

In the first decade after the end of the Cold War, many international relations specialists began to pay careful attention to security issues in Northeast Asia, because security problems in Asia kept growing. These issues included the Tiananmen Square incident of June 1989, the Japanese-threat problem in the United States caused by Japan's "bubble" economy in the early 1990s, the North Korean nuclear crisis in 1993–1994, the Sino-Taiwanese "missile crisis" in March 1996 (which resulted in China's increasing threat to its neighbouring countries and the United States) and North Korea's shooting of the missile known as Taepodong 1 over Japan in August 1998.

Responding to these dramatic changes and the concerns that followed, the United States tightened its security relations with its alliance partners. For example, the US and Japanese governments revised the guidelines for US-Japanese defence cooperation in September 1997, which made it possible for Japan to take on rear-area functions (logistics support) in the alliance. The United States, Japan and South Korea formed the US-Japan-South Korea Trilateral Coordination and Oversight Group (TCOG), which could be considered as a step towards the creation of a "virtual" alliance among the three countries.⁴

In contrast to the policy-oriented discussions based on realist thinking, liberal approaches were also introduced, and the security problems were widely discussed based on these approaches in the same period. In the first half of the 1990s liberal theorists and pundits debated the prospects of multilateral security cooperation frameworks in Northeast Asia. For example, many considered an Asian version of the Organization for Security and Cooperation in Europe (OSCE) as a policy option in the future. For liberal theorists, multilateral (rather than unilateral or bilateral) approaches are viewed as more desirable and workable, for at least three reasons. Firstly, they consider that America's "unipolar moment" cannot last forever. Secondly, it has been believed that the growing economic and military strength of key states in Northeast Asia will allow them to show resentment against US primacy at some point. Thirdly, as G. John Ikenberry points out, the multicultural character of American political identity reinforced a multilateral foreign policy: the core American identity is "cosmopolitan liberal".⁵

Despite a widespread debate over multilateral as well as institutional approaches to Asian security, there has not been any significant progress in multilateral security frameworks in the region. Why? We can consider several reasons for this.

Firstly, the degree of institutionalization and the cooperative depth in institutions vary according to the topic area and regions. Concerning

economic or environmental issues, a multilateral approach and institution building are apt to take place; this is not always the case when it comes to the topic of security. Although a lot of attention has been paid to the ASEAN Regional Forum (ARF) and the Council for Security Cooperation in the Asia-Pacific (CSCAP), as Keiichi Tsunekawa writes, both the ARF and the CSCAP are no more than supra-regional forums that exchange opinions and information, and they cannot function as a conflict-prevention or conflict-resolution network.⁶

Secondly, a part of the reason stated above is that the United States prefers a bilateral agreement or “hub-and-spoke” security system to a multilateral security framework – not only because the United States has a strong interest in preserving bilateral security arrangements, but also because it wants to keep a free hand in security management. For example, the revised guidelines for US-Japan defence cooperation add a more multilateral character to the US-Japan alliance, although this does not necessarily mean that Japan has been released from its subordinate role in the alliance. Another example is the Korean Peninsula Energy Development Organization (KEDO), which was established by the United States, South Korea and Japan to implement the 1994 agreed framework that was concluded between the United States and North Korea. By providing a way for South Korea and Japan to be involved in the bilateral agreed framework process, KEDO succeeded in transforming the bilateral US-North Korean agreement into a multilateral dialogue among these countries.⁷

Thirdly, the foreign policy orientation of the United States has shifted significantly since the commencement of the George W. Bush administration (and especially after the 11 September attacks against the World Trade Center and the Pentagon), from multilateral to unilateral diplomacy, and from deterrence to a pre-emptive or preventive security policy. Ever since the US decision to attack Iraq in March 2003, the US allies’ resentment and resistance have kept increasing, reaching an unprecedented level. The war on global terrorism could have increased cooperation among major international actors – and thereby reinforced multilateralism and international security institutions. However, if the Bush administration does not stop pursuing its pre-emptive/preventive and unilateral foreign policy, some major powers may adopt “soft balancing” measures that use international institutions and diplomatic frameworks to undermine US foreign policy goals.

As a matter of fact, according to Robert A. Pape, “soft balancing against the United States has begun”.⁸ While the shift in the Bush administration’s foreign policy orientation is not the only factor that prevents security institutions in Northeast Asia from growing, it is certainly one of the most disturbing.

Security in Northeast Asia and the balance of power

Before getting into an analysis of the current international security institutions in Northeast Asia, one must quickly review common understandings of the Northeast Asian security system in the recent past. Although there may be no clear consensus as to what kind of security frameworks are emerging in Northeast Asia at this moment, there does appear to be some agreement that certain kinds of security frameworks exist in this region.

One of the most basic understandings of international security systems is the “balance of power”, but some political scientists consider that there is, as yet, no such concept shared among key Asian countries. It may be true that the mere existence of multiple powers does not constitute a balance of power, since the balance of power is an international institution cultivated in modern Europe within which member states regulate disputes among themselves.⁹ Without a common security interest and institutional mechanisms supported by member states, a balance-of-power system cannot function effectively.

In East Asia it has often been pointed out that China and Japan are too big and “heavy” in size and weight to form a workable balance,¹⁰ a situation quite different from the European experience. Hence, William Chapin wrote that it is “unlikely that Asia will develop any really independent balance system”.¹¹ The fact that there has been no comfortable balance-of-power system in Asia has made it difficult to build a sensible security framework in this region.

Today, however, most international relations specialists recognize that a balance of power in Northeast Asia has been emerging. For example, Paul Dibb points out that the balance of power among five states – namely China, Japan, India, Russia and the United States – is a new phenomenon in Asia’s international order; and notes that “it is power balance and economic growth that are the main security variables” in Asia.¹² Kenneth Waltz recently wrote that “the actions and reactions of China, Japan, and South Korea, with or without American participation, are creating a new balance of power in East Asia, which is becoming part of the new balance of power in the world”.¹³

When Dibb and Waltz say that a balance of power is emerging in East Asia, they perhaps mean that what Michael Doyle calls “structural balance” (a balance among antagonistic powers opposing each other) is emerging.¹⁴ Asian states have already accumulated substantial economic and military power to form a workable balance among themselves. Considering all the new developments in Asia, many international relations specialists have now come to accept the view that a balance of power as a mechanical artefact is emerging in the region.

Yet some may wonder if we can conclude that the emerging balance of power in East Asia is institutional, which requires preconditions such as a sense of common interest and shared identity, as well as legitimacy and a common cultural basis shared by member states. Without sharing these elements and the institutional setting for crisis prevention and management in the region, the balance of power to be used for security problem-solving cannot be expected to function well. When Paul Dibb writes that the Asian system is “not yet capable of promoting common policies because there is no agreement on what might constitute interests”,¹⁵ he probably means that the balance of power in Asia has remained weak because institutional “bonding” is still not strong enough to manage the region’s security issues.

Due to these characteristics of the balance of power in East Asia, Asian security has depended – and is likely to continue to depend – more on external powers, especially the US military presence in the Asia-Pacific and American willingness to use its military force for security and stability in the region. US security networks, based on its bilateral alliance commitments with Asian allies, are expected to take such a role.

It may be noted, however, that American commitment to the alliance relations with Asian countries is basically the outgrowth of the wars the United States conducted in Asia, especially the Pacific War (Second World War) and the war in Korea. Though it may be true that US commitment and its military presence in Asia have been sources of stability, they have also been sources of instability, as some of the wars and crises that broke out there indicate.

Besides the historical and strategic characteristics of Asian security relations mentioned above, the balance of power in Asia has had a few flaws. Firstly, as contrasted with the European case, there is no such idea as “*raison de systeme*”,¹⁶ which is a common interest in terms of power and security shared by key member states. There is no country in Asia that plays the role of “balancer”, either. Secondly, as has been pointed out in European cases, most leading Asian states are interested in a balance of power that is in their favour. Managing a balance of power sometimes produces security competition between rival states, because, as Hans J. Morgenthau writes, “all nations must actually aim not at a balance ... but at superiority of power in their own behalf”.¹⁷

Similarly, in the words of Nicholas Spykman, “Not an equilibrium, but a generous margin is their objective. There is no security in being just as strong as a potential enemy; there is security only in being a little stronger ... there is a chance for positive foreign policy only if there is a margin of force which can be freely used.”¹⁸ In this context, the balance of power that Asian states (as in the cases in Europe) desire is “the one

which neutralizes other states”.¹⁹ The alliances in Northeast Asia aim at these political purposes, and it does not make much difference to most Asian alliance strategies whether or not the Cold War is over.

To sum up, one can say that a balance of power in Asia has emerged in the sense that some leading Asian powers and non-Asian great powers are competing with and sometimes opposing each other. Yet the balance-of-power politics in Northeast Asia has not developed the norms and rules that constitute a multilateral security institution: i.e. the balance-of-power politics in the region has not been well institutionalized to form a common concept or mechanism for making a balance.

The alliance system as a security institution: Introducing the example of the US-Japan alliance

This section will focus more on the roles of alliances, because a regional security order in Northeast Asia has been managed largely by bilateral alliances with the United States. Yet most major US alliances in Northeast Asia – namely the US-Japan alliance, the US-Korea alliance and US-Taiwan security relations – were concluded as a result of wars and crises in which the United States participated.

Furthermore, since there have been continuous conflicts in Asia, including the Taiwan Straits Incident, the Viet Nam War, the Sino-Soviet War, the Sino-Vietnamese War and the Taiwan missile crisis, multilateral security cooperation has not been considered feasible, even if desirable. Unlike European security arrangements developed especially after the Cold War ended, the potential military conflicts in Northeast Asia have not been mitigated – indeed, some have become more intense over the past few years.

In contrast to Northeast Asia, multilateral institutions have been emerging in the security arrangements in Southeast Asia. Examples include the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) and the East Asia Summit meeting. ASEAN countries are promoting multilateral security frameworks, in part because these middle powers consider that multilateral institutions are more helpful to enhance their national interest and influence than unilateral or bilateral diplomacy.

In contrast, multilateral security institutions in Northeast Asia have not developed much, because of unresolved security conflicts in the region; the US belief that a unilateral approach and key bilateral security alliances provide the foundation of Northeast Asian security; the Chinese government’s reluctance to be bound by US-led multilateral and bilateral security frameworks; and Japan’s adherence to the US-Japan alliance.

In the case of Japan, diplomacy after the Second World War heavily depended on the US grand design and its power, and it will be difficult for Japan to shift its stance from diplomacy based on bilateral security relations with the United States to a multilateral security institution approach in a short period of time. There are several reasons why it is not easy for Japan to take a multilateral approach.²⁰

Firstly, modern Japan has used bilateral alliances as a principal concept and tool to identify itself within the international order. When the Japanese sought an alliance partner in the past, they always bet on the “winning horse”: a hegemonic power that controlled an international order. Not only in the cases of the Anglo-Japanese and US-Japan alliances, but also in the case of the Italian-German-Japanese alliance (the Axis Pact) of 1940, Japan joined the alliance in the hope that its counterpart, even in the case of the Germany-Japan alliance, would in the end control the world.

Second, and relating to the first point, since Japan’s basic rationale for alliance making is bandwagoning, it has not seriously considered taking military collective action in a future crisis. In the case of the Anglo-Japanese alliance, for example, both governments closely discussed collective military action problems, whereas both the governments in the US-Japanese security arrangement carefully avoided dealing with this matter because of Japan’s constitutional, strategic and political constraints during at least the first two decades of the twentieth century.

Thirdly, in the US-Japan alliance the Japanese had a “fear of entrapment” – the fear that Japan might be unwillingly involved in an ally’s war – since they perceived a high risk of entanglement in American wars in Asia, beginning with the Korean War and ending with the Viet Nam War. This is another reason why Japanese alliances in the past and present have not been institutionalized, as compared with major Euro-American alliance arrangements.

Japan’s security strategy since the Second World War has been quite simple: it has called for a US security guarantee in exchange for its acceptance of US military bases in Japan. While US military bases can be used for attainment of US national interest, the Japanese leaders expected that the bases in Japan could function to deter aggression against Japan and to defend it should deterrence fail.

As a consequence of this rationale for a security treaty, Japanese leaders did not have strong incentives to discuss the rules and procedures of crisis management or collective defence within the US-Japan security framework. In part because of this, they did not use the word “alliance” to describe the security relations with the United States during the first three decades of the twentieth century; as a result, the US-Japan alliance arrangement was not significantly institutionalized until the negotiations

for the guidelines for US-Japan defence cooperation began in the mid-1970s. Though Japan's international position in the world was gradually becoming stronger in the 1960s, its rationale for its alliance making and management (stated above) remained unchanged until the mid-1970s.

Institutionalizing the US-Japan alliance

As Okinawa was returned to Japan in 1972, Japan's alliance dilemma gradually shifted from the fear of entrapment, which dominated the decision-makers' minds in the 1950s and 1960s, to the fear of abandonment. A series of international events took place in the early 1970s that changed the Japanese perception of US-Japan security relations: the US-Japan trade dispute over textiles; the so-called "Nixon shock" in the summer of 1971; the Sino-US rapprochement of February 1972; the US-North Viet Nam peace treaty of 1973; the collapse of the South Vietnamese regime in 1975; and the US plan to withdraw its ground forces from South Korea. Leadership problems in both Washington and Tokyo aroused further worries among Japanese policy-makers.

With these events, a fear of abandonment arose among Japanese leaders in the mid-1970s. The political environment at the time forced the Takeo Miki administration to undertake new alliance policy initiatives. One of the new policies was the guidelines for US-Japan defence cooperation, concluded in 1978, which aimed at ensuring military cooperation between the Self-Defence Force (SDF) of Japan and US forces, including the Korean contingency, stationed in Japan in case of a crisis in the vicinity. For the first time since the inception of US-Japan security relations, Japan took an important step which made it possible for Japan to take joint action in institutionalizing the alliance network.

In May 1981 the Zenko Suzuki administration committed Japan to protect the sea-lanes of communication (SLOC) within 1,000 miles of Japan. Furthermore, the Yasuhiro Nakasone administration accelerated Japan's defence build-up under the name of burden sharing with the United States and strengthened the alliance relations (for instance, by removing the Diet's resolution limiting Japan's defence expenditures to 1 per cent of GNP). When Japan's response to the Gulf crisis was criticized by the United States in 1990–1991, the Japanese government took several steps that Japan had never taken before: it sent minesweepers to the Gulf in April 1991; the Japanese Diet passed the International Peace Cooperation Law in June 1992, making it possible for Japan to participate in UN peacekeeping activities; and Japan sent the SDF to Cambodia to participate in UN peacekeeping operations in September 1992.

In 1997 Japan and the United States revised the 1978 guidelines to make it possible for the SDF to extend its “rear-area” support for US forces in “situations in areas surrounding Japan”. The revision of the guidelines was the *de facto* redefinition of the US-Japan security treaty, since the new guidelines went beyond the stipulations of the 1960 security treaty. Prior to the revision of the guidelines, the Japanese government had adopted a new National Defence Program Outline (NDPO) in order to make it possible for Japan to undertake defence cooperation in “situations in areas surrounding Japan”.

Institutionalization of the US-Japan alliance progressed further in the mid-1990s, as Japan participated in multilateral security cooperation efforts that were emerging in Asia. For instance, Japan, Australia, New Zealand, the Philippines, Singapore, South Korea, Thailand and the United States contributed international forces to the operations in East Timor, and Japan provided C-130 aircraft for transporting humanitarian supplies. Although the nations are not allied with each other officially, relations among South Korea, Australia and Japan have come to constitute a *de facto* or virtual alliance.

In response to the 11 September terrorist attacks, the Junichiro Koizumi administration immediately passed the Anti-Terrorism Special Measures Law (ATSML). The new law allows Japan’s SDF to operate in non-combat areas; to provide fuel and supplies to US and other countries’ forces; to transport weapons and ammunition by sea; to provide medical care to wounded soldiers; and to handle refugees. In 2003 the Koizumi administration took a further step: the government passed the Law Concerning Special Measures on Humanitarian and Reconstruction Assistance (LCSMHRA), which authorized the dispatch of SDF troops to Iraq. Japan subsequently sent an SDF contingent to Iraq for three years.

As these new shifts in Japan’s alliance policy indicate, Japan has expanded its security role in international society mostly by tightening US-Japan defence cooperation in the past decade. The international crises and negotiations that followed after the Gulf War – such as the North Korean nuclear crisis, China’s missile crisis *vis-à-vis* Taiwan and the 11 September terrorist attacks – have provided Japan with opportunities to institutionalize the US-Japan alliance and expand its security role.

Though carefully avoiding constitutional contraventions, Japan is already adopting a security role that is perhaps larger than that designed by the new 1997 defence guidelines. In reaching an agreement in May 2006 on the realignment of US forces in Japan, the Japanese and US governments succeeded in writing a blueprint for a new alliance centred on close cooperation between the SDF and the US military forces stationed in Japan. “Japan is now seen to have reached the point of no return in

moving towards acting as a 'normal' military power, a partner for international security cooperation, and a more committed US ally", as Christopher Hughes recently wrote.²¹ In this context, the debate on whether Japan should revise article 9 (the "renunciation of war" clause) of its constitution has become a central concern for Japanese decision-makers and the public.

From the mid-1990s onward, opinion polls taken by Japanese newspapers indicate that the majority of the public are in favour of revising the constitution. However, it appears that a strong national consensus to amend article 9 itself has not yet formed. The constitutional amendment procedure requires a two-thirds majority in both houses of the Diet and a simple majority in a national referendum, and contrary to media reports, there appears to be no significant development on the revision of article 9, though Japan will be able to revise the constitution in the years to come. Thus Japan is carefully maintaining the balance between the constitutional constraints that article 9 presents and the recently developed closer security relations with the United States.²²

Generally speaking, institutionalized alliances are better prepared than "paper" alliances to control a crisis, as institutionalization reduces ambiguity and concerns of being cheated. Alliances are even more durable and reliable when allies share common strategic interests and cultural values. Compared to the Euro-American alliance, the US-centred Asian alliance networks have been managed more by strategic interests than shared cultural values. Nevertheless, in the past few years it can be observed that the US-led Cold War alliance networks in Northeast Asia have been transformed into new types of security institutions for coping with regional security operations such as peacekeeping, peacebuilding, non-combatant evacuation operations, disaster relief exercises and anti-terrorist activities. To deal with these security issues and agendas, as mentioned earlier, Japan and other US allies in Asia have formed a *de facto* multilateral alliance.

A closer US-Japan alliance and tension between Asian powers

However, since not all states in Northeast Asia accept the US hegemonic order or America's "empire", US-led alliances in this region may generate security dilemmas and crises, especially between North Korea, China, Japan and the United States. There have been a number of international relations studies which point to the possibility of crisis between China and Japan, in particular. In Japanese eyes, the threat of China is rising, while Chinese concern increased when Japan and the United States

revised the US-Japan guidelines for defence cooperation in the late 1990s. Chinese leaders also worry about the deployment of missile defence forces in Japan, in conjunction with their problem relating to Taiwan.

There have been other problems between China and Japan. Since they have not overcome their historical difficulties yet, both are still suffering from the legacy of the Sino-Japanese War. On the one hand, the Japanese continue to consider that the most important security guarantee is strong security relations with the United States. On the other hand, China demands that Japan's military role in Northeast Asia be reduced in order subtly to oppose Japan's enlarged defence cooperation with the United States. While Japan's influence in the international economy and politics has not increased much during the past 10 years, China's influence in these areas has been growing due to its rising power in both economic and military terms. Though the Japanese majority had positive feelings towards China throughout the 1990s, negative views towards China rose among the Japanese public in the early twenty-first century because of China's rising strength and the Chinese government's anti-Japan diplomacy initiated by President Jiang Zemin.

A Taiwan contingency in the future may create another problem in the relations between China and Japan. Due to several diplomatic steps the Japanese government took within the framework of the US-Japan alliance, the Chinese consider that Tokyo's strategic distance from Washington has been reduced regarding its defence policy *vis-à-vis* Taiwan. For example, the Japanese government decided to collaborate with the United States for research on missile defence shortly after North Korea fired the Taepodong 1 missile over Japan in August 1998. Theoretically, the deployment of a ship-based missile defence system in the area of Japan may have strategic implications in a future cross-strait crisis, even if the Japanese government had no such strategic intention.²³ Whether a future Japanese government is able to include a Taiwan contingency in "situations in areas surrounding Japan" would have a decisive impact on both the US-Japan alliance and Sino-Japanese relations. Should the United States not prevent a dispute over Taiwan, as Barry Buzan and Ole Waever predict, the credibility of US engagement in Asia would be lost. Yet should Japan not extend alliance support to the United States during a crisis, the US-Japan alliance would be broken off.²⁴ To prevent a future Sino-Japanese clash, both the Chinese and the Japanese governments have to engage in a substantive bilateral security policy discussion that could serve as a basis for crisis avoidance and reconciliation.²⁵

The Japanese government and public have also paid careful attention to peace and stability in the Korean peninsula since the Second World War ended, because of Japan's historical, political and strategic interests. After all, it was the unexpected war that broke out in Korea that pro-

vided an opportunity as well as the sense of necessity for the United States and Japan to form a security arrangement. Ever since, the policy-makers of these two governments have identified a Korean crisis as a major source of instability for Asian security. Therefore, even when the Japanese government imposed the “prior consultation” clause in article 6 of the 1960 revised security treaty that granted the United States the use of its military forces and facilities in Japan for the purpose of “security in the Far East”, in the hope that Japan would not become involved in US conflicts in Asia, a loophole was made. In theory, it was explained, without having Japanese agreement, no more than one army division, one navy task force or one air force division of US forces stationed in Japan could be deployed or withdrawn, nor could the United States bring nuclear weapons into Japanese waters or territory, and US forces in Japan could not be sent to participate in combat operations outside Japan. In practice, however, we now know that the two governments tacitly understood each other that US forces in Japan can be sent as UN forces to participate in combat operations in Korea even *without* having prior consultation from the Japanese government in the case of a Korean crisis.²⁶

When important diplomatic decisions were made between Japan and the United States, notably for example in 1960, 1969, 1978 and 1997, a Korean factor was a key element in the minds of US and Japanese decision-makers. Thus it is quite natural for the Japanese to consider how to prevent North Korea’s nuclearization and missile build-up, and to have located these problems as a central security concern for Japan from the mid-1990s onwards. To deal with the problem of North Korea, two multilateral diplomatic and security institutions were constructed. First, the Korean Energy Development Organization was established in 1995 to implement the agreed framework concluded between North Korea and the United States in 1994. The George W. Bush administration, however, demolished KEDO before the plan materialized, and established the Six-Party Talks as an alternative. Yet the Six-Party Talks have not succeeded in dissuading North Korea from going nuclear; it fired seven missiles into the Sea of Japan on 5 July 2006, and tested a nuclear device on 9 October of the same year. Although the best North Korea could hope for would be a sense of deep insecurity even if it obtained a nuclear weapon, its possession of nuclear weapons could dramatically change the military balance in East Asia. For example, if the Japanese or American public came to believe that they could be hit by North Korean nuclear missiles in a future crisis, US and Japanese decision-makers may find it difficult to take pre-emptive action or even defensive use of military forces *vis-à-vis* North Korea. This may be a rationale as to why the Kim Jong-il regime wants a nuclear weapon at hand. As in

the case of a Taiwan contingency in the future, the Japanese government would have to decide whether North Korea's possession of nuclear weapons can be identified as "situations in the area surrounding Japan".

As Victor Cha and David Kang point out, since North Korea has kept losing instead of gaining strategic interests and advantages, as North Koreans believe they have, the likelihood of North Korea's pre-emptive/preventive action appears to be quite high. The chance of military forces being used will increase when North Korean leaders become convinced that their regime can no longer survive. We should pay careful attention to the fact that a pre-emptive action is often motivated by fear rather than an expected gain.²⁷

Though we do not know whether the Six-Party Talks or other diplomatic institutions can prevent North Korea from developing a nuclear weapon, the diplomatic relations among the other five member states were improved by the summit as well as other high-level government officials' meetings held just after North Korea conducted underground nuclear tests. Especially since both the Chinese and the South Korean governments decided to adopt tougher policies *vis-à-vis* North Korea, the relations between the United States, South Korea and China have been improved by developing a more comprehensive strategy on North Korea.

Even though the benefits that each member would receive from successful Six-Party Talks may be different, all parties including North Korea would benefit. If they should succeed in preventing North Korea's nuclear development, cooperation among the six countries would become one of the very few successful security institutions in Northeast Asia.

As described in this chapter, the US-led bilateral alliances in Northeast Asia, notably the US-Japan alliance, have dual functions in managing security problems in the region. The alliances are expected to be a reassurance to all key countries, which means that each party feels insecure without the alliance networks it has at present. On the other hand, these alliances could escalate a crisis in the Korean peninsula and a dispute over Taiwan if they operate carelessly. To avoid inattentive use of US-led bilateral alliances, it will be wise and even necessary to strengthen the multilateral security institutions in Northeast Asia as supplements to the US bilateral alliance networks.

Conclusion

After the Cold War ended, many international relations specialists and practitioners came to believe that bilateral security arrangements in Northeast Asia would or should be transformed into more indigenous

multilateral security institutions. Many are even critical of the existing security system, since they consider that the alliances are US-dominated rather than based on regional interests.²⁸

Cooperation has been developed in topic areas such as trade, finance, environment and human rights, but cooperative institutional frameworks have not much changed in the area of security. Unlike in Europe and Southeast Asia, the end of the Cold War has had only a minimal effect on security affairs in Northeast Asia.²⁹

As it is often the case that states are mainly interested in a balance of power which is in their favour,³⁰ the states in Northeast Asia are primarily interested in forming and maintaining security institutions in order to enhance their own power and security. The institutions these states desire are those which neutralize other states, leaving the home country free to manage its international environments. Therefore, the way the security problems in Northeast East are institutionalized reflects the power, interests, history and culture of member countries. The security institutions these countries want to build are not the same: some favour multilateral security institutions, but others prefer bilateral or unilateral approaches. For example, the United States prefers unilateral/bilateral approaches to Asia, and is therefore sometimes against multilateral security institutions which may serve as a substitute to US-led bilateral arrangements. This is one of the reasons why strong multilateral security institutions have not yet developed in Northeast Asia, despite the presence of calculated benefits from cooperation.

As with East Asia, many countries trust the United States more than they trust each other. In the case of Japan, it does not yet have a decisive future vision of the security world in Northeast Asia, beyond the fact that it will continue to depend on the US security guarantee. South Korea has a similar dilemma to Japan, but the South Korean government faces an even more difficult situation than Japan given the problem of North Korea. China considers the United States as a threat to its own security, such that it would prefer to adopt all sorts of multilateral institutions to diminish the influence of US engagement in Northeast Asian security. Yet none of these countries looks likely to acquire regional leadership in the near future. As a result, most recently formed institutions in Asia continue to be no more than forums to exchange views and information, and cannot by themselves provide adequate leadership to prevent or solve international security conflicts.

Due to these factors and the situation mentioned above, security institutionalization in Northeast Asia is expected to grow rather slowly in the years to come. Though security institutions will gradually gain greater influence in the long run, the governments in the region will have to design and form security institutions that can concede each other.

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8

Northeast Asian security community: From concepts to practices

Shin-wha Lee

Introduction

Despite multilateral security cooperation efforts in Northeast Asia over the past decade, the level of cooperation in the region remains nascent when compared with other regions in the world. While formal institutional arrangements are progressing through the European Union (EU), the Association of Southeast Asian Nations (ASEAN), the North American Free Trade Agreement (NAFTA), the Caribbean Community (CARICOM) and the Southern Common Market (Mercosur), Northeast Asia lacks an institutional framework for intergovernmental cooperation, with no regional power playing a leading and responsible role in the cooperative process.

Furthermore, historical antagonism, political confrontation, military build-up and an economic development gap are obstacles to establishing a multilateral cooperation regime in the region. Even after the end of the Cold War, political and military issues linger on as direct or potential threats to regional security, making it difficult to pursue regionalism. In recent years a series of events – such as the North Korean nuclear issue, historical and territorial conflict between Japan and its neighbouring countries and the rise of nationalism – have further increased regional instability and uncertainty.

Still, cultural, people-to-people exchanges and economic cooperation among the Northeast Asian countries have yielded visible achievements

in the post-Cold War era. The Asian financial crisis of 1997 provided an opportunity for countries to pay considerable attention to regional cooperation from the perspective of “institutionalized collaboration”, not only in the economic sphere but also in the political and social arenas. It is also encouraging to note that discussions on various issues related to regional cooperation (including security cooperation) have been pursued at both Track I (intergovernmental) and Track II (non-governmental) levels. One distinct example is the Six-Party Talks process (a special multilateral arrangement between the two Koreas, the United States, Japan, China and Russia, initiated in August 2003 with the aim of peacefully resolving the North Korean nuclear issue), which has triggered hopeful prospects of a new framework for security cooperation in Northeast Asia. Although this will depend on whether or not the talks are successful in bringing about a multilateral solution to the North Korean nuclear crisis, such expectations are something totally new to the region.

In addition, a broader concept of security that is being developed in Northeast Asia encompasses not only traditional, military and political concerns, but also non-traditional and non-military issues. In this process, the governments and people of Northeast Asia have become increasingly aware of the need for greater discussion, exchange and cooperation in dealing with transnational issues, such as yellow sandstorms and bird flu. Yet any discussion on the institutionalization of regional cooperation efforts would first require a concrete examination of how to coordinate individual national interests and different policy directions. The task of establishing a regional security cooperation regime that would satisfy all the countries involved will be a tall order.¹

Against this background, this chapter seeks to enhance academic and public awareness and debate on the need for regional cooperation in Northeast Asia in order to manage ongoing and future crisis situations in the region effectively. It is necessary to identify the types and development processes of existing multilateral security cooperation in the region, and explore ways to realize the institutionalization of regional security cooperation as part of a vital step towards creating a Northeast Asian security community. After examining the concepts and significance of multilateral security cooperation and regional multilateral security, this chapter reviews intergovernmental and non-governmental efforts in institutionalizing multilateral security cooperation. The chapter then discusses the challenges and opportunities that security cooperation will bring to the region, with particular emphasis on why multilateral cooperation among South Korea, Japan and China is difficult as well as what possible strategies and action plans for cooperation can be developed in the areas of both traditional and non-traditional security.

Theoretical observations on multilateral security cooperation

Multilateralism

The concept of multilateralism has become a major issue for academic discourse with the development of neo-institutionalist theory. The basic concept of multilateralism refers to the organization and institutionalization of state interactions through multilateral relations rather than through bilateral means. Robert Keohane defined multilateralism as customs by which three or more countries coordinate their state policy,² and John Ruggie viewed it as an institutional form that coordinates the relations of more than three countries based on generalized action principles, regardless of the specific interests or strategic needs of a group that can exist in certain circumstances.³ Meanwhile, James Caporaso pointed out the principal characteristics of multilateralism as “generalized non-discriminatory codes of conduct” in which state relations are regulated by certain general norms, “indivisibility of values” in which costs/profits produced from the increased interdependence among countries are intermingled in a complex form, and “diffused reciprocity” in which the profits that are produced from the countries’ mutual relations (or expectations for such) are comprehensively dispersed over a whole range of issues and in several periods.⁴

Multilateralism is not merely cooperative relations among more than three countries. Rather, considering that it refers to cooperation under a universal action principle that applies to all countries without any exception, multilateralism is a crucial concept for explaining and applying an extended notion of comprehensive security which goes beyond the military-centred state security perspective in both its subject and its object. In particular, this multilateral framework enables individual countries to coordinate and manage transnational non-traditional security threats better, and to adapt to complex domestic and overseas conflicts and changes under an uncertain international order with more resilience and flexibility. In this respect, the need for security cooperation based on multilateralism is rising.

Multilateral security cooperation

Under the assumption that it is too dangerous for individual countries to deal with material issues such as war and peace based on their subjective judgements, security cooperation can be understood as a means to prevent individual countries’ perilous “adventurism” and state egoism as well as to enhance trust among countries in the international community, in which the survival of a state is the most important issue. Therefore,

multilateral security cooperation can be defined as regional or global mutual cooperation in which more than three countries are to coordinate their security-related policies and make adequate plans for dispute resolution in order to ensure and promote common security.⁵ It is an institutional process that is organized by a group of countries with the aim of reducing or preventing the effects of political, military, economic, environmental, cultural and social factors upon conflict, so as to promote security and peace at both international and regional levels.

This concept of multilateral security cooperation is in line with the concept of “cooperative security” that aims to address security issues without targeting a virtual enemy and to reduce/remove any types of threats to security through dialogue, confidence-building and preventive diplomacy measures.⁶ In addition, “common security”, which promotes common survival through dialogue and compromise instead of assuring security based on mutual distrust among countries and the strengthening of military forces, also shares similarities with multilateral security cooperation.⁷ On the other hand, “collective security” (which employs collective response measures against aggressors but does not discriminate between enemies and friends until the acts of aggression occur) and “collective defence” (which sets up a virtual enemy and is centred on military alliances, such as NATO, that discriminate between enemies and friends even in times of peace) are distinguished from cooperative security and multilateral security.⁸

The ultimate goal of multilateral security cooperation is to build security cooperation that can further expand mutual reassurance by organizing and institutionalizing the channels for dialogue, thereby enabling the exchange of views and the coordination of different opinions on common problems facing the participating countries. In order to achieve this goal, a series of “cooperative processes” should precede, including preparing an instrument for confidence and security building, exploring means to resolve regional conflicts peacefully and regularizing consultation and dialogue among countries on political and security-related issues. Such efforts are complementary to existing security regimes and international organizations, rather than minimizing or substituting their roles.

Regional multilateral cooperation and integration

Regional multilateral security cooperation refers to the idealistic logic that seeks conflict prevention, crisis management, peaceful resolution of conflict and co-prosperity through reconciliation and cooperation. It tries to resolve pending security issues through dialogues while excluding the use of authoritative and physical power (such as military force and economic sanctions). This concept emerged as a means to resolve grave

confrontation and conflict between Eastern and Western Europe during the Cold War.⁹ As the concept of security has expanded to the aforementioned comprehensive security in the post-Cold War era, deliberation about regional multilateral security cooperation began to gain momentum in Asia as well as in Europe. For example, studying the relationships of Northeast Asian multilateral security cooperation and looking at precedent models – including the Conference on Security and Cooperation in Europe (CSCE) and the Organization for Security and Cooperation in Europe (OSCE) – will enable the promotion of cooperative security based on the concept of comprehensive security in order to divorce from the military-power-oriented state security perspective, eliminate common threats by overcoming nationalism among countries within the region, resolve actual and potential conflict factors and pursue common security.

In the case of East Asia, the governments have begun to expand networks that cross national borders and facilitate regional connectedness.¹⁰ There has also been lively ongoing discussion on the need to institutionalize regional multilateralism in dealing with security issues. The ASEAN Regional Forum (ARF) is a distinct example of an institutionalized and formalized regional cooperative entity that was created for security cooperation among East Asian countries. Still, arguments on ways to approach and identify the regional scope of multilateralism (particularly on the issue of security) are part of that debate. For instance, issues in current discussion include whether to consider the entire Asia-Pacific region in designing multilateral cooperation or to limit the scope to Northeast Asia, and whether to emphasize only government-level cooperation or also to include non-governmental cooperation. There is also an energetic debate on what issues or means can facilitate a more comprehensive and sustainable regional cooperation or integration. The ARF is led by national governments, and its primary mandate focuses on security issues (both traditional and non-traditional) that are specific to Southeast Asia.

Here, regional integration is considered to be a process of regime building to manage and facilitate interdependence among states. It also refers to a process of institutionalizing common decision-making means by coordinating the policies of countries based on environmental, economic and other issue-related cooperation at the regional level. Theories explaining regional integration can be categorized as follows:

- *the “cumulative approach”*, which argues that with an increase in policy interdependence in common agendas, functional cooperation is habitualized and the consequential spill-over effect helps to achieve eventual integration
- *the institutionalist position*, which explains that the establishment of region-level institutions accelerates cooperation and thus maintains and deepens the tendency for integration

- “*intergovernmentalism*”, in which the political aspects are emphasized and the sharing process of policy preferences helps to achieve an integrated negotiation and decision-making process of states
- *the epistemological/constructivist approach*, which emphasizes the aspects of region-level identity and consciousness as a community.¹¹

However, scholars’ views vary greatly with regard to the functional integration of East Asia. Such variance is clearly seen in the approach to environmental issues. There is a functionalist perspective, which asserts that the cooperative regional-level approach to the region’s common environmental issues not only suggests the environmental threats the region faces, but also makes concrete and maintains the process of regional exchange and cooperation. This enables dialogue among the countries and exchanges of views on issues involving acute confrontation of national interests (e.g. political and military issues), which will ultimately bring about “integration”.¹²

On the other hand, there is an opinion that the success of cooperation is decisively affected by the region’s political climate, in which certain issues are competing. Environment-related issues are often seen as a secondary agenda at best, even in comprehensive and balanced regionalism. Although the region’s governments agree on including environmental issues in establishing regional cooperation or integration, they will not put forth collective efforts for the environment. At worst, if endeavours for regional cooperation were to be threatened by political or economic stagnation, it is certain that hopes for a regional cooperative entity for urgent issues will be set aside until regionalism regains its significance.¹³

The international relations of Northeast Asia can be characterized by the difficulties in enhancing integration from the areas of “low politics” to the issues of “high politics”. As was argued by Stanley Hoffman, functionalistic integration seems not to be happening, due to nationalistic aspirations and interest-centred state behaviour.¹⁴ Furthermore, previous cooperation was put in peril in Northeast Asia when politically sensitive issues arose. This confirms that the functionalist approach is enclosed with limitations in this region.

Developments of multilateral security cooperation in Northeast Asia¹⁵

Progress

Over the past two decades there has been a growing regional consensus on the need for greater multilateral security cooperation in East Asia. Proposals and ideas that have limited the scope of regional multilateral

security cooperation in Northeast Asia have also been put forward. The Korean proposal for a Northeast Asia Security Dialogue (NEASED), made during the ARF Senior Officials' Meeting held in Bangkok in 1994, is one example. The main purpose of NEASED would be to promote confidence building in the Northeast Asian region through interstate dialogue on issues of direct interest to the countries in the region (i.e. the two Koreas, the United States, Japan, China and Russia). Dialogue would be carried out based on the principles of state and territorial sovereignty, non-intervention, peaceful resolution of conflict, peaceful coexistence and democracy.¹⁶ South Korea has made continuous efforts to realize this forum for dialogue, because it would be able not only to contribute to peace and stability in the Northeast Asian region, but would also serve as a framework for managing tensions on the Korean peninsula and thus contribute to the peaceful reunification of Korea. However, there has been little progress in implementing this proposal due to the negative and passive attitudes of North Korea and China, respectively.

Meanwhile, the Council for Security Cooperation in the Asia-Pacific (CSCAP), a non-governmental forum established in June 1993 through the collaboration of government-affiliated think-tanks, has been successful in promoting multilateral security dialogue at the Track II level. Although there have been some differences among CSCAP members about deciding on a common agenda, mainly due to regional differences and conflicting views over certain issues, the council has contributed to the ARF process through its strategic partnership with the forum by drawing up new solutions to sensitive issues during its informal dialogue process.¹⁷

In addition, the Northeast Asia Cooperation Dialogue (NEACD), which was established in May 1993 by the Institute on Global Conflict and Cooperation (IGCC) with the support of the US State Department, has played a positive role in facilitating non-governmental multilateral security dialogue in the region. The NEACD aims to build trust and promote cooperation through informal dialogue among foreign and defence ministry officials as well as academics from the two Koreas, the United States, Japan, China and Russia. This forum has been useful in exchanging views on the security situation in Northeast Asia. For example, a North Korean representative participated in a recent NEACD meeting and expressed its position regarding the nuclear issue.

The NEACD does not discuss only traditional security issues; it also facilitates dialogue on non-traditional issues that are related to promoting cooperation in trade, investment and technology, as well as issues related to environmental protection and cooperation in combating terrorism, drug trafficking, transnational organized crime and illegal migration.

There have even been suggestions of raising the dialogue to the intergovernmental level as a result of the active communication that has taken place on various security issues within the forum.¹⁸

In summary, countries in Northeast Asia have attempted to increase regional confidence-building and cooperation efforts within various frameworks in the East Asian and Asia-Pacific regions, in line with the growing trend of regional cooperation in other regions. On the other hand, the issue of political and security cooperation or regionalism among Northeast Asian countries has also recently emerged as an important policy issue. Furthermore, since the establishment of the ARF was the result of an ASEAN initiative, ASEAN member states want to maintain their leadership in running the forum. Accordingly, security issues in the Northeast Asian region, such as the “Korean question”, will not be given priority over other security concerns of the ARF, as the initial concerns of ASEAN member states mainly evolved around the issue of the South China Sea and other security issues in the Southeast Asian region.

However, it was emphasized in the 2003 ARF meeting that peace and stability on the Korean peninsula would be vital to promoting security and economic growth in the Asia-Pacific region. Thus there are increasing calls within Northeast Asia to develop an independent cooperation forum or a separate framework for dialogue within the ARF process – one which would address the security issues that are unique to the Northeast Asian region.¹⁹

Significance

The institutionalization of regional multilateral security cooperation efforts could contribute in many ways to promoting peace and security in Northeast Asia. First, the construction of a regional multilateral security cooperation regime could regularize dialogue among states in the region and, in turn, provide the opportunity for increased mutual understanding and cooperation on major security issues.

Second, because a multilateral security cooperation regime aims to enhance mutual interest and confidence building (by conveying state intentions and increasing the transparency of state activities), developing and implementing various mutual-reassurance and confidence-building measures would be important in promoting multilateral security cooperation in Northeast Asia. This is because the process could contribute to accelerating arms-reduction efforts (as one example), and also help resolve regional as well as international security threats.²⁰

In this sense, building a sub-organization under the ARF or creating a Northeast Asia-specific organization, as suggested above, could be

recommended as an effort to establish a more narrowly defined and tightly constructed regional institution. This suggestion could be supported by a recent finding of the State Failure Task Force, which has produced a list of 114 "state-failure events" between 1955 and 1998. According to this study, there is a strong negative correlation between membership in regional organizations and state failure: the greater the number of regional organizations to which a country belongs, the less likely it is to become a failed state. In the case of the Muslim countries studied by the task force, all other conditions being equal, those countries with a below-average index level of memberships had a 70 per cent higher possibility of failure than those with an above-average index level.²¹ This highlights the importance of a country's political and diplomatic engagement with its neighbouring countries. A regional organization that aims at specific issues will also provide member states with an arena for more lively debate, and thereby create greater incentives to participate.

Third, the institutionalization of regional security cooperation could ensure a trade-friendly and economically sound region. In reverse, there is a high possibility that the economy-first policies of states in the region could contribute to increased regional security cooperation. For instance, China has made continuous endeavours to consolidate its cooperation efforts within the international community, as well as within the region, so as to maintain its high level of economic development. Moreover, there are prospects that China will take on an active role to increase multilateral security cooperation in the region in order to consolidate its position as a regional power and thus undermine the influence within the region of the United States and Japan.

Fourth, a multilateral security cooperation regime could contribute to promoting regional peace and stability by providing fundamental principles and codes of conduct for conducting inter-state relations in the region. As confidence building in Europe first started with the adoption of fundamental principles, a stable regional order could be constructed in Northeast Asia by establishing a code of conduct for carrying out regional multilateral security dialogue and cooperation efforts. Provisions that could be applied to regulating state relations in the region would include those relating to guaranteeing state and territorial sovereignty, the non-use of force and non-intervention in internal affairs, as well as specific provisions relating to promoting economic cooperation, environmental protection and cooperation in combating terrorism, drug trafficking, transnational organized crime and illegal migration.²² Thus the institutionalization of multilateral security cooperation efforts is viewed as a step towards strengthening preventive diplomacy, as such efforts could decrease or remove the possibility of conflict.

Challenges and opportunities for Northeast Asian security regime building

Although opportunities have ripened for regional discussion on the establishment of a multilateral security institution, scepticism is still strong in Northeast Asia due to a combination of complex issues, discussed below. Such scepticism could also be largely derived from the pre-existing belief that the region has evidenced a poor history of institutional frameworks (formal or informal) that could address relevant issues at the regional level.

First, the most distinct phenomenon in the region is the rise of China. As China's empowerment has generated a sense of uncertainty and anxiety in the region, China has been emphasizing its policy of "peaceful rise" or "peaceful development" to assure neighbouring countries (and the United States) that its rise to great-power status will not hamper, but rather will contribute to, peace, stability and prosperity at both regional and global levels. China has also been improving relations with neighbours, as observed in its trade diplomacy (e.g. an FTA with ASEAN), the joint military exercise with Russia and its leading role in the Six-Party Talks to resolve the North Korean nuclear issue peacefully. Its tough stance against Chinese Taipei's independence is the only exception.

While the United States and Japan are concerned about China's emergence as a strategic competitor or a regional hegemonic state, China suspects that the United States is strengthening ties with Asian countries (including Japan and India) in order to check its rise to a certain extent. If such anxiety on both sides coincides with competition for increasingly scarce energy and natural resources, there will be much more possibility for competition and confrontation than for cooperation between the United States and China. This, in turn, would compel Asian countries to collaborate with one or the other.²³

Second, growing rivalries between China and Japan are proving problematic. Japan is anxious about the rise of China (e.g. its fast-growing economy and potential military threat), while China frets about Japan's aspiration to become a "normal state" by strengthening its ties with the United States and increasing its military capabilities. Resurging nationalism, which is complicated by the history between the two countries as well as a sense of rivalry regarding future dominance in the region, has further aggravated their ties. The relations between South Korea and Japan also plunged in early 2005, as President Roh Moo-hyun and Prime Minister Junichiro Koizumi led the two nations back to discussions about historical events to address loose ends for political purposes.²⁴

Third, North Korea's nuclear development programme remains one of the most prominent security concerns in the post-Cold War world. The

issue has not only increased regional instability, but also raised the possibility of proliferation in the region. After a series of talks from 2003 to 2006 producing no tangible achievements, the governments participating in the fifth round of the Six-Party Talks in February 2007 finally made a plan of action for the denuclearization of the Korean peninsula. Beijing's active diplomacy and Washington's change of policy towards North Korea largely contributed to North Korea's pledged commitment to abandon its nuclear weapons. Yet complete dismantlement of North Korea's nuclear programme seems a remote possibility. In terms of the current nuclear stand-off, there remain several thorny issues to be resolved on a bilateral basis with the United States, rather than through multilateral frameworks. Therefore, the role that Asian countries can play in addressing this issue is limited.

Fourth, the main direction of US policy towards East Asia is focused on maintaining and consolidating US bilateral alliance relations, so as to deter the rise of any potential powers in the region. These bilateral security arrangements were concluded during the Cold War era, in line with the US containment policy towards the Soviet Union and China. With the end of the Cold War, the United States has pursued a more comprehensive security policy which includes various efforts to promote multilateral security cooperation so as to respond effectively to the political, military and economic changes taking place in the region. Geopolitical complexities and the aforementioned tensions and competition among East Asian countries in recent years make the role of the United States in the region all the more crucial. Its role has been emphasized not only from a traditional military standpoint but also in economic and humanitarian aspects, as exemplified by its role in the 1997–1998 Asian financial crisis and in the disastrous tsunami in South and Southeast Asia in December 2004.

Fifth, the need to address non-traditional security issues (including human security) in East Asia became stronger with the increase in poverty and illegal migration after the financial crisis of 1997. The severe acute respiratory syndrome (SARS) epidemic of 2003, the increase of HIV/AIDS infections in the region, the "yellow dust" phenomenon and trans-boundary air/marine pollution have emerged as health and environmental security issues. Moreover, the debate on North Korea, which was focused mostly on its traditional security aspects during the last decade, now includes discussion about the famine situation and economic difficulties in the country, as well as the North Korean refugee issue. It is thus imperative that policy-makers and academics in the region develop a comprehensive regional security mapping wherein human security issues, traditional security concerns and economic development can be dealt with collectively.

Tasks for institutionalizing regional security cooperation

In order to develop a coherent and viable regional security cooperation regime, it is important for the countries involved to have shared identity, values and goals of common security and cooperation.²⁵ The greatest barrier to the establishment of a recognized framework for regional integration or community is confusion about regional identity: are we talking about the broader Asia-Pacific region, or a narrower East Asian (or even Northeast Asian) region?

Those who promote broader regional cooperation, such as throughout the Asia-Pacific, are hesitant about the East Asian Community movement. On the other hand, there has been growing recognition of the need to develop a regional framework that is limited to the Northeast Asian region, separate from ASEAN countries. Currently, the ARF provides the only formal multilateral institutional framework for security cooperation in both Southeast and Northeast Asian regions. However, the ARF has proved insufficient in dealing effectively with the sensitive and thorny issues that belong to Northeast Asia, in large part because it remains a loose forum for dialogue – not to mention that it is an institution that was established under the initiative of ASEAN.

So, in order to address various security issues in the Northeast Asian region, including the Korean question, it would be worth considering the possibility of creating a sort of Northeast Asian security cooperation regime that is either independent of the ARF or a subregional entity under the framework of the ARF. In the case of Europe, there was (until lately, at least) much less argument over defining a European community *vis-à-vis* an Atlantic community.²⁶

Second, rejection of the idea of promoting security through expansion, as well as awareness of the high costs of war and the individualistic pursuit of (military) security, are important in developing a regional security cooperation regime.²⁷ Unfortunately, tension and distrust remain strong among countries in the region, due to the historical legacy of colonization and war (e.g. the Second World War, the Korean War and the Cold War). Even in the post-Cold War era, various traditional military and security threats remain areas of potential conflict.

Third, nationalism has continuously arisen based on a complex mixture of disputes over history, territory and the struggle for regional (political and environmental) leadership, posing a strong deterrent to regional security cooperation. Here, Japan's relationship with its neighbouring countries needs to be mentioned. In the post-Second World War world, Europe had to struggle with issues relating to Germany; likewise, Asia had to deal with issues relating to Japan. The issues linked to Germany have been more or less settled with the development of the European

Union and Germany's "repentant" foreign policy, whereas there are still furious debates about the past between Japan and its neighbours in Northeast Asia. Several apologetic attempts by successive Japanese governments seem to have failed to gain their neighbours' full approval.²⁸ Furthermore, Japan's "unapologetic" foreign policy, manifested in controversial Japanese history textbooks, renewed attention to the disputed island of Dokdo (Takeshima in Japanese) and Prime Minister Koizumi's visits to the Yasukuni shrine, has posed an important barrier to intra-regional reconciliation processes.²⁹

Fourth, since foreign policies of countries in the region have developed based on their respective bilateral alliance relations with the United States since the Cold War era, a "paradigm shift" in the US-centric approach to security is needed to construct a multilateral regional security cooperation regime that would complement existing bilateral security arrangements. In addition, unlike in the case of Europe, where the United States supported a stronger and more integrated Europe, the United States (with the aim of containing the Soviet threat) has shown a conflicting attitude towards multilateral security cooperation efforts in East Asia. While such efforts would partially reduce the US security responsibilities in the region, anxiety persists that these processes would weaken existing bilateral security arrangements and thus undermine US influence in the region. Despite the ongoing Six-Party Talks process, it is therefore difficult to see this as an expression of US support for multilateral security cooperation in the region.

Fifth, a preference among the regional powers for a regime is important to developing regional security cooperation.³⁰ The region lacks leadership in facilitating and coordinating the community-building process. Neither China nor Japan, which both seek regional hegemony in constructing a multilateral security cooperation regime, could take the initiative in the establishment of such a regime. Nor is South Korea capable of playing a balancer role, considering its geopolitical position between China, Japan and other relatively limited regional powers.

Sixth, the desire of people in the region to develop a security community for the discussion and resolution of regional disputes is critical in convincing their governments to pursue the institutionalization of regional cooperation. Yet since traditional military issues are still regarded as matters of diplomatic and political competition rather than of cooperation by the general public and academia (as well as by many policy decision-makers), there is little public awareness of or political will for cooperation on regional security issues in Northeast Asia.

Yet there are reasons to be hopeful. Countries in the region value economic growth as one of the most important objectives in their national policies. As such, regional peace and security will be an indispensable condition for trade and continued economic growth. Accordingly, coun-

tries (including China) will continue to move towards promoting multilateral security cooperation in the region. Also, countries that were hostile towards each other during the Cold War period have worked towards normalizing their diplomatic relations and are currently seeking to promote military cooperation and exchange efforts. Though countries in Northeast Asia have been competitively working towards expanding their military capabilities, this competitive relationship could provide the opportunity for states to increase their awareness of the need for multilateral security cooperation in the region. The increasing economic interdependence, people-to-people contacts and transboundary security concerns have also been an important impetus for countries in the region to cooperate and integrate in order to advance a community, regardless of how its terms and scope are defined.

However, such “functionalist approaches” may not prove effective in the case of Northeast Asia, where geopolitical complications and urgency prevail. Indeed, intensifying economic and social interdependence and transboundary environmental problems alone have not generated the necessary conditions for a regional community, as they did in Europe. Therefore, consolidating confidence-building measures in the more “traditional” political and military sectors seems to be more crucial in advancing Northeast Asian security cooperation. For this, the role of political leaders who have a strong commitment and will to make a political breakthrough is most important.

Still, efforts at institutionalizing multilateral cooperation on the issue of non-traditional security should not be abandoned; rather, they should be continued as an important process of building a sustainable and effective regional security regime. Such a process can be expected to be long and tedious. During this process, non-traditional and “soft” security issues will not be able to receive the same amount of attention as traditional security issues. Nevertheless, the process itself would increase the habits of discourse and the exchange of views, ultimately contributing to setting the stage for political dialogue. Once a multilateral security cooperation regime is established, regardless of whether or not it succeeds in addressing and resolving particular security issues, the regime itself will have the authority to promote inter-state cooperation efforts.

Conclusion

While economic regionalism has developed to some extent in post-Cold War Northeast Asia and brought about hopes for the emergence of a more integrated regional community, there has been little progress on political or security regionalism, mainly due to a number of new challenges. Nevertheless, efforts to develop a regional community for security

cooperation will continue. It is likely that these efforts will develop into a “bi-multilateral cooperation framework”; that is, a multilateral mechanism that complements existing bilateral relations and alliances. In order to increase the synergistic effects of this mechanism, governments in the region need to make a systematic and concerted effort to devise a security policy that reflects increasing public awareness of changing international and regional security environments while at the same time accommodating various views on security issues.

Track II-level cooperative efforts should also be utilized as “pressure and support” to encourage intergovernmental security cooperation. Scholars and experts should present norms, ethics and concrete guidelines and recommendations on how to address and solve ongoing transnational security issues. This role of the epistemic community is especially important and relevant in moving towards a more viable and sustainable East Asian Community. In addition, educational exchange among countries in a region can serve as a means of constructing a regional identity, and play an important role in the construction of and communications within the epistemic community.

For instance, the Erasmus Mundus Programme is a cooperation and mobility project in the field of higher education that promotes the European Union as a centre of excellence in learning around the world. It supports European top-quality masters’ courses and enhances the visibility and attractiveness of European higher education in third countries. It also provides EU-funded scholarships for third-country nationals participating in these masters’ courses, as well as scholarships for EU nationals studying in third countries. The BeSeTo Programme (the name is derived from the first two letters of the capital cities of China, South Korea and Japan) is a Northeast Asian analogy of the Erasmus Programme. Proposed by the mayor of Seoul, Lee Won Jong, in October 1993, its purpose was to enhance inter-university academic exchanges so that movement of ideas and leaders is accelerated. However, few people knew of the existence of such academic exchanges. It is thus important to ensure that these proposals continually receive the attention of states and are pursued at the governmental level.

In conclusion, the interconnectedness of governments, the public and the epistemic community should be strengthened to exert every possible effort to co-create a regional security community for the benefit of current and future generations of Northeast Asians.

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9

The Chinese approach to regional security institutionalism

Seiichiro Takagi

Introduction

Despite its impressive record of economic growth, China is still at a relatively early stage of development in per capita terms. Even in the bold development goal presented at the Sixteenth National Congress of the Communist Party, China aspires only to achieve a “relatively well-to-do society” by 2020. Growth is likely to continue, but there is no guarantee that the process will be smooth.

At the same time, China is already a formidable regional, and increasingly global, presence in terms of gross figures which are more relevant to its role in international security affairs. The security implications of uncertainty in China’s development are also formidable. Because of this uncertainty, attempts to chart the future course of China’s development have yielded widely varied scenarios, ranging from “China threat” arguments to “China collapse” predictions.

To refute these two extreme scenarios simultaneously, Chinese strategic intellectuals developed a theory called “China’s peaceful (precipitous) rise” (*heping jueqi*) in late 2003. This theory was accepted by Hu Jintao and Wen Jiabao, who assumed power in late 2002 and early 2003, and mentioned it in public statements of late 2003 and early 2004. But it has also led to heated debates among security intellectuals. The theory, obviously rather underdeveloped at that stage, was criticized by both doves and hawks. The top leaders eventually decided to replace the term with the more innocuous “peaceful development” in their public

statements, but did not make the term “peaceful rise” taboo. The term continues to be used by some theorists, and the debate goes on.

Proponents of the “peaceful rise” theory argue that China’s rise can be peaceful partly because it is motivated by the embrace of globalization,¹ a critical part of which is active participation in international institutions.² But how will China do it? What is the record of China’s involvement in some regional security institutions already in existence? What are the thoughts and calculations behind China’s practices? This chapter will examine these questions.

A basic framework of analysis

In this attempt to analyse Chinese actions and thoughts on international security institutions, the terms associated with institutions and institutionalization are defined in the following ways.

Drawing on the discussion by Yamamoto in the theoretical section of this book, with some simplification, an “institution” is considered to be created at the lowest level of development when more than two actors reach an agreement on future behaviour according to some pattern.³ The level of “institutionalization” is considered to be higher when this agreement becomes explicit or codified (i.e. becomes a rule) and when the agreement includes concrete content in addition to abstract principles. This level is also considered to be higher when the agreement is associated with some values (i.e. is based on norms) and is combined with other agreements to form a set, or when the content of the agreement expands to cover more functional areas (i.e. becomes a regime).

Also drawing on Samuel Huntington’s discussion of institutionalization of procedures and organization, the level of institutionalization of an organization is considered to rise as it becomes more complex, with the hierarchical and functional multiplication of subunits and the differentiation of separate types of subunits.⁴ The “organization” is considered more institutionalized the more there is coherence among the members⁵ (or the less there is built-in competitiveness, to use Yamamoto’s term). In addition to the level of institutionalization, Yamamoto’s discussion of public versus club goods and positive versus negative externalities will be incorporated into the analysis.

This chapter attempts to elucidate China’s approach to institutionalization in the security field in East Asia as comprehensively as possible. It will compare China’s actions and perceptions on different institutions, bilateral and regional, using the measures of institutional development mentioned above.

The evolution of China's approach to regional security institutions

The emergence of regional security institutions and China

At a national symposium on regional development, held in Shanghai in December 1984, Huan Xiang, general secretary of the Center for International Studies of the State Council, made the first official articulation of China's approach to emerging regional cooperation. He argued that China should actively take part in regional cooperation and seek to influence its development. He also said that such cooperation should be limited to the economic and cultural fields, and ruled out political and military cooperation as being "out of the question".⁶

When attempts to institutionalize cooperation in the security field began to be made in East Asia in the early 1990s, however, China's response seemed to be rather more positive. When the South China Sea Workshop was established in 1990, China did not participate in it immediately, but did so in 1991 even though Taiwan was also represented. At an international conference on security and arms control in the Asia-Pacific region in March 1992, Vice Foreign Minister Liu Huaqiu proposed a gradual construction of "multi-level (bilateral, sub-regional and regional) and multi-channel security dialogue mechanisms" within the region.⁷

However, the limitations to China's positive attitudes became apparent in the following years, especially in the course of establishing the ASEAN Regional Forum (ARF). Right after the ASEAN Ministerial Meeting in July 1993 had decided to inaugurate the ARF the next year, Foreign Minister Qian Qichen attended the ASEAN Post-Ministerial Conference that followed it as a guest. Speaking at this conference, he expressed appreciation for ASEAN's positive role in regional cooperation and hope for strengthening the dialogue mechanisms with ASEAN, but never mentioned the ARF. He argued that regional security cooperation should not copy European models.⁸

His reservations became more apparent in his speech at the "informal banquet" that evening, when the ASEAN side proposed the establishment of the ARF. Qian expressed support for it, but also said that the ARF should provide the opportunities to exchange perceptions and ideas, but should not make decisions on certain countries, regions or issues and should not take joint actions.⁹ At the South China Sea Workshop, China was cooperative only on purely technical matters; it opposed attempts to discuss security matters, such as confidence-building measures. China also resisted attempts to make the working groups intergovernmental, even on issues on which consensus was achieved.¹⁰

This limited enthusiasm clearly reflected the assessment of multilateral security institutions among Chinese security intellectuals. Banning Garrett and Bonnie Glaser interviewed many of these intellectuals in 1993; according to their analysis, the intellectuals believed that regional stability was still determined by bilateral relationships and the power balance among major countries, not multilateral institutions. They also believed, however, that the growth of multilateralism was an inevitable trend of history, and so tried to assess the costs and benefits. They considered that the benefits of multilateralism included constraints on Japan's military role and a reduction in regional concerns about China's defence strategy. The risks were that the multilateral forums could provide platforms for "China-bashing" in the form of "China threat" arguments; that the United States and Japan could control the agenda setting and use the forums as platforms to put pressure on China regarding human rights issues; that the forums could internationalize the "bilateral" territorial disputes; and that they could provide a stage for Taiwan's pursuit of international recognition. Chinese security intellectuals' overall assessment, however, was that the risk of non-participation was higher than the risk of selective participation.¹¹

Underlying this assessment were Chinese perceptions of the regional power configuration, which was basically optimistic and evaluated the role of ASEAN highly. As the Cold War confrontation between the United States and the Soviet Union diminished towards the end of the 1980s, Chinese strategic intellectuals were expecting a transformation of the bipolar power structure into a multipolar one. They thought that the future structure would be determined by the simultaneous decline of American and Soviet power as well as the rise of Germany (or Europe), Japan and China.

Development of the international situation after mid-1989 seriously defied Chinese expectations, however. The decline of the Soviet Union was much faster and more serious than that of the United States. The international situation after the Iraqi invasion of Kuwait in August 1990 clearly showed that Japan and Germany were in no position to counterbalance the dominant role of the United States. China itself had been experiencing international isolation, particularly from Western nations, since the Tiananmen incident. The Gulf War of January 1991 delivered the critical final blow to Chinese expectations of a multipolar world by forcing it to recognize that the United States was "the only superpower capable of large-scale deployment and war fighting".¹²

This recognition led Chinese security intellectuals to reformulate their view of the international power structure of the time into a structure of "one superpower, several strong powers" (*yichao shuqiang*).¹³ This structure was minimally acceptable to China because it was a lesser evil

than other possibilities, such as US unipolarity or a tripolarity of the United States, Japan and Europe or the G7 condominium, and China could be counted as one of "several strong powers". What made them even more optimistic was their assessment of the situation in the Asia-Pacific region. One senior strategist argued that the development towards a multipolar structure differed region by region, and that in the Asia-Pacific region there were already "mutually independent and mutually constraining power centres" such as the United States, the Soviet Union, Japan, ASEAN and China.¹⁴

After the ARF was inaugurated it became clear that, despite reservations, China was prepared to be flexible. In the course of preparations for the first ARF meeting in July 1994, China opposed putting territorial disputes over the Spratley Islands in the South China Sea on the agenda, arguing that it should be handled bilaterally between the relevant parties. However, it did not make this a condition for its participation. Faced with ASEAN's success in convincing other members to put this issue on the agenda, China conceded just before the meeting that its inclusion would be unavoidable.

At the second ARF meeting in August 1995, China faced even more severe criticism as a result of nuclear testing and its occupation of Mischief Reef in the Spratley Islands, which was also claimed by the Philippines. China tried to explain how "defensive" its defence policy was, and revealed that it was preparing for publication of a defence white paper. This promise was met by the publication of a document titled "China: Arms Control and Disarmament" in November 1995.¹⁵ Although it was a far cry from a genuine defence white paper, it was a step towards greater military transparency.

The cause of China's accommodating behaviour was Southeast Asian apprehension about China's growing military capability, which had been sustained by unusually rapid and uninterrupted economic growth since 1992. However, on issues involving Taiwan, China remained much more rigid. China opposed discussing confidence-building measures in the South China Sea Workshop and making some of its subgroups intergovernmental, due to Taiwan's participation. China decided to participate in the ARF, in spite of some serious reservations as mentioned above, because Taiwan was not represented. When the Council on Security Cooperation in the Asia-Pacific (CSCAP) was inaugurated in 1994, as a second-track consultation mechanism for the ARF, China did not immediately apply for membership because the CSCAP had not explicitly ruled out Taiwan's participation. China made its application only after the CSCAP steering committee decided in December 1995 to invite the Chinese national committee as an organizational member, but individuals from Taiwan only as observers.

Counteractive institutionalization

Institutional development of the US-Japan security alliance¹⁶

In the mid-1990s there was a new institutional development in the regional security system. The US-Japan security alliance, the rationale for which had become unclear with the end of the Cold War,¹⁷ was finally reaffirmed with the Joint Declaration on Security in April 1996. The declaration reaffirmed the significance of the alliance in the post-Cold War era by redefining its function: to be prepared to cope with regional uncertainties and instabilities. The declaration also expressed the intention to have no negative externalities by avoiding any identification of any new potential “common enemy”. Concerning China, which had been seen by many as replacing the Soviet Union as a potential common enemy after the end of the Cold War, the declaration explicitly stated that the United States and Japan had a shared interest in China’s constructive role in regional security.

This reaffirmation also involved institutional developments in the alliance in terms of codification and expansion of areas of cooperation. At the same time, the two countries signed the Access and Cross-Servicing Agreement (ACSA) for peacekeeping and disaster relief operations. The joint declaration announced a plan to revise the defence cooperation guidelines of 1978 and continue the joint feasibility study of a theatre missile defence (TMD). The mechanism to deal with problems concerning the US bases in Okinawa, the Special Action Committee on Okinawa (SACO), issued an interim report to coincide with the declaration.

The revised defence cooperation guidelines were announced in September 1997. The new guidelines spelled out cooperative activities between US forces in Japan and the Japanese Self-Defence Force (SDF) in three categories of situations: peacetime, attacks on Japan and “situations in the area surrounding Japan” (SIASJ) that could have a significant impact on Japan’s security. The North Korean test launch of the Taepodong long-range missile over Japan’s main island in August 1998 prompted a new phase of joint technical research in US-Japan cooperation on the TMD in 1999. Also in 1999 the Japanese Diet passed legislation for implementing the new guidelines in Japan and expansion of the ACSA to include the SIASJ.

Despite the expressed positive intention of the joint declaration, China saw a strong negative externality in it. For China, the declaration indicated an expansion of coverage of the alliance to include regional contingencies in addition to the defence of Japan, the SDF’s participation in US military operations and Japan’s cooperation with US forces, from the simple provision of bases to a variety of assistance as spelled out in the

ACSA.¹⁸ Needless to say, China's sense of alarm was reinforced by developments after the declaration. All in all, the alliance was now perceived to have become more aggressive, transformed "from a shield to a sword". The joint declaration was perceived to have laid the foundation for containment of China.¹⁹

Due in part to the timing of the announcement, China was particularly sensitive about the implication of these changes for the Taiwan problem, having experienced serious tension with the United States over Taiwan in the preceding month. In March 1996 Taiwan was having its first presidential election, and Lee Teng-hui, whom China regarded as an advocate for Taiwanese independence, was considered the most likely winner. Faced with this situation, China conducted three military exercises in the Taiwan Strait with the aim of influencing voters in Taiwan. In order to counter Chinese pressure on Taiwan, the United States sent two aircraft-carrier battle groups to the waters nearby.

China saw revision of the guidelines as especially dangerous because the SIASJ, the geographical demarcation of which was not clearly defined,²⁰ could justify Japanese involvement in US operations in relation to Taiwan. China also considered the joint development of the missile defence system dangerous because of the possible use of the system to defend Taiwan, in addition to its obvious function of neutralizing China's own deterrent against the US forces in Japan as well as against Japan itself. Underlying all these concerns was the realization that the institutional development of the US-Japan security alliance meant that Chinese assessments in the early 1990s of a multipolar power configuration in East Asia were no longer valid.

*The "new security concept"*²¹

In response to this new situation, China started to pursue its own institutionalization efforts in the security field at all three levels: bilateral, sub-regional and regional. The articulation of the "new security concept" (*Xin Anquanguan*, NSC) provided a conceptual foundation for this effort. According to a Chinese official account, the NSC was first presented to the ARF foreign ministers' meeting in July 1996. Although it was not publicized as such in Chinese media and leaders' public statements, Chinese security intellectuals started to discuss various new security concepts that had emerged in the international community around this time. The first mention of the NSC in a published official document was in the Sino-Russian joint communiqué of April 1997.²² This communiqué advocated the establishment of a "new universal concept of security" and indicated the essence of this concept by arguing that inter-state conflicts and discord should be resolved peacefully without resort to force or

threat of its use, and that peace and security should be pursued through bilateral and multilateral coordination and cooperation.

The ostensibly innocuous nature of this concept is defied by the joint communiqué's expression of opposition to the "Cold War mentality" and "bloc politics", which China argued were embodied in US efforts to strengthen its alliance systems in Europe and Asia. Speaking at the UN Disarmament Conference in Geneva in March 1999, President Jiang Zemin sounded an alarm about the continued existence of the "Cold War mentality", the occasional appearance of hegemonism and power politics, the tendency to strengthen military alliances and the rampant pursuit of new "gun-boat diplomacy". He then contrasted the NSC with the "old security concept", which, he said, was based on a military alliance and relied on military build-up as a measure to achieve national security. He also spelled out the core components of the NSC as "mutual respect, mutual benefit, equality, and cooperation" among the concerned states.²³

Regional institutionalization

Based on the NSC, China made its first active attempt to promote security institutionalism at the regional level when it offered, in April 1996, to co-chair with the Philippines the ARF inter-sessional working group meeting on confidence-building measures the next year and host it in Beijing. The timing of this offer suggests that China was trying to counter the strengthening of the US-Japan alliance by promoting the idea that security should be sought through reinforcement of regional institutions such as the ARF, not through military alliance. China's attempt brought competitiveness into the ARF. When the inter-sessional group meeting was held in March 1997, there was a heated dispute about the evaluation of the US-Japan security alliance, with the Chinese delegation adamantly opposed to suggestions that the alliance was the foundation of regional security and that the ARF was supplemental to it.²⁴

This constituted a serious constraint on China's enthusiasm for the ARF. This was clearly stated by a commentary carried in the *People's Daily* in July 1996, which evaluated the ARF highly as reflecting "a new type of security concept" and mentioned the inter-sessional group meeting in Beijing as evidence of China's active involvement in its development. The commentary argued that "security cooperation in the new era" had three characteristics. First, it is cooperation based on equal sovereignty and seeks common security. Second, the development of cooperation is based on the convergence of security interests, and should be incremental. And third, the cooperation should not damage the security

of any member country and should not touch their basic defence systems. Based on these premises, it further argued that “cooperative security” did not mean “group intervention in inter-state conflicts and pursuit of complete solutions to all concrete security problems”.²⁵

On the central aspect of institutional development of the ARF, China’s enthusiasm was also limited. The second meeting of the ARF, in August 1995, adopted a concept paper that charted the course of the ARF’s development in three stages: “promotion of confidence-building measures”, “development of preventive diplomacy” and “conflict resolution”.²⁶ At the fourth ARF meeting, in July 1997, it was agreed that the agenda of the confidence-building measures stage had progressed sufficiently to warrant serious consideration of transition to the next stage (preventive diplomacy), especially if there was an overlap between the two stages.²⁷ Prior to this meeting, the issues surrounding preventive diplomacy had been hammered out in ARF-sponsored seminars in 1995 and 1996. However, the preventive diplomacy agenda of the ARF was stymied by issues of definition and operationalization. Even at this point there was a severe division among the ARF members between those that wanted to see an institutionalized ARF which moved forward at a faster pace, and those that were more cautious and preferred an incremental approach in directing the nature of its institutionalization.

China, along with many ASEAN members, belonged to the latter group, while the Western countries and Japan belonged to the former.²⁸ One of China’s key concerns was the possibility that preventive diplomacy might involve the use of force, as in the case of preventive deployment by the United Nations. Even more fundamentally, China insisted on respect for state sovereignty, arguing that any application of preventive measures to an intra-state conflict would violate the principle of non-interference in internal affairs.²⁹ Because of the resistance of China and some ASEAN members, deliberation on preventive diplomacy has not gone beyond delineation of the areas of overlap between it and the confidence building. As a result, the institutional evolution of the ARF has been stalled.

As China’s moves in the deliberation on preventive diplomacy and the *People’s Daily* article mentioned above suggest, China was even more negative about the third stage, conflict resolution. According to Amitav Acharya, this was the most contentious area on the security agenda of the ARF, and China was particularly sensitive in this regard. China was responsible for forcing the ARF to change the wording of the concept from “conflict resolution” to a “vague and almost comical expression of ‘elaboration of approaches to conflict’”, and was adamant that the ARF could not have a managerial role in dispute settlement.³⁰

Bilateral institutionalization

In conjunction with positive subregional developments in Central Asia towards institutionalizing security, i.e. the creation of the “Shanghai Five”,³¹ China promoted institutionalization of the bilateral security relationship with Russia. When President Boris Yeltsin visited China in April 1996, the two countries issued a joint communiqué that declared the formation of a strategic partnership.³² Although it was explained as a new type of international relations with no negative externalities (“directed against no third party”), this partnership clearly represented the convergence of strategic interests of two countries faced with the expansion of US alliance systems. For China, the impetus was the reaffirmation of the US-Japan security alliance, and for Russia, the eastward expansion of NATO.

The purpose of the strategic partnership was stated more explicitly in a joint communiqué issued when Jiang Zemin visited Russia in 1997 for the signing of the Moscow Agreement. The communiqué was entitled “Multipolarization of the World and Establishment of the New International Order”.³³ It criticized “hegemonism and power politics” and argued that multipolarization and pluralization were the main trends of the time. It also extolled the NSC, and criticized alliance formation and “bloc politics” based on a “Cold War mentality”. Since then, the two countries have developed their relationship mainly in the context of the Shanghai Five.

Right after the Shanghai Five marked its institutional evolution into the Shanghai Cooperation Organization (SCO) in June 2001, the strategic partnership with Russia also took a significant step towards further institutionalization. The two countries signed the China-Russia Treaty of Good Neighbourliness, Friendship and Cooperation³⁴ in July 2001.

Explaining the difference in China’s approach to different institutions

China’s active promotion of institutional evolution in the Central Asian subregional security system, from cooperative security to security cooperation, contrasts starkly with its passivity and resistance to institutional development with regard to the ARF. Trying to explain this difference, Jianwei Wang concurs with the argument of “some Chinese scholars” that, in region-wide organizations, the interest and concerns of the countries involved are just too diverse for a high degree of institutionalization.³⁵ Is that the full explanation?

In the ARF, China is just one member – albeit a major one – invited from outside the subregion, along with other powers such as the United

States, Japan and Russia. China could not expect to play a decisive role in the process of the ARF's development, nor could it claim a veto power. All it could expect would be either to adapt to or to stall ARF development. On the other hand, in the Shanghai Five, China was clearly in the driver's seat and could have a decisive impact on its development.

Jianwei Wang points out that China has been more enthusiastic about indigenous multilateral institutions.³⁶ Although this seems to explain China's enthusiasm for the ASEAN Plus Three, it cannot explain its opposition to the East Asian Economic Group proposed by Prime Minister Mahathir of Malaysia in the early 1990s, or the Asian Monetary Fund proposed by Japan in the wake of the Asian currency and financial crisis in 1997. The key issue must be the level of China's influence.

The situation after 9/11

The China-Russia strategic partnership

The events of 9/11 put China's cooperation with Russia in an awkward situation. Russia's behaviour toward the United States immediately afterwards clearly betrayed Chinese expectations in some critical ways. A few weeks after 9/11, President Vladimir Putin issued a statement articulating Russia's support for the US war on terrorism in Afghanistan. The statement made clear Russia's support for Central Asian countries' decision to provide military bases in their territories for US air forces. This allowed the United States to obtain bases in Kyrgyzstan, which shares a border with China, and Uzbekistan.

In December 2001 the United States issued a unilateral announcement to abrogate the ABM Treaty. This announcement did not cause serious deterioration in its relationship with Russia, which had joined China in statements of opposition to the abrogation on a number of occasions. Russia was obviously trying to improve relationships with the United States, and used the war on terrorism as an opportunity for cooperation. However, China did not respond negatively to Russian moves, and the bilateral relationship was kept on an even keel. This was because China was also trying to improve its relationship with the United States through its own cooperation in the war on terrorism, and the United States had responded positively.

Since late 2002, however, both China and Russia have shared increasing frustration with the US military presence in Central Asia as well as with other signs of US unilateralism, especially in Iraq. This led to both parallel and joint actions revealing negative externalities in their strategic partnership. Following the July 2005 SCO summit communiqué, China

conducted the first joint military exercise with Russia within the framework of the SCO. Various aspects of the exercise, which was named Peace Mission 2005, indicate that it was conducted on China's initiative. China and Russia announced that the objective was to train for the fight against "international terrorism, religious extremism and separatism", and that it was not directed against any third party. However, a number of indications suggest that the exercise was indeed conducted with other objectives in mind – an attack on Taiwan and the checking of a consequent US intervention.

Selective activism in the ARF

The 9/11 attacks also provided China with the opportunity to be more actively involved in the ARF while evading the issue of the transition to the stage of preventive diplomacy. In the context of heightened concern about international terrorism and other transborder problems, China took the initiative for expansion of the functional areas of cooperation at the ARF senior officials' meeting in May 2002, by presenting a position paper on "Enhanced Cooperation in the Field of Non-Traditional Security Issues".³⁷ In this paper, China proposed cooperation in such non-traditional security issues as terrorism, narcotics, HIV/AIDS, piracy and illegal immigration. In 2003 China initiated another move for the institutional development of the ARF, again without involving the transition to preventive diplomacy, by proposing the ARF Security Policy Conference (ASPC) of security officials at the annual meeting in June. This was endorsed at the annual meeting in 2004, and Beijing hosted the first meeting of the ASPC in November that year.

These initiatives were buttressed by the institutional development of China's bilateral cooperation with ASEAN in the security area. The China-ASEAN Meeting was started in 1997 to promote economic cooperation, but it soon expanded the area of cooperation to include security issues. At their November 2002 summit China and ASEAN signed a joint declaration on cooperation in the field of non-traditional security issues,³⁸ following up on the presentation of the position paper a few months earlier, and signed the Declaration on the Conduct of Parties on the South China Sea at the foreign ministers' meeting. At the ARF meeting in July 2003, the same meeting where China proposed the ASPC, China pledged to complete the domestic process for acceding to the ASEAN Treaty of Amity and Cooperation. This pledge was formally realized at the China-ASEAN summit in October 2003, when China became the first non-Southeast Asian nation to accede to the treaty. At the same summit, China and ASEAN issued a joint declaration on a "Strategic Partnership for Peace and Prosperity".

In light of these signs of activism, China's lack of enthusiasm for another multilateral dialogue process centred in the Asia-Pacific region is quite striking. The Asian security leaders' meeting in Singapore (called the Shangri-La Dialogue), which was organized by the London-based International Institute for Strategic Studies, was inaugurated in June 2002 and has continued to meet every year since. It quickly became one of the major security dialogue mechanisms in the region, with many countries sending their defence ministers or their deputies. China, however, has never sent anybody of that rank to the meetings. The reasons for this lack of enthusiasm are quite transparent: one is that Taiwan was represented (though not at ministerial level), and another is that China is not in the "driver's seat". In 2007 China did send an official of significantly higher rank than before, Lieutenant-General Zhang Qingsheng, deputy chief of the general staff, to the meeting in June, but it is still too early to tell if this represents a fundamental change in China's approach to the Shangri-La Dialogue.

The Six-Party Talks: A prelude to subregional security institutionalization?

The idea of creating a framework for peace in Northeast Asia involving North and South Korea, the United States, Japan, China and Russia is not new: Kim Dae-jung had mentioned such an idea in the 1970s. In 1998, after the North Korean test launch of a Taepodong missile, Japanese Prime Minister Keizo Obuchi reiterated the proposal and secured South Korean President Kim Dae-jung's support. However, other parties, including China, did not show much interest at the time.

When the North Korean nuclear weapon development problem resurfaced, leading to the inauguration of the Six-Party Talks in August 2003 under Chinese leadership, it was natural to think of transforming them into a Northeast Asian subregional security mechanism. This time, China was quite positive about such an idea. In 2004, on the eve of the second round of the Six-Party Talks, a spokesperson for China's Ministry of Foreign Affairs said that China hoped the parties would consult with each other while maintaining "a level of institutionalization".³⁹ At the same time, a Japanese newspaper reported that the Chinese government had been considering the establishment of a subregional institution for security consultation in Northeast Asia based on the Six-Party Talks, and that relevant researchers had been examining the concept.⁴⁰

The fourth round of the Six-Party Talks in the summer of 2005 demonstrated that China was quite serious about this idea. China reportedly included the idea of establishing a "mechanism of stability and cooperation in Northeast Asia" in the first draft of the agreement that it presented to

the participants in August.⁴¹ The joint statement issued at the conclusion of the fourth round in September⁴² was not as specific as these reports had suggested, but it did show support for the general direction by stating that “the Six Parties agreed to explore ways and means for promoting security cooperation in Northeast Asia”.

The situation seems to give reason for hope after the bilateral talks in Berlin in January 2007 between the US and North Korean chief delegates to the Six-Party Talks. The third session of the fifth round in February 2007 produced an agreement for initial actions to implement the joint statement of September 2005.

According to the statement, North Korea agreed to shut down and seal the Yongbyon nuclear facility, to invite the IAEA to conduct monitoring and verification, and to provide a list of all its nuclear programmes and materials within 60 days. The other five parties agreed to provide emergency assistance of heavy fuel oil in the same period. The six parties also agreed that as they moved into the second phase of disablement the five parties would provide additional assistance of up to 1 million tonnes of heavy fuel oil. Another important part of the agreement is the establishment of five working groups to deal with denuclearization, normalization of North Korea’s diplomatic relations with the United States and Japan, economic and energy cooperation, and a “Northeast Asia peace and security mechanism”.

This agreement was followed by the US announcement to lift the sanctions on the Banco Delta Asia in March, and the North Korean funds at the bank were then transferred to a Russian bank in early June. North Korea invited an IAEA delegation to Pyongyang on 16 June, and the US chief delegate to the Six-Party Talks made a sudden visit to Pyongyang on 21 June 2007. The IAEA inspection team visited North Korea in July and inspected the closure and sealing of the Yongbyon nuclear facility. A denuclearization workshop was held in Shenyang, north-east China, in mid-August, but the negotiations for the transition to the second stage of disablement of the North Korean nuclear facility could not agree on the definition of the term “disablement”. In early September 2007, after bilateral US-North Korea negotiations, the US side announced that North Korea had agreed to the disablement by the end of the year.

Consistency and change in China’s approach

The new international situation created by 9/11 led to further activism in China’s approach to regional security institutions. China continued to lead the institutional development of the SCO.⁴³ China’s role as the chair in the Six-Party Talks on North Korean nuclear development has obviously been critical, and China is clearly determined to create a sub-

regional security institution on the basis of these talks. Even in the ARF, China has become more proactive by proposing enhanced cooperation on non-traditional security issues and meetings of the defence officials (ASPC). However, these choices of issue and format suggest that China's concerns about sovereignty and its intention of keeping the ARF at the confidence-building stage of "traditional" security have not changed. China's lack of enthusiasm for the Shangri-La Dialogue shows more clearly its reluctance to be involved in any institution in which it has no critical influence or veto power.

Conclusion: The China factor in the institutionalization of security in Northeast Asia

The examination of China's evolving approach to institutional developments of regional security confirms the overall pattern of change noted by earlier works on similar subjects: China has overcome its initial scepticism and defensiveness and become more confident and proactive. However, a closer examination of China's behaviour towards different security institutions, with conscious application of the measures of institutionalization and attention to contextual factors, reveals continuing problems.

First, China's adamant adherence to the notion of sovereignty and the norm of non-interference in domestic affairs has constituted an almost insurmountable obstacle to institutional development of some regional security mechanisms. The most telling case, of course, is China's attempts to stall the development of the ARF from the stage of confidence building to that of preventive diplomacy, and to dilute the ultimate goal of conflict resolution in the third stage.

Second, as a sort of corollary to this first point, the comparison of China's approach to different institutions reveals a clear correlation between China's enthusiasm and the degree of influence it can exert. Although it may be an overstatement to characterize China's role in the Shanghai Cooperation Organization as dominant, it is undeniable that China had a critical influence on its development. And while China does not control the process or the outcome of the Six-Party Talks, its role there is undeniably critical. Thus, China has been mostly active in these organizations. In the ARF, China's record is a mixture of resistance to its institutional development and limited activism. This reflects China's position in the ARF as one of the major powers and its success in courting ASEAN.

In the Shangri-La Dialogue, however, where China has even less influence in setting the agenda, it has shown little enthusiasm. This tendency is consistent with mainstream Chinese discourse on international

institutions. Chinese writings on the need to be involved in international institutions almost invariably emphasize how China should be capable of preventing such institutions from constraining its options.⁴⁴

Third, another almost idiosyncratic aspect of China's adherence to sovereignty is its resistance to Taiwan's membership in relevant regional security mechanisms. Despite obvious gaps in geographic coverage of the security mechanisms caused by Taiwan's absence and the undeniable regional security implications of the China-Taiwan conflict, China cannot afford to give up the position that Taiwan is a part of China and thus the conflict is an internal matter. China's adherence to this position is somewhat loosened with regard to economic institutions such as the Asia-Pacific Economic Cooperation (APEC) and the World Trade Organization (WTO), in which China accepts the membership of Taiwan not as a sovereign state but as an "economic entity" in the former and a "customs territory" in the latter. In these cases, respect for the effectiveness of the institution outweighs concerns about sovereignty, even for China. An interesting question is how China is going to behave with regard to institutional developments concerning non-traditional security issues, which have been receiving increasingly serious attention by regional powers, including China. With regard to these issues, the reduction in institutional effectiveness caused by Taiwan's absence could be more serious than in the case of traditional security.

Fourth, China's consistently active involvement in the institutional development of the SCO and its strategic partnership with Russia, in contrast to its limited enthusiasm in the ARF, suggests that China tends to be more positive about the development of security institutions with negative externalities that provide club goods rather than public goods.

Fifth, with regard to the question raised by Yamamoto in this volume about "inside-out" or "outside-in" institutionalization, another interesting pattern can be discerned through a similar comparison. Yamamoto observes that the further away from the geographic core of Northeast Asia, the higher the level of institutionalization. China's enthusiasm is roughly in inverse correlation to the level of institutionalization (i.e. the closer it is to the core, the more enthusiastic it is). Since a higher level of institutionalization in security arrangements away from the core has been achieved with little Chinese input, and considering the fact that the higher the level of institutionalization of the organization, the stronger its constraint on the members, this pattern is quite consistent with other characteristics of China's approach to regional security institutions.

These characteristics suggest that China has continued to view the multilateral security institution in terms of its national interest. Internally, China sees multilateral security institutions basically as new arenas where members compete for realization of their national interests. Exter-

nally, in the case of regional institutions, China sees them as instruments with which to put pressure on others or ward off pressure from them. The liberal institutionalists' expectations that, through involvement in international institutions, nations can overcome the narrow-minded pursuit of national interest and cooperate for the provision of public goods are not fully met by Chinese behaviour so far. China's socialization in international institutions has certainly improved its efficacy in the new setting and changed its ostensible discourse on security affairs, as is evident in the discussion of the NSC, but the extent to which China has internalized transnational norms is still unclear. China is not alone in this attitude, however, and it certainly is not fair to criticize it for being uniquely self-centred. Nonetheless, because of China's rapidly growing influence it is important to watch this aspect of its involvement in the international community carefully.

Notes

1. For a most lucid presentation of this "theory" in English, see Zheng, Bijian (2005) "China's 'Peaceful Rise' to Great-Power Status", *Foreign Affairs* (September/October), pp. 18–24.
2. For an argument emphasizing this point, see Liu, Jie (2004) *Jizhijhua Shengcun: zhong-guo heping jueqi de zhanlue jueze* (Regimization: The Strategic Choice in the Course of China's Peaceful Rise), Beijing: Shishi Chubanshe.
3. The use of the term "agreement" in this definition assumes consciousness on the part of actors. For a more fundamental discussion of institutionalization, the possibility of involved parties reaching the same pattern of behaviour without conscious agreement should probably be included. However, this is out of the scope of the current discussion.
4. Huntington, Samuel P. (1968) *Political Order in Changing Societies*, New Haven and London: Yale University Press, pp. 17–18.
5. Ibid., p. 22. Huntington mentions two other dimensions to gauge the level of institutionalization: adaptability and autonomy. Adaptability is largely taken care of by the examination of functional expansion already discussed. Autonomy is not considered here, because there are richer and more interesting discussions of inter-institutional linkages in the rest of this volume.
6. Huan, Xiang (1985) "Yatai diqu fazhan yu huan-taipingyang hezuo", in *Taipingyang Diqu Fazhan Qianjing he Zhongguo Xiandaihua*, Beijing: Zhongguo Caizheng Jingji Chubanshe, p. 2.
7. *People's Daily* (*Renmin Ribao*) (1992) "Liu Huaqiu zai Yatai Diqu Anquan yu Caijun Wenti Yenataohuishang Zhichu: Caiqun yu Anquan shi Heping yu Fazhan Biyao Bao-zhang" ("At the Asia-Pacific Security and Disarmament Symposium Liu Huaqiu Points Out that Disarmament and Security Are the Necessary Assurance for Peace and Development"), *People's Daily* (*Renmin Ribao*), 24 March, p. 6.
8. *Pekin Shuho* (*Beijing Review*) (1993) "Chugoku wa Eien ni Ha wo tonaenai – Sen Kisin Gaikou Buchou no ASEAN Gaishou Kaigi deno Enzetu (1993nen 7gatu 23nichi)" ("China Would Never Seek Hegemony – Foreign Minister Qian Qichen's Speech at the ASEAN Foreign Ministers' Meeting (23 July 1993)"), *Pekin Shuho*, 32, 10 August,

- p. 26. *Pekin Shuho* is the Japanese version of *Beijing Review*, but the contents are not identical.
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 11. Garrett, Banning and Bonnie Glaser (1994) "Multilateral Security in the Asia-Pacific Region and Its Impact on Chinese Interests: Views from Beijing", *Contemporary South East Asia* 16(1), pp. 14–34.
 12. Chen, Xiaogong (1992) "Shijie Zhen Chuzai Zhongyao Guodu Shiqi" ("The World Is Now in the Important Transitional Period"), *Shijie Zhishi*, 1 January, p. 4.
 13. Ibid., p. 5.
 14. Chen, Qimao (1991) "Guoji Xinzhihu de Xingcheng Jiang You Yige Guocheng" ("The Formation of the New International Order Will Be Through a Process"), *Guoji Zhangwang*, 23 July, p. 4.
 15. Available at http://news.xinhuanet.com/employment/2002-11/18/content_633187.htm.
 16. This section is based on Takagi, Seiichiro (1998) "Reisen-go no Kokusai-kenryoku-kouzou to Chugoku no Taigai-senryaku" ("The Post-Cold War Power Structure and Chinese External Strategy"), *Kokusai Mondai* 454 (January), pp. 2–14.
 17. Funabashi, Yoichi (1999) *Alliance Adrift*, New York: Council on Foreign Relations Press.
 18. Tan, Tianri (1996) "Yige Buxian de Xinhao – Ping Meiri Anbao Tizhi de Tuibian" ("An Alarming Signal – Comment on the Evolution of the US-Japan Security System"), *Liaowang* 18, 29 April, p. 44.
 19. Teng, Xiaodong (1996) "Rimei Anquan-baozheng Tizhi Fasheng Zhibian" ("The Qualitative Change in the US-Japan Security System"), *Jiefang Junbao*, 9 May.
 20. The Japanese government explained that the SIASJ is a situational rather than a geographical concept, and that whether or not Japan would be involved in US operations would be determined by the nature of the situation. Needless to say, this explanation was no consolation for China.
 21. This section is based on Takagi, Seiichiro (2003) "Chugoku no 'Shin Anzen-hoshokan'" ("China's 'New Security Concept'"), *Boue Kenkyujo Kiyo* (March), pp. 68–89.
 22. "Zhonghua Renmin Gongheguo he Eluosi Lianbang guanyu Shijie Duojuhwa he Jianli Guoji Xinzhihu de Lianhe Shengming" ("Joint Communiqué of the People's Republic of China and Russian Federation on Multipolarization of the World and Establishment of a New International Order"), in Ou, Wei, ed. (2003) *Zhong E Yuanshou Lianhe Shengming he Xuanyan Huibian (The Compilation of Joint Communiqués and Declarations of the China-Russia Summits)*, Beijing: Shijie Zhishi Chubanshe, pp. 42–45 (Chinese) and pp. 46–51 (Russian).
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28. Caballero-Anthony, Mely (2005) *Regional Security in Southeast Asia*, Singapore: Institute of Southeast Asian Studies, p. 134.
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30. Acharya, note 27 above, p. 177. For an official document reflecting the change in wording, see "ASEAN Regional Forum (ARF) Concept and Principles of Preventive Diplomacy", 29 May 2002, available at www.fmprc.gov.cn/eng/wjzb/zjzg/gjs/gjzzyhy/2612/t15316.htm.
31. The Shanghai Five was formed in 1996 when Russia, Kazakhstan, Kyrgyzstan, Tajikistan and China signed in Shanghai the Agreement on Confidence-building in the Military Field in the Border Areas. They met again in 1997 to sign the Agreement on Mutual Force Reduction in Border Areas. The meeting continued on an annual basis, discussing security issues of common concern and the possibility of cooperation on them. In 2001 the meeting added Uzbekistan as a formal member and declared the establishment of the Shanghai Cooperation Organization (SCO).
32. "Zhong E Lianhe Shengming" ("China-Russia Joint Communiqué"), in Ou, Wei, ed. (2003) *Zhong E Yuanshou Lianhe Shengming he Xuanyan Huibian (The Compilation of Joint Communiqués and Declarations of the China-Russia Summits)*, Beijing: Shijie Zhishi Chubanshe, pp. 25–30 (Chinese) and pp. 31–41 (Russian).
33. See note 22 above.
34. Ou, Wei, ed. (2003) *Zhong E Yuanshou Lianhe Shengming he Xuanyan Huibian (The Compilation of Joint Communiqués and Declarations of the China-Russia Summits)*, Beijing: Shijie Zhishi Chubanshe, pp. 132–139 (Chinese) and pp. 140–152 (Russian). For a detailed analysis of the background of this treaty, see Cohen, Ariel (2001) "The Russia-China Friendship and Cooperation Treaty: A Strategic Shift in Eurasia?", Heritage Foundation Background Paper No. 1459, 18 July.
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36. Ibid.
37. For the English text, see "China's Position Paper on Enhanced Cooperation in the Field of Non-Traditional Security Issues", May 2002, available at www.fmprc.gov.cn/eng/wjzb/zjzg/gjs/gjzzyhy/2612/2614/t15318.htm.
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41. Sakajiri, Kengo (2005) “Rokusha Kyogi: Anpotaiwa no Chiiki Kikou ni – Goui Soan: kaiso koso Moru” (“The Six-Party Talks: Evolution into a Regional Mechanism of Security Dialogue – Draft Agreement Includes the Concept for Reorganization”), *Asahi Shimbun*, 28 August, morning edition, p. 1.
42. See “Joint Statement of the Fourth Round of the Six-Party Talks”, Beijing, 19 September 2005, available at www.fmprc.gov.cn/eng/zxxx/t212707.htm.
43. After 9/11 the SCO was institutionalized rapidly through Chinese initiatives. The SCO adopted its charter in 2002, and established its secretariat and the Regional Anti-Terrorism Center in 2004. Also in 2004 it established various institutional linkages with the UN General Assembly, the Commonwealth of Independent States (CIS), the Association of Southeast Asian Nations (ASEAN) and the Eurasian Economic Community (EURASEC). Observer status was given to Mongolia, Pakistan, India and Iran. Security cooperation in the SCO quickly went beyond dialogue and expressing united positions on key international issues to joint military exercises, starting in 2002. The functional area of cooperation expanded to include energy, trade, investment, finance, tariffs, tax, transportation, agriculture, science and technology, telecommunications and public health. A detailed examination of this process had to be left outside the scope of this chapter for reasons of space.
44. Liu, note 2 above.

10

The Proliferation Security Initiative from an institutional perspective: An “outside-in” institution?

Chiyuki Aoi

Introduction

The Proliferation Security Initiative (PSI) is a central pillar of the Bush administration’s non-proliferation strategy. With the aim of stopping the transfer of technologies and equipment that may lead to the proliferation of weapons of mass destruction (WMDs), the PSI allows participating members to seize, in their respective territorial waters or airspace, shipments of WMDs, WMD delivery systems and related technologies bound for countries and non-state entities held “in concern” by PSI participants. The PSI constitutes a new non-proliferation regime designed to tackle contemporary proliferation concerns.

The PSI has a creative institutional form, in that it is an exercise by a “coalition of the willing” – an “activity, not an organization”, as US administration officials term it – wherein the member states agree to undertake interdictions voluntarily following a set of principles. With a set of principles to be pursued by member states, however, the PSI does amount to an international regime, on the way to expanding its scope and membership. With member states and *de facto* supporters increasing, the PSI has become, since its inception in 2003, a global initiative with more than 60 nations supporting it. Other bilateral agreements strengthen the arrangement as well. The initiative’s effectiveness is hard to judge, but it is credited with the successful interdiction of a cargo bound for Libya – an event that led to the abandonment by that country of its WMD programmes.

Institutionalizing Northeast Asia: Regional steps towards global governance, Timmermann and Tsuchiyama (eds), United Nations University Press, 2008, ISBN 978-92-808-1156-8

The PSI as an institution also entails another creative element: a potential for what Yamamoto calls “outside-in” institutionalization in the Northeast Asian region. According to Yamamoto, “outside-in” institutionalization is that where widely shared norms and a sense of legitimacy in a global regime or other regional regimes become a bedrock model for regional (in this case, Northeast Asian) institutionalization – a process that would otherwise not start. According to him, this type of institutionalization is arguably the only path possible to creating institutions in Northeast Asia, a region which lacks the basis for autonomous “inside-out” or endogenous institutionalization.¹

The PSI currently only has a limited membership in the region, and in the broader Asian region. This is so despite the fact that Northeast Asia faces a serious proliferation threat. For the PSI to be more effective, it is imperative that the initiative gains support from key states in the region, especially South Korea and China. Indeed, as a matter of principle North Korea itself, which is the major proliferation concern, should be included in such a regime. However, the obstacle for participation by these states is political, and therefore the momentum for building a viable institution cannot start from “within”. As support for the initiative grows globally, there may be some possibility that these states will soften their objections – as, in fact, China has done in recent months.

This chapter argues that for the PSI to be genuinely effective, it needs to be transformed from a largely US-initiated, US-driven activity into a more multilateral, universal institution whose “outside-in” potential can then be explored in the context of Northeast Asia. In addition, the PSI may need to be built into a broader region-wide initiative to coordinate proliferation security, including export control measures. Furthermore, it would be better if the initiative could gain some concrete UN backing, primarily through the provision of neutral and impartial support, and even institutional support. Short of genuine efforts to coordinate all aspects of legitimacy, multilateralism and participation, the PSI will continue to be of limited effectiveness and may even be a destabilizing element in the Northeast Asian region.

Background: What is the PSI?

Global and regional proliferation concerns

The spread of WMDs, and their production and delivery systems, has been a major security concern. Once WMDs are acquired, there is worry that these weapons may be used by some states or non-state entities,

with the effect of destabilizing regional security or challenging Western interests.

After some achievements made during the early 1990s – the seeming success in curtailing efforts to acquire WMDs by some states, such as Iraq, Libya and North Korea; the unconditional and indefinite extension of the Treaty on the Nonproliferation of Nuclear Weapons (NPT); and the conclusion of the Chemical Weapons Convention – events unfolding in the latter half of the 1990s seem to have reversed these earlier gains.² In 1998 India and Pakistan conducted nuclear tests; in the same year Pakistan tested the Ghauri missile in April, Iran tested its Shihab-3 missile in July and North Korea tested its Taepodong missile in August. The UN Special Commission (UNSCOM) also ended its presence in Iraq in 1998.

At the end of 2002 UN sources cited 16 states maintaining active chemical weapons programmes, a dozen possessing offensive biological weapons capabilities and many others developing ballistic and cruise missile delivery capabilities.³ Suspicions over North Korean and Iranian nuclear weapons programmes still persist, although Libya declared in December 2003 that it would give up all WMD-related programmes. Recently both North Korea and Iran have defied the NPT system, putting into question its efficacy.

In addition, there is growing interest on the part of non-state entities, such as Al Qaeda and Hamas, in acquiring WMDs, with the intention (so it is claimed) to use them. On one occasion, Sarin gas was actually used in the Aum Shinri-Kyo terrorist attack on the subway system in Tokyo. The 11 September 2001 attacks on US targets, although they did not involve WMDs, invoked fear that these non-state entities may in fact be able to conduct surprise attacks using some sort of WMDs.

Such fear is further exacerbated by the expanding web of weapons and technology trade covering state and non-state entities. In addition to the concern that states will develop WMDs and related technologies, there is an intense concern that states and non-state entities may trade WMDs and related technologies among themselves. Of particular concern today is illicit WMD trading among developing countries.

So-called second-tier proliferation, where nuclear technologies are traded among developing countries with varying technical capabilities,⁴ is a case in point. Second-tier proliferation poses a particular challenge to the traditional, currently dominant, supply-side approaches to non-proliferation, which are designed primarily to target first-tier proliferation, i.e. the flow of arms and technologies from nuclear weapons states and non-state entities to non-nuclear weapons states.⁵ Moreover, there is normally also a demand-side “pull” for WMDs and related technologies. States try to acquire WMDs as they perceive they are needed for regime survival and security, national prestige and economic purposes.

In Northeast Asia, WMD proliferation is a threat to regional security and requires a region-wide approach to contain it. Of particular concern is North Korea's nuclear weapons programme. North Korea's case (as well as Iran's) creates concerns for so-called latent proliferation, wherein states inside the NPT develop the capabilities needed for a nuclear weapons programme, while adhering to (or maintaining a façade of adhering to) the obligations under the NPT.⁶ North Korea, meanwhile, which withdrew from the NPT, is suspected of having built nuclear warheads.

In addition, North Korea is the centre of second-tier proliferation concerns in the region and beyond. It is known that extensive nuclear and missile programmes have existed in the past few years in North Korea, Iran, Pakistan and Libya.⁷ Since North Korea's withdrawal from the NPT in December 2002, it has reportedly accumulated sufficient plutonium-based warheads to allow it either to begin conducting nuclear tests or to sell the warheads on the black market. North Korea is further believed to have a uranium enrichment programme, which was started when the 1994 agreed framework was put into place, with assistance from Pakistan through a "missiles-for-enrichment-technology" barter deal.⁸ Further, North Korea's attempt to import machine components required to construct centrifuges was halted by an export control regime in 2001, in an event that showed the extent to which North Korea's technology had advanced.⁹

Overall, North Korea's case illustrates the seriousness of proliferation concerns in Northeast Asia. It also shows that regional non-proliferation and global non-proliferation are linked, and an effective non-proliferation regime would necessarily have to have both global and regional dimensions.

The PSI

The PSI is a response to such global and regional proliferation concerns. It is a supply-side measure that uniquely addresses both second-tier and first-tier proliferation. It is clear that the PSI grew directly out of the Bush administration's 2002 National Strategy to Combat Weapons of Mass Destruction, as a means to implement it. The 2002 strategy declares that "Weapons of mass destruction (WMD) – nuclear, biological and chemical – in the possession of hostile states and terrorists represent one of the greatest security challenges facing the United States", and emphasizes the administration's commitment to all three areas of counter-proliferation, non-proliferation and consequence management to respond to WMD use. The document called for further strengthening of the system for preventing and containing WMD proliferation and listed, among others, the need for "effective interdiction" of the delivery

of WMD materials and technology, pledging to strengthen military, intelligence, technical and law-enforcement communities for this purpose.¹⁰

Together with other similar initiatives launched by the Bush administration – such as the Container Security Initiative (CSI) managed by the US Department of Homeland Security, and the G8 Global Partnership against the Spread of Weapons and Materials of Mass Destruction, in which the G8 countries pledged to provide funds of US\$20 billion over 10 years to support specific disarmament, non-proliferation and nuclear safety projects, initially in Russia¹¹ – the PSI constitutes the core of the US strategy to enhance proliferation security.

The PSI was announced by the Bush administration in May 2003. The PSI Statement of Interdiction Principles, adopted by the original 11 members (the United States, Australia, France, Germany, Italy, Japan, the Netherlands, Poland, Portugal, Spain and the United Kingdom) on 4 September 2003, spells out the commitments to be made by participating members.

- Undertake effective measures, either alone or in concert with other states, for interdicting the transfer or transport of WMD, their delivery systems, and related materials to and from states and non-state actors of proliferation concern. “States or non-state actors of proliferation concern” generally refers to those countries or entities that the PSI participants establish should be subject to interdiction activities because they are engaged in proliferation through: (1) efforts to develop or acquire chemical, biological or nuclear weapons and associated delivery systems; or (2) transfers (either selling, receiving or facilitating) of WMD, their delivery systems or related materials.
- Adopt streamlined procedures for rapid exchange of relevant information concerning suspected proliferation activity, protecting the confidential character of classified information provided by other states as part of this initiative; dedicate appropriate resources and efforts to interdiction operations and capabilities; and maximize coordination among participants in interdiction efforts.
- Review and work to strengthen relevant national legal authorities, where necessary, to accomplish these objectives; and work to strengthen, when necessary, relevant international law and frameworks in appropriate ways to support these commitments.
- Take specific actions in support of interdiction efforts regarding cargoes of WMD, their delivery systems or related materials, to the extent national legal authorities permit and consistent with obligations under international law and frameworks, to include:
 - Not to transport or assist in the transport of any such cargoes to or from states or non-state actors of proliferation concern, and not to allow any persons subject to their jurisdiction to do so.
 - At their own initiative, or at the request and good cause shown by another state, to take action to board and search any vessel flying their flag in their

internal waters or territorial seas, or in areas beyond the territorial seas of any other state, that is reasonably suspected of transporting such cargoes to or from states or non-state actors of proliferation concern, and to seize such cargoes that are identified.

- To seriously consider providing consent, under the appropriate circumstances, to the boarding and searching of their own flag vessels by other states, and to the seizure of such WMD-related cargoes in such vessels that may be identified by such states.
- To take appropriate actions to (1) stop and/or search in their internal waters, territorial seas or contiguous zones (when declared) vessels that are reasonably suspected of carrying such cargoes to or from states or non-state actors of proliferation concern, and to seize such cargoes that are identified; and (2) to enforce conditions on vessels entering or leaving their ports, internal waters or territorial seas that are reasonably suspected of carrying such cargoes, such as requiring that such vessels be subject to boarding, search and seizure of such cargoes prior to entry.
- At their own initiative, or upon the request and good cause shown by another state, to (1) require aircraft that are reasonably suspected of carrying such cargoes to or from states or non-state actors of proliferation concern and that are transiting their airspace to land for inspection, and to seize any such cargoes that are identified; and/or (2) deny aircraft reasonably suspected of carrying such cargoes transit rights through their airspace in advance of such flights.
- If their ports, airfields, or other facilities are used as trans-shipment points for shipment of such cargoes to or from states or non-state actors of proliferation concern, to inspect vessels, aircraft or other modes of transport reasonably suspected of carrying such cargoes, and to seize such cargoes that are identified.¹²

The PSI, however, does not extend existing legal authority for member states to conduct actions that they could not do before under international law. Specifically, the PSI requires that the ships or aircraft to be interdicted must be in territorial waters or airspace, as the initiative does not grant new legal authority to conduct interdictions in international waters or airspace. To intercept shipments in international waters, the ships or aircraft of concern must be flagged or registered by a member state, or by a state willing to cooperate with the initiative in each specific case.

As of the end of 2005, the PSI had conducted 12 successful interdictions, including one that stopped a WMD cargo bound for Libya.¹³ The PSI had, as of May 2005, conducted 14 joint exercises in Europe, Asia and North America, joined by military as well as civilian law-enforcement authorities. Fourteen more exercises were scheduled to take place by the end of 2006.

The PSI as a regime

The PSI is a new regime designed to halt WMD proliferation in the contemporary strategic environment. Regimes are normally understood and analysed in terms of principles, norms and operational procedures or guidelines (rules and decision-making procedures). Principles denote beliefs or facts of causation. Norms refer to standards of behaviour for regime participants. Rules refer to specific actions to attain regime norms. Decision-making procedures refer to the built-in structure of decision-making.¹⁴

The PSI's basic principle is clearly that the proliferation of WMDs is a threat to international security. The Bush administration sought UN backing for such a claim, which materialized in the adoption of UNSCR 1540 (2004) that declared, under Charter Chapter VII, that "proliferation of nuclear, chemical and biological weapons, as well as their means of delivery, constitutes a threat to international peace and security" and called on all states to criminalize WMD proliferation, to enact and enforce strict export controls and to secure sensitive materials within their borders, in particular in view of preventing the spread of WMD materials and technologies to non-state entities. UNSCR 1540 has a basis in the path-breaking January 1992 statement by the president of the UN Security Council, in which the United Nations recognized for the first time that the "proliferation of all weapons of mass destruction constitutes a threat to international peace and security" and committed the Security Council to work to prevent the spread of technology related to the production of WMDs, as well as calling for member states' action in preventing their spread.¹⁵

The core norm of the PSI is that, because proliferation is a threat to international security, participating states are required to halt the proliferation of WMDs and related technologies and materials, as well as their means of delivery to states and non-state entities of concern, by way of interdiction. The norm for PSI participants is that the actions taken would be on a voluntary basis, with the emphasis on controlling the proliferation behaviour of targeted states and entities. The PSI, therefore, is a regime directed at deterrence of proliferation activities conducted by targeted states and entities through a show of unity, as well as through denial of means for these states and entities to acquire WMDs (table 10.1).

Rules (i.e. specific actions to attain regime norms) are defined in items 1–4 of the interdiction principles, but, as stated above, they are defined in such a way as to allow for voluntary actions based upon what is feasible in each individual case. Members are to undertake effective measures,

Table 10.1 Principles, norms, rules and decision-making procedures of the PSI

Principles (beliefs of fact and causation)	WMD proliferation is a threat to international security
Norms (standards of behaviour for regime participants)	The proliferation of WMDs is a threat to international security, therefore participating states will halt WMD proliferation through interdiction, based upon proactive and voluntary actions in line with the interdiction principles Deter proliferation activities of targeted states and entities Deny targeted states and entities means to acquire WMDs
Rules (specific actions to attain regime norms)	Interdiction principles 1–4, but designed in such a way as to allow for voluntary decisions
Decision-making procedure	Diplomatic conferences and <i>ad hoc</i> coordination; no built-in decision-making or dispute-settlement mechanisms

either alone or in concert with other states, for interdiction of the transfer or transport of WMDs, their delivery systems and related materials to and from states and non-state actors of proliferation concern; adopt streamlined procedures for rapid exchange of relevant information; strengthen relevant national legal authorities where necessary to accomplish these objectives; and take specific actions in support of interdiction efforts regarding cargoes of WMDs, their delivery systems or related materials to the extent that national legal authorities permit and consistent with obligations under international law and frameworks.

At the level of decision-making procedures, key decisions regarding the PSI are taken at diplomatic conferences of participating states, and through coordination among participants as required. The initiative itself does not have a built-in decision-making mechanism, nor is there a built-in dispute-settlement mechanism. The PSI is an *ad hoc* arrangement, without a secretariat or a budget, designed to maximize the room for individual manoeuvre.

Regime membership and scope

Initially consisting of 11 members (the United States, Australia, France, Germany, Italy, Japan, the Netherlands, Poland, Portugal, Spain and the United Kingdom), the PSI has since been joined by Canada, Norway, Russia, Singapore, Argentina, Iraq, Georgia and Croatia, and has the

support of over 60 states. As the chairman of the PSI meeting in Lisbon in March 2004 stated, the PSI relies on “the widest possible co-operation between states from different parts of the world”.¹⁶

In Asia, however, where proliferation concerns are particularly serious, the PSI has only three members: Australia, Japan and Singapore. America’s most important partners in Asia in conducting PSI operations are Australia and, to a lesser degree, Japan.

Australia, one of the closest allies of the Bush administration, has been a key member of the PSI since its inception. Australia’s support is based upon the judgement that an informal and practical arrangement like the PSI is necessary to stop WMD proliferation.¹⁷ Australia has hosted two PSI meetings, as well as the PSI’s first interdiction exercise in October 2003.

Japan has also been a major player, albeit with some reservations. Under strong US pressure, Japan changed its policy concerning the treatment of North Korean ferries coming into Japanese ports in June 2003, so that all incoming North Korean vessels would be investigated.¹⁸ Japan also hosted a PSI exercise in Sagami Bay in October 2004, in which the Japanese coastguard participated in a basic maritime interdiction operation, while the Japanese Maritime Self-Defence Force was assigned a role as information provider.¹⁹

The PSI’s limits

Despite its highly voluntary nature, the PSI is not a weak regime. Although the initiative only “advocates” certain actions, without creating “obligations”, political pressure from Washington creates strong expectations for members and supporters to take proactive measures to implement the initiative.

Nonetheless, the PSI does pose some legal and political difficulties, which may limit its effectiveness (at least in the short term). It contains some legal ambiguities, and if the initiative is to be implemented with vigour, these actions might stretch, if not break, existing international law.

But the PSI’s most notable limitation is political. For it to be effective, the participation of China and South Korea is critical. In this context, it is important to realize that these key states are not part of the PSI because they are cautious of the political messages that it actually sends. This suspicion stems, to an extent, from the initiative’s legal ambiguities, but more so from its partisan stance and its nature as a US-led “coalition” activity. In fact, the PSI is what some call “Cuba-lite”;²⁰ a *de facto* quarantine against North Korea. Although the US administration and other

PSI participants stress that the PSI targets non-proliferation in general, in fact the regime has target states (in Asia, it is North Korea) and entities, which makes it resemble a specific non-proliferation regime.

Legal ambiguities

The United States and the member governments claim that the PSI is implemented within the scope of existing international law. Although comprehensive analyses of legal dimensions of the initiative should be sought elsewhere,²¹ it is nonetheless imperative to state here that a vigorous implementation of the PSI may challenge existing international law. This is quite natural, as PSI coalition activity aims at filling existing gaps in international law that permit the spread of WMDs.

Under international law, in general, the closer a foreign vessel is to a sovereign state's territories, the more power the state has over that vessel.²² Although international law guarantees the right of "innocent passage", the UN Convention on the Law of the Sea (UNCLOS) allows a state to "take the necessary steps in its territorial sea to prevent passage which is not innocent" (Article 25(1)). Although the list of specific non-innocent acts in UNCLOS (Article 19) does not mention WMD components or missiles, states could respond (and have responded) by changing domestic legislation to criminalize WMD proliferation or to strengthen existing legislation.²³ UNCLOS guarantees the security of coastal states, while guaranteeing the right of passage through straits and sea-lanes (Article 39(1b)).

Nonetheless, the PSI will encounter serious problems if its members take up the more ambitious goal of actually interdicting vessels on the high seas. Freedom of navigation on the high seas is a fundamental right of states, and has been guaranteed under international law for several centuries. Only three exceptions to this general rule exist: when a vessel is suspected of engaging in piracy, slave trading or illegal broadcasting. Additionally, a vessel can be stopped if it is stateless, or if the country under whose flag the ship is sailing gives its permission. No law exists that allows states to interdict vessels suspected of carrying arms, including WMDs, on the high seas.

Thus a serious gap exists in the PSI, as an effective PSI action on the high seas would probably be unjustified under international law. In the context of East Asia, suspect vessels are most likely to be sailing under a North Korean flag or flags of other non-PSI states, thus precluding state jurisdictions.²⁴ It is generally feared that interdiction on the high seas, whether under the PSI or not, would undermine the long-established freedom of navigation, thereby undermining UNCLOS.

A further problem might be that the PSI does not grant any authority for member states to intercept airborne cargo and shipments travelling through another state's land territory – territory that is inviolable as a matter of state sovereignty.²⁵ In this context, the non-participation of China in the PSI is a serious hindrance for effective PSI operations.

Another problem concerns the legal trade of WMDs and their delivery systems.²⁶ States not party to the NPT or the Missile Technology Control Regime (MTCR) – such as North Korea – are not legally prevented from shipping nuclear materials or missiles to each other. In addition, the NPT, the Chemical Weapons Convention (CWC) and the Biological and Toxic Weapons Convention (BTWC) expressly allow signatories to possess and trade in dual-use materials (North Korea is a signatory to the BTWC). The definition of chemical, biological and nuclear weapons and “related materials” is not at all clear, adding to the complication.²⁷

A related problem is that of double standards in the application of the PSI principles. While it is true that North Korea is the centre of a major proliferation concern, it is likewise the case that the United States and its allies, such as France, Italy and Israel, are all exporters of missiles and weapons. China and Russia are also major weapons traders. Here, the United States and PSI coalition partners might be accused of double standards if they are to interrupt North Korean weapons trade, which is equally protected under international law, while leaving aside the weapons trade of their allies.²⁸ The implied discrimination in applying PSI principles creates grounds for a legal challenge.

The Bush administration has sought other legal bases to justify PSI interdictions where they are problematic, but none of these legal bases seems sufficiently clear. The United States has sought to justify its actions under the PSI by invoking the right of self-defence. But self-defence may be invoked only if it can be demonstrated that there is the “necessity of self-defense, instant, overwhelming, leaving no choice of means, and no moment for deliberation”,²⁹ which then opens up possibilities for the use of force that is reasonable and proportionate to the threat. However, it is not clear how far the anticipation of threats may justify forcible and pre-emptive action, as a PSI action would imply; this is a matter of intense debate.

It has also been suggested that where terrorist activities are suspected, interception of WMD transfers at sea might be considered consistent with UNSCR 1540, which deals with proliferation by non-state actors, or with other UNSC resolutions that condemn terrorism.³⁰ However, any WMD interdiction by states without explicit UNSC authorization would still be highly controversial. Other suggested legal justifications – such as a possible UN General Assembly resolution, additional treaties or

amendments to existing international law – would all likewise prove inadequate as bases to justify interdictions in international waters and airspace.³¹

To bridge the most serious gap – the lack of jurisdiction to interdict shipments on the high seas (except in the exceptional circumstances previously mentioned) – agreements could be reached whereby flag states waive their exclusive jurisdiction over their ships. To date, Liberia, Panama and the Marshall Islands have waived the right through bilateral agreements with the United States. According to one account, the bilateral agreement with Liberia increases the percentage of vessels accessible to consent boarding by PSI nations to over 18 per cent, from just 12 per cent initially.³²

In general, as is already clear, if the PSI is to be effective it would have to operate in the area where it is legally ambiguous. Thus, as Valencia has argued, the PSI “certainly tests the limits of international law and may eventually exceed them”.³³ It may also potentially harm the established UNCLOS regime. The PSI is further plagued by a lack of clarity and double standards in the application of its principles.

Political connotations: Quarantine against North Korea?

Nevertheless, the major hindrance to effective implementation of the PSI is probably political. As has been indicated in the above analysis, the most tenuous gap in PSI implementation comes from the non-participation of South Korea and China, both major trading partners of North Korea. South Korean and Chinese reservations about the PSI are not surprising. They list the legal ambiguities of the initiative as a formal reason, but the real reasons are more likely to be political. Aware of the political context in which the PSI, including its hard-nosed military interdiction exercises, is implemented, these countries are apprehensive that the initiative might elicit unwanted and unfavourable reaction from North Korea, especially in the ongoing Six-Party Talks whose primary purpose is to induce North Korea to give up its nuclear weapons programme.

Certainly the PSI, unless carried out with extra care, would entail some political ambiguities. It is not entirely clear, first of all, whether the PSI is a general non-proliferation regime or a country- or actor-specific non-proliferation regime. Its stated purpose is to prevent the spread of WMDs generally. Nonetheless, there have been indications that there is indeed a particular concern for certain states and entities, in that the PSI may affect some states and entities more than others, while leaving aside the weapons trade of the United States and its allies. Overall, the PSI looks like a highly strategic endeavour: it addresses states and non-state entities “of concern”, meaning in effect North Korea, Iran and, initially,

Libya, as well as terrorist networks including Al Qaeda. While Libya has since abandoned its nuclear programme as a result of a successful interdiction in the context of the PSI, the other two states are the countries pinpointed by the Bush administration as being part of the “axis of evil” (together with Iraq under Saddam).

In fact, both US State Department and Pentagon officials have made remarks that North Korea might get more signals and warnings from the initiative, although PSI participants are eager to argue the case that it is targeting proliferation *per se*, not specific countries.³⁴ Former US Undersecretary of State for Arms Control and International Security John Bolton, the architect of the initiative, stated that the PSI is not targeting the trade of countries such as India, Israel and Pakistan³⁵ – countries already in possession of WMDs and perceived as US allies or friends.

Although Bolton indicated that North Korea is not the only target of the United States and other countries participating in the initiative, it is clear that it is one of the main targets. On more than a few occasions, North Korean ships have been intercepted. On 8 August 2003 the *Ge Gaehung*, a North Korean cargo vessel, was intercepted and detained at Kaohsiung Harbour in Taiwan, following a US intelligence notification to the Taiwan authorities that the vessel was carrying missile-related materials.³⁶ The ship was ordered to unload some 158 barrels of phosphorus pentasulphide, which were later confiscated by the authorities. In April 2003 the French government intercepted a French-flagged ship and forced it to unload cargo in Egypt; it was discovered that the cargo contained 22 tonnes of aluminium tubes, originating in Hamburg and believed to be destined for North Korea through China, and it was suspected that the tubes were for use in Pyongyang’s highly enriched uranium programme.³⁷ Also in April 2003, Australia interdicted the North Korean vessel *Pong Su* and seized 50 kg of heroin, allegedly intended to finance WMD production. The stance of Japan, although certainly not enthusiastic, is increasingly proactive. Under its new policy adopted in June 2003, Japanese authorities conducted checks for customs and immigration violations, infectious diseases and safety violations on the *Man Gyong Bong*, a North Korean vessel, in the port of Niigata. North Korea responded by cancelling all ferry travel between the two countries.³⁸ Japanese authorities then detained the *Namsan 3*, a 298-tonne freighter, at Maizuru, and the *Daehungrason-2* at Otaru. In August 2003 Japanese authorities detained the North Korean *Mangyongbong-92* at Niigata, charging it with five safety violations. The US Congress had identified this vessel as having been involved in smuggling some 80 per cent of the parts used in Pyongyang’s missile programmes.³⁹

Indeed, the Bush administration has sought, through the PSI, to persuade or pressure North Korea to follow the path chosen by Libya, which

abandoned its WMD ambitions in December 2003 after successful interdiction of cargo that included nuclear materials. US officials cite the Libyan model as one they hope that Iran and North Korea will follow.⁴⁰ The PSI, as a result, is somewhat more discriminatory in connotation than its general statement might seem to suggest.

The PSI's implicit focus on discriminatory action, conducted in a proactive or pre-emptive manner, might be perceived by some as another indication that US policy is increasingly turning away from multilateral (although, according to the Bush administration, the PSI is "multilateral") non-proliferation to *ad hoc* counter-proliferation schemes, much in continuation of the trend started earlier in the 1990s. Andréani notes that US policy since the 1990s gradually shifted from international consensus building, such as treaty making and verification, to punitive and defensive options, including military means designed to counter proliferation once it has occurred.⁴¹

The PSI may be seen to be in line with these trends. It is both assertive and proactive, and innovatively combines military and law-enforcement measures. If implemented vigorously, it does stretch international law, as reviewed above, and there is no UNSC resolution that specifically authorizes certain actions endorsed in the PSI. This coalition-based scheme may reflect neo-conservative scepticism of multilateral arrangements.

Perhaps the largest difficulty for states in the region is the lack of clarity in the political message the PSI sends. As Cotton has observed, the objective of the PSI has been described in a number of ways.⁴² While it has been termed a global initiative to prevent the spread of WMDs, the initiative is probably more a part of a broader attempt by the Bush administration to induce change in the behaviour of the North Korean regime towards achieving full nuclear disarmament of that country. Further, the initiative may even be seen as constituting an integral part of the perceived attempt by the Bush administration to induce regime change in North Korea. Of course, policies that are (or seem to be) directed at regime change may not produce changes in behaviour.⁴³ Here the PSI has provoked a vehement reaction from the North Korean regime, which proclaimed that it is an "international blockade strategy", a "wanton violation" of its sovereignty and a "prelude to nuclear war".⁴⁴

Given these ambiguities in the political message sent by the PSI, it is clear that key players in Northeast Asia are cautious, which significantly weakens the effectiveness of the initiative in the region. The lack of North Korean participation broadens the gap further, of course, as the PSI participants are not empowered to interdict North Korean-flagged ships on the high seas. Chinese non-participation also widens the gap, although China has reportedly been increasingly collaborative, without formally endorsing the PSI principles, to interdict shipments inside its own

ports. The Chinese government has enacted various domestic laws to implement UNSCR 1540 (2004), to allow its port authorities to investigate certain cargoes. The non-participation of South Korea, whose trade with North Korea has been growing, especially since 2002, is also a significant factor. A further indication of South Korean and Chinese reservations towards the PSI was their refusal to join (even as observers) the PSI exercise in Sagami Bay in October 2004, in which the United States, Japan, Australia and France participated.⁴⁵

Japan, while a participant in the PSI, has also been cautious. Japan was careful not to let the PSI interdiction exercise look like a military exercise, particularly one directed at North Korea, and has preferred to present it as an export control measure. The Ministry of Foreign Affairs (which is reportedly reluctant to participate in the PSI, seeing it as legally dubious) prefers the coastguard to take the initiative, rather than the Maritime Self-Defence Force. One reason behind such caution, in addition to sensitivity to constitutional pacifism, is reluctance to provoke North Korea. In fact, in the PSI exercise that took place in Sagami Bay in October 2004, in which Japan took leadership, the Japan coastguard was the lead participating agency and the exercise involved a hypothetical situation in which a Japanese vessel was conducting illicit trade (this role was played by a US ship). Nonetheless, the exercise was criticized by North Korea as a “provocation”.⁴⁶

Overall, there needs to be some caution in handling the PSI operations, particularly in the light of political dealings with North Korea. The initiative’s concrete results will have to be weighed against the unwanted political backlash, i.e. the possibility that the initiative itself might augment existing political tensions and arouse sensitivities in the region.

Towards a more multilateral endeavour: The PSI as an “outside-in” institution?

These difficulties notwithstanding, it is nonetheless clear that WMD proliferation is a serious concern and needs to be tackled very urgently. A strategy to persuade China and South Korea to participate in the regime is definitely needed if it is to be effective. Indeed, Valencia suggests that as the PSI remains a US-initiated and US-driven activity, the resulting secrecy and the difficulty of evaluating the effectiveness and legitimacy of the initiative prevent garnering support from countries suspicious of the United States.⁴⁷

If this is the case (and the analysis above seems to support this view), then the PSI needs to be transformed from a largely US-led coalition activity to a more multilateral, global initiative, with transparent rules

and procedures. Only then will the initiative be able to expand its membership in the Asian region, and particularly in Northeast Asia. The above analysis also suggests that, given the political divisions in Northeast Asia, internal institutionalization of the PSI non-proliferation regime will be very difficult.

It is in this context that former UN Secretary-General Kofi Annan's endorsement of the initiative may be of some value. He endorsed the PSI in recent speeches, as well as in his UN reform document, "In Larger Freedom",⁴⁸ citing it as a voluntary and necessary effort to prevent WMD proliferation, which would be a helpful measure to enhance the UN's strategy to fight and prevent terrorism.⁴⁹ In his reform document, he welcomed the PSI as a supplementary measure to the NPT-based non-proliferation regime.

Indeed, if the PSI came to be (or at least came to be seen as) a more multilateral endeavour, embraced by the United Nations, this would help the initiative gain support in the region. In fact China, while cautious of US-led unilateral, military-focused approaches to non-proliferation, seems keen to collaborate with other nations to tackle regional WMD proliferation.⁵⁰ It would be all the better for the initiative to gain some concrete UN backing, as Valencia has suggested. The United Nations could support the PSI through, for instance, the provision of neutral and impartial diplomatic support, and even institutional support, including coordination, intelligence cooperation and budget management.⁵¹ Making the PSI a UN-sanctioned scheme would reduce the perception of it as being a highly *ad hoc*, arbitrary, US-driven venture.

In addition, the PSI may need to build on broader region-wide initiatives to coordinate proliferation security, such as the Japan-led Asian Export Control Initiative, which seeks to involve China and other Northeast Asian states.⁵² Such an approach may help overcome political sensitivities and scepticism, and help create a regional consensus on the need to tackle collectively issues of non-proliferation – thereby contributing to increased support for, and effectiveness of, the PSI over the long term.

Conclusion

The above analysis supports the view that the PSI, while potentially very helpful, needs more time to be genuinely effective.⁵³ Short of genuine efforts to coordinate aspects of legitimacy, multilateralism and participation, the PSI will continue to be of limited effectiveness and even be a potentially destabilizing element in the Northeast Asian region. The institutional perspective – i.e. the potential of the PSI to spread into some sort of a regional non-proliferation regime, as an extension of a global in-

stitution (as Yamamoto's theory would indicate) – might offer a viable policy option.

Notes

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5. The definition of first-tier proliferation by Braun and Chyba, *ibid.*, is technology or material sold or stolen from private companies or state nuclear programmes to assist non-nuclear weapons states in developing illegal nuclear weapons and their delivery systems.
6. *Ibid.*
7. *Ibid.*, p. 9. Information hereafter is also taken from Braun and Chyba, pp. 9–16.
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11

Institutional linkages and security governance: Security multilateralism in the Korean peninsula

Tsutomu Kikuchi

Introduction

This chapter analyses the institutional developments in the Korean peninsula to sustain peace and stability. In response to the overarching question of this volume, of whether regionalization¹ in Northeast Asia is possible, it analyses the particular example of security multilateralism on the Korean peninsula, in particular interplay between institutions (bilateral, subregional, regional and global) on Korean affairs, including the nuclear crisis provoked by North Korea (Democratic People's Republic of Korea, DPRK).

We usually assume that a single multilateral security institution could address a variety of security-related issues. The arguments in this chapter, however, are based upon a different conception of security multilateralism. It is argued that linking institutions (whether bilateral, multilateral, regional or global) is critical for developing security multilateralism, rather than establishing a single multilateral institution. Mutually coordinated or interlinked institutions create *de facto* security multilateralism.

There are several reasons for this argument. First, there are various security issues to be addressed in the Korean peninsula – issues that are closely connected with each other. A piecemeal approach is not effective. The nuclear issue, for example, cannot be dealt with in isolation from the larger security issue of the Korean peninsula itself.

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Second, each issue needs a different composition of participating countries and different commitments from each. A single multilateral institution cannot address all of these issues: some division of labour among different institutions is necessary.

Third, because of this multiple nature of Northeast Asian security, we will have a variety of institutions to address security issues, such as bilateral institutions between the United States and the DPRK or between North and South Korea. We may have a trilateral institution addressing military confidence building among the United States, South Korea and North Korea, or a quadrilateral institution among North and South Korea, the United States and China that deals with the transition from the armistice to peace regimes.

Fourth, because of the need for a comprehensive approach, an issue of critical importance for the overall regional security structure is to produce synergistic effects by linking institutions effectively.

Fifth, well-coordinated and mutually connected institutional relationships will form *de facto* security multilateralism in the Korean peninsula.

Sixth, institutional linkage is the key when we talk about security multilateralism. A certain type of institutional linkage is conducive to security and order. Depending on the type of linkage, we can expect either positive or negative effects on the operation of the respective institutions. *De facto* multilateral security coordination could be achieved by adequately linking a variety of institutions.

Seventh, although most security-related issues in the region will be addressed by different groups of countries, we need some comprehensive multilateral forum or umbrella framework where institutional relations could be coordinated to enhance an overall security structure. Given that resolving pressing security concerns such as the North Korean nuclear issue will take a long time and that various institutions will have to be coordinated during this period, a common umbrella institution is vital to achieve the final goal (a nuclear-free Korean peninsula).

There are already a variety of institutions on the Korean peninsula that would address security issues, such as the 1992 Basic Agreement and the Agreement on Non-Nuclearization between South Korea and North Korea, the agreed framework between the United States and the DPRK and the bilateral institution between Japan and the DPRK underlined by the 2002 Pyongyang Declaration. However, these institutions have not functioned well. Even when agreements were concluded, serious difficulties in implementing them quickly arose. A major concern for Northeast Asian regional order is therefore not the lack of multilateral security institutions, but the lack of coordination, synergy and linkage between the existing institutions.

The Six-Party Talks, established to resolve the North Korean nuclear issue, could play an important role in institutional coordination. They are important in coordinating a variety of institutions that will be developed to address different security-related issues among different groups of countries. The Six-Party Talks thus provide an excellent laboratory to discuss the possibility of successfully creating a multilateral security framework in the region. In the author's view, the success of the Six-Party Talks depends to a large extent on whether we can successfully link and coordinate various institutions with each other, and then amalgamate them into *de facto* multilateralism.

How can we assess the Six-Party Talks under way to address the North Korean nuclear crisis from the viewpoint of these arguments on institutional linkages?

The joint statement of the fourth round of the Six-Party Talks, in September 2005, suggests how institutional relations are crucial and clearly demonstrates that a comprehensive approach is critical to resolve the nuclear impasse. It refers not only to North Korea's pledge to dismantle its nuclear weapons and existing nuclear programmes. Almost all security issues on the Korean peninsula will have to be addressed to resolve the nuclear crisis. It is therefore almost certain that resolving the North Korean nuclear issue will be a long process. If the joint statement is implemented, various institutions with different memberships will be created in this long process, and existing institutions like the four-party talks, aborted in the late 1990s, will need to be revitalized.

The role of the Six-Party Talks will be to act as a loosely organized multilateral umbrella forum under which the existing and newly established institutions are mutually coordinated. Under such an umbrella, decoupled institutions must be amalgamated into an integrated institutional package. This will be especially important, as individual institutions in Northeast Asia are generally weak in their respective institutional shapes, and thus vulnerable to the changes of policies and attitudes of the parties concerned. Therefore, institutions will need some supporting mechanisms for the implementation of the agreements. By linking institutions we can strengthen them, and also the implementation process.

Thus there exists a possibility for Northeast Asia to develop multilayered, interlinked institutional security mechanisms based on both existing and newly established institutions. Mutually reinforcing relations between various institutions could be established through institutional linkages, even if individual institutions are still weak in their respective institutional shapes and limited in their scope.

In support of these arguments, this chapter will first explore the changing relations among the countries that could facilitate institutional linkages. The second part presents a theoretical framework that introduces

four types of institutional linkage. They serve as a frame of reference for subsequent analyses of institutional linkages in Korean affairs and their effectiveness in creating regional order. Based on this analysis, the chapter finally discusses the prospective future of the Six-Party Talks.

Political environments facilitating institutional linkages

Change in the major powers' relationships

In Northeast Asia the competitive security system that dominated the region during the Cold War era has almost disappeared. Today no persistent divisions exist, although balancing behaviours to enhance power and interest are seen among major powers. In spite of their differences over a desirable regional order, a *de facto* concert of powers is possible on an *ad hoc* basis.

A surge of bilateralism

Since the end of the Cold War, the major powers have engaged in redefining their respective relations. They have mostly enhanced their bilateral relations, although there remain a variety of tensions. They have been quite careful not to create a concern on the part of third-party countries that their enhanced bilateralism was targeting third parties. In spite of some (soft) balancing behaviour of two countries against a third country, enhanced bilateral relations these days are not necessarily intended to “confront” a third country, with the result that the development of complex non-hostile bilateral relationships has contributed to putting mutual constraints on state behaviours.

A shared interest in regional stability

The interests of the major powers are relatively compatible: a shared interest in stability. Diplomatic accommodation seems much more likely than confrontation in the Korean peninsula. Being concerned with stability, everybody prefers the status quo over dramatic changes – but would also prefer a peaceful and orderly change towards a new status quo if manageable and acceptable to all.

Of particular importance is China's changing attitude. China desperately needs stability on the peninsula to maintain a peaceful environment for economic growth and its own domestic stability. Although the survival of the North Korean regime is China's first priority, self-interest pushes China to constrain North Korea's provocative behaviour, as exemplified by nuclear development and missile launches.² Because of

the uncertainty of the consequences of a Korean unification, China has, for the time being, adopted the preservation of the status quo as the guiding principle of its Korean policy.³

Economics and security options

Enhanced economic interactions with the international community have greatly affected foreign and defence policy preferences. With the opening of its economy to international economic transactions, China today has a huge interest in the stability of global and regional systems. With South Korea's further opening of its economy, it has become more difficult for its government to take a "confrontational" policy towards the North. Rising tensions on the peninsula would have an adverse impact on the South Korean economy. Moreover, the South Korean stock market is supported by many foreign investors. Maintaining peace is therefore vital for South Korea to maintain its economic prosperity.

Institution building

Since the end of the Cold War bilateral institutions, even if with a weak structure, have played an increasingly important role in "clarifying the environment". States operating under conditions of uncertainty do not automatically reach for neo-realist tools, such as unilateral self-help strategies. Status quo states often want to clarify their environment first through the creation of institutions,⁴ such as between South and North Korea, the United States and North Korea, North Korea and Japan, and South Korea and China. But also global institutions such as the United Nations, the International Monetary Fund (IMF), the Global Agreement on Tariffs and Trade (GATT)/World Trade Organization (WTO) and the Nuclear Nonproliferation Treaty (NPT)/International Atomic Energy Agency (IAEA) have expanded to include Northeast Asian nations.

Institutional linkages: A theoretical aspect

With the pace of recent growth and the multiplicity of bilateral relations among the countries of the region, as well as the extension of global and regional institutions, institutional relations have become more complex.

Institutions do not act alone and in isolation; in a world involving the operation of many distinct institutions at the same time, there are various linkages among institutions that are differentiable from one another but affect each other.⁵ Institutions impinge on one another in a variety of ways: overlapping with, conflicting with or reinforcing institutional goals and operation. These interactions affect institutional per-

formance and effectiveness. Institutional conflicts may have negative unanticipated consequences for other institutions: one institution can inadvertently or deliberately block or interfere with the operation of another.

When actors choose to create new institutions, they must decide on the specific characteristics of those institutions.⁶ Defining the characteristics of the institutions often causes a lot of dispute, given differences of state preferences and capabilities. In the Korean peninsula, existing trans-regional (mostly global) institutions have served as the supportive institutions in forging new regional institutions.⁷ Global institutions such as the NPT/IAEA have provided Northeast Asia with appropriate “focal points” around which the expectations of Asian countries are converged.

Oran Young describes four types of institutional linkage: embedded, nested, clustered and overlapping relationships.⁸

Embedded institutions are those that are deeply embedded in overarching institutional arrangements. For example, negotiations between states are usually embedded in international laws under which respect for sovereignty and sovereign equality is observed.

Nested relations are described by Young as institutional linkages in which specific arrangements are folded into broader institutional frameworks that deal with the same general issue area. One example is the nesting of regional preferential trading agreements into GATT, in order to avoid negative trade effects of regional preferential arrangements on the global multilateral free trading system.

Institutional clustering occurs when those engaged in the formation or operation of different institutions find it attractive to combine several of these arrangements into a single institutional package, for instance to achieve some division of labour.

Finally, overlapping institutional relations are those in which individual institutions that were formed for different purposes, and largely without reference to one another, intersect on a *de facto* basis and influence each other substantially. Trade and environment institutions are among the most commonly recognized overlapping institutions.

How one institution is linked with other institutions has been a matter of serious political contention between the countries concerned.⁹

Institutional linkages over Korean affairs

Embedded institutional relationships

In US-DPRK relations, the fundamental problem was that neither side recognized the other as a legitimate political entity. Therefore, usual

practices, principles and norms regulating inter-state relations underlined by modern international laws have not yet been fully applied to the bilateral relations, in spite of dialogues started between the two governments.

The ambiguous attitude of the United States towards North Korea's legitimacy as a sovereign state, its unwillingness to talk with North Korea bilaterally, the US president's naming of North Korea as a part of the "axis of evil" and the new US military doctrine of preventive strikes seem to have caused deep suspicion and concern in North Korea. For the DPRK, recognition by the United States of its legitimacy as a sovereign state was highly important for the survival of its regime.

Recently, the US position has changed in this regard. Prior to the fourth round of the Six-Party Talks, US Secretary of State Rice acknowledged that North Korea is a sovereign state under the UN Charter. This was a response to North Korea's request for public recognition by the United States, and was subsequently reconfirmed by the direct US-North Korea negotiation that took place as part of the Six-Party process in Beijing.¹⁰

In this regard, it is to be noted that article 2 of the joint statement of the fourth round of the Six-Party Talks specifically refers to the basic principles and norms of international society to be observed by both the United States and North Korea, such as "respect for each other's sovereignty" and "peaceful coexistence", as well as observing the general norms and principles of the UN Charter and international laws.¹¹ North Korea's relations with the United States are thus now embedded in universally endorsed global institutions.

*Global and regional nesting of North Korea's nuclear issue:
The agreed framework, KEDO and the NPT*

In order to resolve the North Korean nuclear crisis, both global and regional factors had to be addressed simultaneously. First, the crisis posed a serious challenge to the global non-proliferation regime. North Korea had to be brought back into the NPT immediately, and obliged to comply with the global non-proliferation rules (IAEA safeguards).

Second, and simultaneously, resolution of the crisis needed some local (region-specific) arrangement to supplement the global institution. Generally speaking, the paths and dynamics of nuclear proliferation are not uniform around the world; the causes of proliferation are closely connected with the particular conflict and political relations of the respective region. Therefore, a global approach has not necessarily succeeded when applied to specific regions.¹² A regional approach to non-proliferation

provides the flexibility to adapt to specific local conditions and regional requirements.

North Korea's nuclear issue has been and is closely connected with local and region-specific issues, which were not fully addressed by global institutions. The NPT/IAEA, for instance, deal with specific issue areas (non-proliferation) and do not have any mandate to deal with other issues (such as the normalization of bilateral relations): these go beyond their mandate and must be addressed on a regional (local) level.

Third, although the NPT plays an important role in providing basic norms and rules to resolve the crisis, it lacks policy instruments to respond actively. For example, when North Korea demanded some "compensation" in exchange for abandonment of its nuclear weapons programme, the NPT could not offer any "special treatment" to the DPRK, even if it were willing to do so. Thus addressing North Korea's nuclear challenges needs local mechanisms as well as global ones, and due attention must be paid to their interrelations.

Finally, the first nuclear crisis was diffused with the conclusion of the US-DPRK agreed framework in September 1994. Under the framework, North Korea promised to freeze and eventually dismantle its graphite-moderated nuclear reactors and related facilities. It also affirmed its NPT membership status, committed itself to come into compliance with its IAEA safeguards agreement at a later stage, agreed to implement the 1992 North-South Denuclearization Agreement and agreed to work with the United States to store and dispose of the spent fuel from its 5 MW reactor in a safe manner.¹³ In exchange, the United States agreed to lead an international consortium to oversee and finance the construction of two light-water-type nuclear power reactors (LWRs), to "compensate" the DPRK for energy forgone by providing heavy fuel oil annually until the completion of the first LWR and to take steps to reduce economic and financial restrictions on North Korea. The Korean Peninsula Energy Development Organization (KEDO) was established in 1995 to implement key parts of the agreed framework: to build two LWRs and deliver heavy fuel oil to the DPRK.¹⁴

With respect to institutional linkage, the agreed framework and KEDO have unique multilateral institutional characters. The agreed framework that provided the foundation for KEDO served as an instrument for the DPRK to be continually embedded in the global NPT/IAEA regime.¹⁵ North Korea had officially announced its withdrawal from the NPT, so legally speaking it was free from any obligations under the treaty. North Korea also withdrew from the IAEA in June 1994; thus the obligations and rules of the NPT/IAEA were not applicable to it any more. This caused serious damage to the global non-proliferation regime,

especially given the fact that the NPT review conference was scheduled to be held in the following year.

In this situation, the agreed framework served as an instrument to force North Korea to remain within the global non-proliferation regime, even if temporarily and on an *ad hoc* basis. Furthermore, although North Korea had withdrawn from the IAEA, the framework made it possible for the IAEA to inspect North Korea's nuclear facilities: inspectors could obtain access to North Korea's nuclear facilities not as part of the North Korea-IAEA safeguard agreement but as part of implementing the agreed framework. Thus the agreed framework played an important role in enabling the DPRK to be embedded into global non-proliferation regimes by nesting itself into the global institution.

KEDO is a multilateral institution that emerged from the US-North Korea bilateral agreement; its membership then expanded to include other core countries and organizations, such as South Korea, Japan, the European Union and other countries concerned about security in North-east Asia. Within the KEDO framework, coordination among the interested parties has developed and various bilateral relations facilitate its operation.

KEDO was a unique institution in terms of strengthening the global non-proliferation regime on a local (regional) level. The NPT/IAEA are primary global institutions to prevent the spread of weapons of mass destruction. KEDO and the underlying agreed framework were nested into the global NPT regime; in this regard, the agreed framework and KEDO/NPT/IAEA serve as local supporting and complementary mechanisms to make the NPT work in the specific region.

The NPT/IAEA could not respond alone to the nuclear crisis caused by North Korea. One reason for this was that the NPT/IAEA did not have any policy instrument to solve the nexus of security (non-proliferation) and economics (economic incentives). The NPT/IAEA do not assume that there will be "compensation" for the destruction of nuclear-weapons-related facilities; the North Korean case demonstrated the need for such bargaining levers. The agreed framework and KEDO made this bargain possible at the regional level, thereby contributing to strengthening the global NPT regime.

Institutions at higher levels (the NPT) were used to mediate conflicts and often served to reinforce local institution building (KEDO). The NPT provided a multilateral context for the agreed framework and KEDO. The agreed framework and KEDO are also nested into a global non-proliferation regime that plays by the rules of international society and adds rules and norms of its own. Through institutional linkage with the global institutions, North Korea's compliance with the

agreed framework/KEDO was also linked with the NPT/IAEA and the United Nations, as well as bilateral relations with countries such as the United States, South Korea, Japan and the EU countries.

By linking with the 1992 North-South Joint Declaration on the Denuclearization of the Korean Peninsula, the agreed framework contributed to putting additional constraints on North Korea's nuclear development programme. The North-South joint declaration prohibits both Koreas from possessing uranium enrichment and nuclear reprocessing facilities. In the agreed framework, the DPRK made a commitment to engage in North-South dialogue. This commitment was so central that the United States would not have concluded the framework without it; North-South dialogue is an essential aspect of the agreed framework and a prerequisite for its full implementation.

Overlapping institutional relationships over the DPRK's nuclear development programmes

We have also been witnessing overlapping institutional relations in the response to the North Korean nuclear crisis. Various institutions have been developed to address this issue in the past decades, institutions that in some cases contradicted each other and caused some disputes. In other cases, though, institutional linkages created synergistic effects, and therefore contributed to enhancing the effectiveness of non-proliferation activities.

We can see a positive effect of overlapping institutional relations concerning the DPRK's nuclear development programme. These overlapping institutions served to enhance the non-proliferation regime at a local level by establishing a more restrictive regime on the Korean peninsula.

North Korea signed the NPT in 1985, and entered a safeguard agreement with the IAEA in January 1992. Under the NPT, North Korea is given an "inalienable right" to use nuclear energy for peaceful purposes. So, in principle, North Korea was eligible to develop nuclear reprocessing facilities that could produce weapons-grade plutonium and highly enriched uranium facilities – another way to produce nuclear weapons.

In terms of the NPT rules and IAEA safeguards, there was a serious problem with the credibility of the non-proliferation commitment. Global institutions such as the NPT do not make judgements about the credibility of a state's non-proliferation commitment. In reality, the credibility of this commitment differs widely. Here, again, we face the challenge of how to construct region-specific non-proliferation institutions within a global non-proliferation institution where equal treatment and non-discrimination among members is the basic operational principle.

This was one of the challenges to be addressed in the reconciliation processes between North Korea and South Korea early in the 1990s. Responding to the strong request of the United States, the South Korean government succeeded in obtaining North Korea's agreement to the 1992 nuclear joint declaration, which prevented both Koreas from developing nuclear reprocessing and enrichment facilities that could be used to produce weapons-grade plutonium and highly enriched uranium. Both agreed to conduct mutual inspection of the nuclear facilities of the other. In this regard, the overlapping institutional relations (between the NPT and the North-South joint nuclear declaration) contributed to the strengthening of non-proliferation at a local level (the Korean peninsula), supplementary to the global institution (the NPT).

On the other hand, since the second nuclear crisis that took place in October 2002, the United States has argued that any right to keep nuclear facilities, even if for "peaceful purposes", should not be granted to North Korea, at least for the moment, because it had violated international obligations under the NPT. The United States insisted that discussions should be held at a later stage as to whether or not North Korea should be allowed to develop nuclear facilities for peaceful civilian purposes, after intensively scrutinizing its compliance with international obligations under the NPT/IAEA. Under the "complete, verifiable and irreversible dismantlement" (CVID) formula on North Korea's nuclear facilities, the United States urged other countries to accept its requirement.

North Korea flatly rejects the US demand and strongly argues that the "inalienable right of peaceful use" should be observed, and that the two light-water nuclear reactors that were to be provided to North Korea under the 1994 agreed framework should be allowed as promised. China and Russia support North Korea's position; given the South-North nuclear joint declaration, South Korea also, even if only implicitly, has been taking a position closer to that of North Korea.¹⁶

This issue of whether or not North Korea was to be granted the right to use nuclear facilities for civilian purposes was the most serious stumbling block at the fourth round of the Six-Party Talks in September 2005. The final agreement suggests a compromise: North Korea will be accorded the right in principle to use nuclear facilities for peaceful purposes, but only after dismantling its nuclear weapons programme and rejoining the IAEA safeguard mechanism and the NPT. In an institutional context, the agreement is an example of establishing a regional non-proliferation institution that takes specific local conditions into account, while respecting the universal principle underlined by the global institutions.¹⁷

North Korea's missile moratorium: A clustered relationship connecting bilateralism and multilateralism within a single package

Together with nuclear weapons and their development programme, the development and export of missiles by North Korea have also been posing serious security challenges, not only for neighbouring countries but also for the Middle East and South Asia.

The issue of North Korean missiles was mostly discussed between the United States and North Korea in 1999 and 2000. Under the Berlin Agreement, North Korea promised to halt the testing of long-range missiles in September 1999, saying that it would adhere to the moratorium as long as a dialogue continued with the United States. At a meeting with then Secretary of State Madeleine Albright in Pyongyang, Kim Jong-il promised not to test further the Taepodong 1 missile, which it had test-fired over Japan in August 1998. According to Wendy Sherman, a Clinton adviser on North Korean affairs, the Clinton administration subsequently came close to a deal to eliminate North Korea's medium- and long-range missiles and end its missile exports.¹⁸ However, in the end an agreement could not be reached. Thereafter, the Bush administration suspended negotiations pending a policy review, and contact between the United States and North Korea was suspended. North Korea responded to the suspension by declaring that it could not maintain the moratorium "indefinitely"; it also froze bilateral talks with South Korea.¹⁹

In this situation, with the United States stuck in its review process, the European Union intervened to moderate tensions between Washington and Pyongyang and facilitate inter-Korean dialogue. Several EU member states opened diplomatic relations with the DPRK and offered humanitarian assistance. During a May 2001 meeting with an EU delegation led by the EU president, Kim said that North Korea would extend the moratorium until 2003.²⁰ Furthermore, as part of the Japan-North Korea "Pyongyang Declaration" of September 2002, North Korea expressed its willingness to extend its moratorium on missile tests beyond 2003. North Korea's commitment to a missile moratorium was reiterated by Kim Jong-il when Japanese Prime Minister Koizumi made his second visit to Pyongyang in May 2004.

From fragmented to clustered/integrated relationships

The "1992 system": Clustered relationships for regional stability

The end of the Cold War in Northeast Asia was accompanied by collaboration and joint actions among the countries in the region, leading to the

so-called “1992 system”²¹ based upon bilateral collaboration among the countries. South Korea’s “northern diplomacy”, which started during the Cold War supported by the United States, finally led to normalization of relations between South Korea and the Soviet Union in September 1990. The US-Russian collaboration served as a facilitating factor behind the normalization.

The China-Russia coordinated decision not to oppose the membership of South Korea in the United Nations, together with China’s consultation with and persuasion of the DPRK, paved the way for the simultaneous entry of both North Korea and South Korea to the United Nations in September 1991. China and South Korea normalized diplomatic relations in August 1992. Japan and the DPRK started their normalization talks in 1990. The United States also undertook the so-called “modest initiative” to open the window for limited contact with the DPRK under the Reagan administration.²² In January 1992, during a period of hopeful dialogue between North Korea and South Korea, the first Bush administration hosted the first-ever high-level (vice-minister level) meeting between US and DPRK officials. Furthermore, to facilitate North-South rapprochement, President Bush announced the unilateral withdrawal of tactical nuclear weapons from some US bases overseas. Following Bush’s announcement, the South Korean president officially announced the nuclear-free status of South Korea.

North-South relations also made remarkable progress, as was shown by the conclusion of the basic accord in December 1991 and the Joint Declaration of the Denuclearization of the Korean Peninsula in January 1992. The basic agreement between North and South Korea, which took effect in 1992, provided a partial blueprint for achieving a broad restructuring of security relations and a more stable order in Northeast Asia. In particular, one article of the agreement stipulated that “the two sides shall endeavour together to transform the present state of Armistice into a solid state of peace between the South and the North, and shall abide by the present Military Armistice Agreement until such a state is realized”. This was a critical agreement, given the fact that North Korea had sought to conclude a peace pact with only the United States, rejecting the participation of South Korea in the peacebuilding process. Under the basic agreement, North Korea seemed to accept South Korea’s claim that a peace regime should be built between South Korea and North Korea.²³

Global and bilateral institutions were mobilized to push North Korea to sign a safeguard agreement with the IAEA. The United States, Japan, the Soviet Union and South Korea put diplomatic pressure on North Korea to conclude a nuclear inspection agreement individually and/or collectively. The IAEA also passed a resolution demanding that North

Korea sign the agreement. Economic pressure was put on North Korea; the Soviet Union asked North Korea to settle its bilateral trade by hard currency in 1991. Facing these multiple pressures, North Korea finally agreed to sign the safeguard agreement with the IAEA in January 1992.

Thus North Korea was entangled within a dense web of bilateral and multilateral institutions that greatly contributed to regional stability. The "1992 system" seemed to be a *de facto* multilateral arrangement based on enhanced bilateral relations, coordination among them and multilateralism.

Agreements between North and South Korea have had a disconcerting tendency to break down within a short time, and the confidence building that should result from implementation of these agreements has not been achieved. The South Korean government has repeatedly declared its readiness to resume discussions with North Korea to advance the unfinished agenda defined in the basic accord and the denuclearization agreement, each of which provides much that could contribute to peace on the Korean peninsula.

In spite of the 1992 basic accord between North and South, North Korea consistently rejected the participation of South Korea and sought to conclude a peace treaty with the United States. Under the basic agreement North Korea accepted South Korea's claim that the two sides shall endeavour together to transform the present state of armistice into a solid state of peace and abide by the present Military Armistice Agreement until such a state is realized. However, the military agreement was in a state of disarray, with members of the Neutral Nations Supervision Commission having been denied access to the northern part of the DMZ. And since May 1994 North Korea has officially withdrawn from Military Armistice Commission (MAC) proceedings and established its delegates at Panmunjong.

The proposal of four-party talks to include both Koreas, the United States and China, made by the leaders of both the United States and South Korea in April 1996, was intended to counter and contain North Korea's proposal to establish a peace regime on the Korean peninsula involving only itself and the United States. North Korea responded negatively to this proposal, and continued to argue that the peace treaty should include only the United States and North Korea because the two were major belligerents of the Korean War and the signatory countries of the armistice agreement. China accepted the US-South Korea joint proposal: it seemed concerned about the conclusion of a peace treaty involving only two countries, and the US-South Korea proposal was appealing for China because exclusion from talks on transforming the armistice regime to a peace regime was against China's interest. North Korea reluctantly accepted the proposal, and the first four-party talks were held in

late 1997. China supported South Korea's position that South Korea should be one of the key players in the process of establishing a peace regime on the peninsula, even though it was not a signatory country of the armistice agreement.

But it was apparent that the parties had divergent positions. North Korea continued to pursue a peace treaty with the United States, arguing that the withdrawal of US forces from the South would constitute the only proper foundation for a peace regime; it was also reluctant to accept China's presence at the talks. The South Korean approach has been that, as a party principal, no improvement in security relations would be possible without confidence-building measures between the two Koreas, leading to the realization of the 1991 basic agreement.

North Korea appeared to try to destroy the proposal, through provocative actions such as the penetration of a North Korean submarine into South Korea's territorial waters in September 1996. North Korea was concerned that the proposed four-party talks would impose multilateral pressure; thus, although the four-party talks established a subcommittee to discuss a peace treaty, it failed to produce a substantial agreement. The "1992 system", which was underlined by a complex web of institutional linkages, finally collapsed.

The TCOG for trilateral coordination of relations towards the DPRK

North Korea has successfully avoided facing a multilaterally coordinated common front by managing its respective bilateral relations with other powers, including the United States, Japan and South Korea. North Korea skilfully prevented its adversaries from coordinating their respective strategies and presenting a common policy that would put additional collective pressure on North Korea: it could leverage its relations with one country when faced with some trouble with the others. This has been clearly demonstrated in its relations with the United States and South Korea.

When North Korea was engaged in talks and negotiations with the United States, it flatly rejected interactions with South Korea. Once tensions emerged between Washington and Pyongyang, however, North Korea sought to escape isolation by cultivating (tactically) enhanced relations with South Korea. Thus the bilateral relations of individual countries with North Korea could not necessarily produce a synergistic effect on the overall structure of regional peace and stability, in spite of various interactions between North Korea, on the one hand, and the United States, Japan and South Korea (and China, Russia and the European Union) on the other hand – notwithstanding all their common interests. The lack of policy coordination among the countries concerned was skilfully manipulated by North Korea. In fact, North Korea has been using

some US actions as an excuse to slow down North-South dialogue and drive a wedge between the United States and South Korea.

Moreover, the lack of policy coordination created mutual suspicion of others' policies towards North Korea, even among allies.

The first North Korean nuclear crisis of the early 1990s encouraged *ad hoc* policy coordination among the United States, Japan and South Korea. In fact, "managing the North Korean crisis felt like playing a multi-tiered chess game on overlapping boards. It required dealing with the North, the South, China, Japan, the IAEA, the UN, the non-aligned movement, Congress, the press and others."²⁴ Although intensive consultations about the nuclear crisis were conducted between the United States, Japan and South Korea, the agreed framework was concluded between the United States and the DPRK, while Japan and South Korea – whose participation was necessary for implementing the agreed framework – were never involved in the negotiations. This fostered the perception of problems in both Tokyo and Washington.²⁵

The Trilateral Coordination and Oversight Group (TCOG), comprising the United States, Japan and South Korea, was originally established for a specific purpose: consulting on the development and coordinating the implementation of the Perry Process (a 1999 US official review of policy towards North Korea). The TCOG systematized consultation among the three governments. Japan and South Korea could get together and discuss a variety of issues under the trilateral guise, insulated from political backlash at home even when they had bilateral disputes. Both could thus strengthen their bilateral relations in modest ways.²⁶

Although the three countries had different policy agendas in negotiating strategies and bilateral relations with North Korea, they were more or less interdependent since a breakdown or breakthrough in any one set of talks could negatively affect the other two.²⁷ Japan pursued US assurances that it would not fail to address such issues of critical importance for Japan as the mid-range missiles of North Korea and the abduction of Japanese citizens. South Korea worried that stagnation in the US and Japanese respective talks with North Korea would hamper progress in its own negotiations with the North.

Trilateral cooperation, however, contributed to keeping the three governments aligned to pursue a more comprehensive and mutually acceptable settlement with North Korea. The TCOG effectively ensured that no one country got ahead of its partners in its relations with North Korea.²⁸ But with the inauguration of the new Bush administration, internal disputes within the US government over American policy towards North Korea hampered smooth operation of the TCOG.

In this regard, the link between the TCOG and US policy-making has been relatively weakened. The TCOG has become a more informal

forum for exchanging information and coordinating positions ahead of multilateral meetings, such as the Six-Party Talks. Through the trilateral consultation, new policy options have been examined and presented as a *de facto* coordinated proposal among the three countries at the Six-Party Talks.

The summit meeting between US President Bush and South Korean President Kim Dae-jung in early March 2001 highlighted divisions within the Bush administration, and between the United States and South Korea, with regard to continuation of the engagement policy towards the DPRK. While Kim Dae-jung pressed for more engagement with North Korea, to keep the momentum from the June 2000 summit meeting with Kim Jong-il, the new Bush administration highlighted the difference from the approach of the Clinton administration. In his confirmation hearing, Secretary of State nominee Colin Powell publicly labelled Kim Jong-il a “dictator”, although he balanced this view with a call for a dialogue with Pyongyang at an appropriate time. At the summit meeting with Kim Dae-jung, Bush stated that he distrusted North Korea and said there was an indication that North Korea was violating its agreements with the United States.

One of the roles of multilateralism in Northeast Asia was to encourage North-South dialogue to ameliorate inter-Korean relations. But the situation has changed with South Korea’s active engagement of North-South cooperation under a policy of “peace and prosperity”. Cooperative projects between North and South have rapidly proliferated. On the other hand, US-North Korean and Japan-North Korean relations have been deadlocked in recent years. Thus it is becoming more important to coordinate policies among the three nations, lest North Korea be able to manipulate the different paces and agendas of their respective engagement policies.

There are various areas of differing priorities among the three countries. The pace of South Korea’s active engagement policy towards the North has not gained full support from the other two. Japan and South Korea have been very concerned about US reluctance to talk bilaterally with North Korea. Japan’s diplomatic overture in 2002 caused concern in both Washington and Seoul. South Korea has been concerned about the US-led theatre missile defence (TMD) development programme. For Seoul, the TMD is too expensive, upsetting to China and the DPRK, and irrelevant to its own security.

Concluding notes: Prospects for the Six-Party Talks

The lack of coordination between institutions, rather than the lack of multilateral security institutions, has prevented the Korean peninsula

from developing a more stable security structure. Without having been able to establish coordinated institutional relationships, the existing institutions have not worked well. In spite of the poor record, however, as suggested above there have been cases where a more stable regional environment was obtained through institutional linkages.

The Six-Party Talks offer an excellent testing ground to explore the possibility of establishing a regional multilateral security framework in Northeast Asia, taking both global norms (to be universally applied) and local conditions (to facilitate compliance with global norms) into account.

First, the Six-Party Talks are an institution able to resolve the crisis on a regional level, not at the global level where tensions will be higher. A region-specific institution can respond to region-specific conditions within broader global institutional frameworks such as the NPT/IAEA.

Second, as was demonstrated in the joint statement of the fourth round of the Six-Party Talks, the talks will deal not only with the North Korean nuclear issue as part of enhancing a global non-proliferation regime, but also with region-specific political and security issues, and can tackle region-specific proliferation dynamics.

Third, the Six-Party Talks will serve as a multilateral umbrella framework under which a variety of institutions can be coordinated to enhance an overall security structure in the Korean peninsula. It is almost certain that resolving the North Korean nuclear issue will be a long process. In this process, a variety of issues – such as a security guarantee, economic assistance to the DPRK (energy, food, human resources development), transformation of the armistice regime to a peace regime and normalization of diplomatic relations – would be addressed by different compositions of countries at different stages. The different issues will involve differing specific commitments and obligations of the parties concerned. Therefore, various types of institutional arrangements with different memberships will be created in this process. The four-party talks that were aborted in the late 1990s will be revitalized to tackle the transformation of the armistice regime to a peace regime. According to the joint statement of the Six-Party Talks (in September 2005), Japan and Russia will have some institutional relations with the four-party talks.

The third session of the fifth round of the Six-Party Talks held in February 2007 agreed to set up working groups to carry out the initial actions and aim for full implementation of the September 2005 joint statement. The working groups are requested to discuss and formulate specific action plans for the implementation of the joint statement, and to report to the Six-Party heads of delegation meeting on the progress of their works.²⁹ These arrangements indicate that, based upon the working groups, a variety of institutions with different membership composition will be established under the umbrella of the Six-Party Talks. The

Six-Party Talks will serve as an institution coordinating various other institutions.

In the long process of addressing North Korea's nuclear issue, a variety of types of linkage will be established between institutions (embedded, nested, clustered and overlapping relations). Some institutional relations may conflict with others, thereby having negative impacts on regional security. Coordinating these institutions effectively will be crucial in this regard. The Six-Party Talks themselves will serve as a loosely organized multilateral umbrella forum under which newly established institutions are mutually coordinated. Under the Six-Party Talks umbrella, the previously decoupled (delinked) institutions may also be amalgamated into an integrated institutional arrangement, thereby enhancing the regional security structure.

The Six-Party Talks are promising in terms of establishing a multilateral security framework. In this regard, one can point out that the future shape of such a framework on the Korean peninsula will be different from those that have been presented in past decades. Almost all previous proposals and ideas for security multilateralism on the peninsula were to establish a single multilateral institution, such the "2 + 4 formula" or an Asian version of the Conference on Security and Cooperation in Europe (CSCE). According to the above analysis, however, various mutually connected institutional arrangements may become *de facto* security multilateralism in Northeast Asia, contributing to regulation of interstate relations and generating a more integrated structure for peace on the Korean peninsula. Institutional interplay among a variety of institutions is critical, rather than the establishment of a single, comprehensive regional institution.

In this regard, we need to pay careful attention to the fact that bilateralism is still the dominant mode of security management in Northeast Asia. If some country puts priority on bilateral dealings rather than multilateral coordination, the road ahead for the Six-Party Talks will be quite bumpy,³⁰ and a golden opportunity will be lost.

Acknowledgements

For the section on the "1992 system", the author owes much to Professor Hideya Kurata.

Notes

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14. On KEDO see Snyder, Scott (2001) "The Korean Peninsula Energy Development Organization: Implications for Northeast Asian Regional Security Cooperation?", North Pacific Policy Paper 3, Program on Canada-Asia Policy Studies, University of British Columbia.
15. Kurata, note 13 above.
16. The 1992 North-South Joint Declaration of the Denuclearization of the Korean Peninsula allows both Koreas to use nuclear energy for peaceful purposes, but prohibits reprocessing and enrichment facilities.
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24. Wit, Joel S., Daniel B. Poneman and Robert L. Gallucci (2004) *Going Critical: The First North Korean Nuclear Crisis*, Washington, DC: Brookings Institution Press, p. 193.
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26. Ibid., p. 10.
27. Ibid., p. 11.
28. Other countries, such as China, do not necessarily seem content with the TCOG. Given the fact that China has also had numerous talks with these three countries, it might see the TCOG as a way to inject its views into trilateral talks.
29. See "Initial Actions for the Implementation of the Joint Statement", adopted at the Six-Party Talks, Beijing, 13 February 2007, available at www.fmprc.gov.cn/eng/zxxx/t297463.htm.
30. Snyder, note 10 above, p. 2.

12

Institutionalizing trade and investment in East Asia – The FTA and BIT strategies of Northeast Asian powers

Keisuke Iida

Introduction

Recently we have been witnessing perhaps the most intensive diplomatic efforts towards institutionalizing trade and investment in the history of East Asia.¹ Japan and Korea² signed their most comprehensive investment treaty in 2002, and a free trade agreement (FTA) has been on their agenda.³ Japan, Korea and the People's Republic of China (PRC) have also been negotiating a trilateral investment treaty, with the aim of completing it in a few years. Korea and China have each negotiated a free trade agreement with the Association of Southeast Asian Nations (ASEAN), while Japan has been discussing an economic partnership agreement (EPA), a form of FTA, with ASEAN as well. Initially, Japan negotiated FTAs only with individual members of ASEAN, starting with Singapore in 2002. Building on this experience, Japan has established FTAs/EPAs with Malaysia, the Philippines and Thailand, while FTA negotiations with Indonesia, Brunei and Viet Nam are under way.

Thus, within a few years, we will see the establishment of FTA networks, with ASEAN as a hub and (indirectly or directly) connected with Japan, Korea and the PRC through FTAs. Although the speed is slower than the negotiation of bilateral FTAs, the eventual emergence of FTA talks between Japan, Korea and China is also on the horizon. We see early signs of the gradual creation of an East Asian FTA in the form of ASEAN+3 (Japan, China and Korea) or ASEAN+3 Plus Three (India, Australia and New Zealand). China and Korea prefer the former,

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whereas Japan prefers the latter. It remains to be seen which suggestions will come to fruition in the near future.

Why and how these formerly FTA-averse countries, particularly Japan and Korea, began to pursue FTA strategies are puzzles worth exploring. This chapter therefore examines dynamic trade and investment diplomacy in East Asia (ASEAN, China, Korea and Japan). Although the media tend to focus solely on the rise of China as a trading power, three other factors – ASEAN integration, economic stagnation and reform in Japan, and acquiescence by the United States – are just as important. Taken together, this set of factors has prompted the four trading powers of East Asia (ASEAN, China, Korea and Japan) to accelerate their efforts towards regional institutionalization with other nations in the region through FTAs.

The rise of the People's Republic of China

Since China started opening itself economically to the rest of the world, as part of the economic reform unleashed by Deng Xiaoping in the late 1970s, it has been growing very rapidly. Its economic growth rate averaged 9 per cent from the mid-1990s onward. Over the past few years China has managed to attain growth rates of 8–10 per cent per year.⁴ On a purchasing power parity (PPP) basis, its gross national income is said to surpass that of Japan.

Trade has been an engine of China's growth. Its exports have grown by 20–30 per cent per year in recent years.⁵ In addition, China's trade with Japan and Korea has been rapidly increasing.⁶

Furthermore, the PRC has become the most coveted investment destination in East Asia. It has been receiving inward foreign direct investment (FDI) in the range of US\$50 billion or more per year,⁷ dwarfing that of any other nation in this region. This trend became very marked after the fall in the inflow of investment into Southeast Asia during the aftermath of the financial crisis of 1997–1998. Since most of the foreign firms investing in China are not just eyeing Chinese consumer markets but are also using China as an export platform for the rest of the region, this growth of investment in China has a clear implication for trade: foreign firms not only want the opening of Chinese markets but also seek assurance by surrounding nations that they will accept goods produced in China. China's accession to the World Trade Organization (WTO) in 2001 achieved the first objective of foreign firms, but it was not enough, which is why FTAs have increasingly been used to achieve the latter objective.

The rise of China has also unleashed a chain reaction, the motive of which was largely defensive. Industries in other countries competing with China had to increase their export competitiveness, and pressured

their governments to support them with adequately tailored trade and investment policies to achieve their objectives. Beyond that, the governments of those other countries strive to keep jobs in their countries. FTAs and investment treaties are some of the policy tools they are using to reach such defensive objectives. It is argued that China had to take such threat perceptions into account and therefore proposed an FTA with ASEAN to muffle these perceptions among ASEAN countries.⁸ On the other hand, China is also an attractive market to which companies export and in which they invest. Thus, among Japanese firms for instance, there is great interest in finalizing an FTA with China.

However, there are several limitations to this explanation. First, the timing is not right. China did not show active interest in pursuing an FTA with ASEAN until 2000, by which time Japan and Korea had already been exploring FTAs and an investment treaty with each other as well as with other countries. Thus China could not have been the trigger for their initial interest in FTAs/investment treaties (although their negotiations may have been spurred by China's FTA drive later on).

Second, although the PRC poses increasing competition to Japanese and Korean exports, particularly in the lower end of the electronics and machinery markets, its products are still not in the same league in terms of technological prowess. Thus at least leading exporters from Japan and Korea have nothing to fear from China's FTA drive. One analyst asserts that Japan's trade officials simply used China as an excuse for its FTA strategy in order to muster political support.⁹ Consequently, several other factors that pushed Japan and Korea further along in their pursuit of FTAs need to be explored.

Third, both Japan and Korea are pursuing FTAs worldwide, and the rise of China or rivalry with it cannot account for that. Japan has already concluded an FTA with Mexico, and is negotiating another with Chile. South Korea's first FTA was finalized with Chile, and it is further negotiating FTAs with Canada and the European Free Trade Area (EFTA). It has also negotiated an FTA with the United States. None of these negotiations seems to have been motivated by China.

Economic stagnation in Japan and South Korea

In contrast to rising China, Japan remained in the quagmire of long-term economic stagnation during the 1990s, which was exacerbated by the Asian financial crisis in 1997–1998.¹⁰ Japan's growth rates were paltry during the 1990s. The lost decade impelled the Japanese government and industries to search for every possible opportunity to make the best of their plight, with exports to and investments in China and Southeast Asia (after recovery of the region) a natural reaction.

As a result of this business-led process, ASEAN plus China and South Korea accounted for a 41 per cent share of Japan's exports in 2000 (up from 27 per cent in 1990) and 40 per cent of Japanese imports (up from 30 per cent a decade before).¹¹ Also, during the 1990s, ASEAN plus China and South Korea received 27 per cent of Japanese foreign direct investment. However, due to political and economic uncertainties since the financial crisis of 1997, Japanese investments in this region have been unstable. Thus there has been a need to stabilize these investment flows by institutionalizing trade and investment relations among the ASEAN and Northeast Asian nations.

The business model used by Japanese multinationals to produce their products in other Asian countries and export them back to Japan or third countries does not work if Japanese tariffs and non-tariff barriers are high on their products back home, or if the investment climate in the host countries is hostile towards Japan. Japanese firms and industries are increasingly relying on FTAs to improve the investment conditions in their host countries. Since they cover areas beyond traditional free trade agreements, the agreements that Japan concludes are called "economic partnership agreements" (EPAs).¹²

In the meantime, Japan's FTA strategy has also been influenced by protectionism in its agricultural sector. For example, the reason why Singapore became its first FTA partner is precisely the lack of strong agriculture in Singapore. The emergence of a subregional (i.e. Northeast Asian) FTA with Korea or China and Korea is also in part hobbled by Japan's agricultural protectionism.

Economic stagnation in the wake of the Asian financial crisis was also the motive behind Korea's decision to embark on FTA and BIT (bilateral investment treaty) negotiations. However, in order to surmount domestic resistance, the Kim Dae-jung administration chose Chile as the first negotiating partner, and even the Chile FTA faced an enormous amount of opposition back home. The Kim administration also used the Japan FTA for historic rapprochement with Japan, but the Japan FTA was an even tougher sell back home. Thus the Roh administration, which inherited the FTA strategy of President Kim, shifted its emphasis slowly from Northeast Asia (Japan and China) to ASEAN and later to the United States.

ASEAN Free Trade Area

ASEAN countries agreed to the establishment of the ASEAN Free Trade Area (AFTA) in 1992. This was an unprecedented move by a group of countries which had formed ASEAN for largely political mo-

tives in the midst of the Viet Nam War. ASEAN was merely a bastion of anti-communism during the first few decades of its existence, and its economic cooperation remained very low key.

In the early 1990s, however, the member states finally agreed to accelerate institutionalization of trade, with the goal of establishing the ASEAN Free Trade Area by 2004. The movement towards AFTA temporarily stalled during and immediately after the Asian financial crisis because some countries turned protectionist. However, in 2003 ASEAN countries finally agreed to enhance AFTA to become an economic union, like the European Union, by 2010.

AFTA gave other trading powers in the region both offensive and defensive motives to increase trade interdependence with ASEAN. As for offence, AFTA gave foreign multinational firms a reason to use ASEAN as an export platform. With AFTA, they can manufacture parts in country A, assemble them in country B and export the finished products to country C, all with zero tariffs as long as A, B and C are ASEAN members. Without AFTA, they would have had to pay a tariff each time they moved goods around within the ASEAN region.

In the area of investment, the defence or competitiveness-maintenance purpose is subtler. China and ASEAN are competing destinations for FDI. The more attractive one becomes as a venue for investment, the more the others suffer. Thus, as AFTA has turned into a more and more attractive location for investment by multinationals from Japan, Europe and the United States, China has had to defend its position as an attractive location for investments as well; one way to do so was to form an FTA with ASEAN. It is reported that China raised the possibility of a China-ASEAN FTA as early as 1999, when ASEAN asked China for cooperation in promoting AFTA.¹³

Acquiescence by the United States

The United States has been a hidden factor in trade interdependence in the region.¹⁴ In the back of the minds of policy-makers in East Asia, opposition by the United States to regional institutionalization in 1990–1991, at the time of the proposals for an East Asian Economic Group (EAEG) and a more toned-down East Asian Economic Caucus (EAEC) put forward by Malaysia's then Premier Mahathir, was a significant factor in delaying regional integration in East Asia.¹⁵ If the United States could not be excluded from regional institutionalization, the Asia Pacific Economic Cooperation (APEC) forum seemed to be the only way to go. However, APEC could not develop an FTA under article 24 of GATT because of its ostensible espousal of "open regionalism".¹⁶

In the aftermath of the Asian financial crisis, the process of regionalization started surreptitiously without the United States.¹⁷ Japan's proposal for Asian monetary integration, in the guise of an Asian Monetary Fund (AMF), was torpedoed by US Treasury Secretary Robert Rubin, who felt offended by not having been consulted beforehand. However, the need for an increase in liquidity in this time of difficulty finally led to the Chiang Mai Initiative of 2000, with bilateral swap arrangements among the central banks of the region.¹⁸ Also, in December 1997, ASEAN+3 met in Kuala Lumpur for the first time. The group, with the same members (ASEAN and China, Korea and Japan) as Mahathir's original EAEG/EAEC proposal in 1990, has continued to meet since then. Thus, in 2000, Malaysia's Foreign Minister Syed Hamid Albar told the Malaysian parliament that the EAEC had been formed.¹⁹ Indeed, many of the most important initiatives on trade and investment in the region have been discussed in this ASEAN+3 forum or on its sidelines.

When Asian countries finally decided to go forward with FTA negotiations, they were surprised by the lack of opposition from the United States. The only reaction was President Clinton's attempt to catch up with Japan by initiating FTA negotiations with Singapore in 2000, including a mandate to finish negotiations in six months. Also, the Bush administration announced an initiative to negotiate an FTA with ASEAN (EAI – Enterprise for ASEAN Initiative),²⁰ but the negotiations did not get under way immediately. Instead, the United States confined itself to negotiating a bilateral FTA with Thailand.²¹ It was only in 2004 that the United States began to pronounce its worries about East Asian integration.²²

US acquiescence may be coming to an end. For example, in 2006 the United States raised the need for studying the feasibility of an FTA with the Asia-Pacific (FTAAP), apparently to stave off the momentum of an East Asian FTA excluding the United States.²³ The summit meeting of APEC in Hanoi in November 2006 decided to study the feasibility of the FTAAP “as a long-term prospect”.²⁴ It remains to be seen whether this kind of weariness will lead to open opposition to trade and financial integration at the official level in the future.

With particular regard to the options for further institutionalization in East Asia through Northeast Asian country initiatives, the chapter will analyse the FTA initiatives towards ASEAN by the three Northeast Asian trading powers: China, Japan and Korea.

Japan-ASEAN

The first proposal for an FTA with Japan came from Singapore in December 1999, when Japanese Prime Minister Obuchi met with Singa-

pore's Prime Minister Goh. They set up a working group, which considered various issues involved in developing an FTA. The agenda for the FTA was considerably broadened in May 2000 when Japanese Trade Minister Fukaya visited Singapore and proposed to include various non-tariff issues, such as mutual recognition of standards and e-commerce, in the FTA. The Japan Federation of Business Organizations (Nippon Keidanren) also made its own proposals in July 2000.²⁵ Government-to-government negotiations were held throughout 2001, and a Japan-Singapore Economic Partnership Agreement (JSEPA) was signed when Japanese Prime Minister Junichiro Koizumi visited Singapore in January 2002.

However, Koizumi went a step further: on the occasion of his visit, he advocated the creation of an East Asian Community.²⁶ In particular, he proposed several new initiatives, one of which was the formation of comprehensive Japan-ASEAN economic partnerships. The press speculated that this was a reaction to China's demarche towards ASEAN, which had agreed that within 10 years they would complete an FTA. Japan now hurried to counter the Chinese advances in Southeast Asia by proposing the Japan-ASEAN Economic Partnership Agreement (JAEPA).²⁷ The Foreign Ministry emphasized, however, that a comprehensive East Asia policy speech was overdue by this time, given the radical changes in the region.²⁸

The JSEPA is often derided as insignificant, but from the Japanese government's point of view it is significant in three respects. Firstly, it was thought to provide a model for future FTAs; it was the first FTA that Japan had ever entered into.²⁹ Moreover, it included many new issues, such as the integration of securities markets between the two countries, mutual recognition and, above all, investment promotion. The only aspect that did not serve as a model for later agreements was agriculture. Due to the fact that Singapore lacked a vibrant agricultural sector, Japan confined itself to minimal concessions in agriculture, but this could not be replicated in subsequent talks with other ASEAN countries. Secondly, Singapore was the fourth-largest destination of Japanese foreign direct investment.³⁰ Since Japan was having difficulty in concluding bilateral investment treaties (BITs), and the WTO talks on investment were faltering by that time, the JSEPA set an important precedent in that a bilateral FTA could include elements of a BIT. Thirdly, the JSEPA represented an important symbol of the quest by Japan for closer "political" as well as economic relationships with ASEAN.

The fact that the Japanese FTA strategy had a political overtone is illustrated by an interesting debate that took place during 2002. After the formation of the JSEPA, there was a debate between the Ministry of Foreign Affairs (MOFA) and the Ministry of Economy, Trade and Industry (METI) as to whether Japan should negotiate an FTA with ASEAN as a

whole or with individual ASEAN member states one by one. METI advocated the former approach, on the grounds that Japanese companies investing in Southeast Asia have a division of labour on a regional basis. On the other hand, MOFA, considering the political effect of closer relationships engendered by deep integration with individual members, advocated the latter approach.³¹ MOFA won the debate at that time, but Japan eventually started negotiating with ASEAN as a whole.

The fact that the JSEPA served as a model for future FTAs was clearly demonstrated when Prime Minister Koizumi proposed to discuss FTAs with three other ASEAN members (the Philippines, Thailand and Malaysia) on his way to Singapore to sign the JSEPA. Pre-negotiation talks were held with these countries during 2002. However, many obstacles emerged during these talks because their principal exports included agricultural products.

Nevertheless, to start FTA negotiations with the three ASEAN countries, Prime Minister Koizumi used the opportunity of the special Japan-ASEAN summit hosted in Tokyo in December 2003. After intense negotiations, Japan signed FTAs with Malaysia in December 2005, the Philippines in September 2006 and Thailand in April 2007. Furthermore, in May 2007 Japan reached a basic agreement on the FTA with ASEAN as a whole.

Japan-Korea

Like Japan, Korea was hesitant to commit itself to bilateral FTAs until the late 1990s. Korea had steadily expanded exports under GATT and the Generalized System of Preferences (GSP). However, the financial crisis of 1997–1998 put an end to this lack of interest. In order to entice FDI, Korea agreed to enter into negotiations with Japan to conclude a BIT. The treaty was finally signed in 2002.

After the financial crisis and the IMF rescue in 1997, the Korean government put emphasis on restructuring its economy by enticing foreign direct investment into Korea. President Kim Dae-jung paid a visit to Japan in October 1998, and in a joint declaration the countries promised to convene a meeting of economic ministers from both countries to discuss bilateral economic cooperation and solutions to the financial crisis in Asia.³² This meeting was held in Kagoshima, Japan, in the following month, and it was decided to negotiate a BIT and initiate studies on an FTA. The two countries aimed at finishing BIT negotiations by the time of the summit in 2000, but due to Korean objections to Japanese demands on national treatment and labour clauses, negotiations were

delayed. When President Kim and Prime Minister Mori met in Atami in September 2000, they could only announce that the BIT negotiations would be finalized by the year end. Finally, President Kim and Prime Minister Koizumi, meeting on the sidelines of the Shanghai APEC summit meeting in October 2001, agreed to finalize the negotiations by November of that year. However, again due to objections by Korean labour unions, negotiations were further delayed. Finally, in December 2001, the two countries reached a basic agreement,³³ and when Prime Minister Koizumi visited Korea in March 2002, the agreement was signed.

President Kim's administration was also eager to enter into negotiations for an FTA, but the process was much slower than that of the BIT. Chung Eui-yong, Korea's deputy minister for trade, described the change in Korean thinking about FTAs: "We used to see Free Trade Areas as a stumbling block to global trade, but now we believe that a regional trade area can be a building block if we can manage it well and operate it in a way that is consistent with the rules of the World Trade Organization."³⁴

In 2000 the vice foreign ministers agreed to hold public symposia on the results of research that had been conducted by research institutes (the Institute on Developing Economies and Korea Institute for International Economic Policy – KIEP) in the two countries. The symposia were held in Seoul in May and Tokyo in September. After the research results were announced, President Kim and Prime Minister Mori, in September 2000, agreed to set up a discussion forum of industrialists from Japan and Korea. A Japan-Korea FTA business forum was formed in 2001; the group met in Seoul in September and in Tokyo in January 2002.

However, the emerging controversy over Japan's "new" school textbooks put a dampener on the atmosphere.³⁵ The Korean ambassador warned repeatedly that the textbook controversy might adversely affect the FTA process.³⁶ The business forum agreed that the two countries should deepen their cooperation by integrating the two markets through an FTA in order to fend off the offensive of China.³⁷ In February 2002 the forum gave the two governments a recommendation to commence FTA negotiations as soon as possible, and a month later President Kim and Prime Minister Koizumi agreed on convening a tripartite (corporate-government-academic) group to consider the merits of a Japan-Korea FTA.

The tripartite group met several times during 2002. However, the FTA took a while to get off the ground. Like ASEAN countries (except Singapore), Korea had exported a large number of agricultural and fishery products to Japan, and the abolition of tariffs or tariff rate quotas on these products posed serious difficulties for Japan. On the Korean side, there was a fear that trade deficits with Japan would further increase

after an FTA. Thus it was only in October 2003 that the leaders of the two countries agreed to the commencement of negotiations.

The negotiating teams met six times during 2004. As negotiations proceeded, the sectors that would be heavily damaged by a Japan-Korea FTA became clearer and their opposition became stronger. As a result, negotiations were suspended in November 2004. When he met with President Roh Moo-hyun in June 2005, Prime Minister Koizumi proposed to resume negotiations, but Korea was non-committal. Another factor that prevented the progress of Japan-Korea FTA talks was a trade dispute over Korean seaweed imports to Japan, which was litigated at the WTO.³⁸ However, the two countries reached a mutually agreeable solution on this dispute in early 2006.³⁹ Since then, Korea has been focusing its energy on FTAs with ASEAN and later with the United States.

Korea thinks of a Japan-Korea FTA as only a first step towards an eventual Northeast Asia-wide institution. According to one author, “Korean business circles explicitly positioned formation of the JKFTA as a stage prior to that of the Northeast Asian FTA, which would include China.”⁴⁰

China-ASEAN

Mainland China and ASEAN started considering an FTA as early as 1999, and China proposed to set up a working group to prepare for FTA negotiations in November 2000. It was noted that China’s motive was defensive or pre-emptive in light of AFTA’s entry into force in 2002.⁴¹ The working group was established in Kuala Lumpur in March 2001, and submitted a report to the first meeting of ASEAN and Chinese trade ministers in October of the same year. At the Sino-ASEAN summit meeting in Brunei in November 2001, they agreed on a 10-year deadline for completing their FTA and also agreed to start high-level talks early in 2002.

Negotiations started in earnest in 2002. At the senior economic officials’ meeting in Beijing in May 2002, China and ASEAN established a trade negotiating committee, which debated a “structural talks initiative”. This proposal was submitted to the Sino-ASEAN summit meeting in Cambodia in November. The leaders signed a framework agreement in November, which provided a basis for FTA negotiations, including an early harvest.

The China-ASEAN FTA is in high gear in terms of implementation. The “early harvest” portion, mainly consisting of fruit and vegetables, went into effect in October 2003. Also, at the Sino-ASEAN summit meet-

ing in November 2004 a basic agreement was reached on the portion of the FTA focused on goods, with tariff reductions commenced on 1 July 2005. Thus the future negotiations will focus on investment and services. Interestingly, China is providing an unusual degree of transparency in relation to the China-ASEAN FTA by setting up a special website dedicated to developments related to this agreement.⁴²

Economists underplay the significance of the Sino-ASEAN FTA. Developing countries are less firmly bound by the GATT discipline on FTAs, and they are able to tailor their FTAs to the whims of their industries and governments. For example, China and ASEAN have specified a number of sectors as “sensitive” and, combined with the reciprocity principle (they do not liberalize until both parties agree that a sector is “non-sensitive”), the degree of market liberalization achieved by the Sino-ASEAN FTA is estimated to be very low.⁴³

Korea-ASEAN

Korea was late in approaching ASEAN, but eventually it did not want to miss the FTA bandwagon in East Asia. After both China and Japan floated their ideas of completing FTAs with ASEAN, Korea and Thailand agreed to conduct their first feasibility studies in November 1999.⁴⁴ Later, Singapore revealed that it was also considering an FTA with Korea.⁴⁵ In November 2001 Korean President Kim Dae-jung proposed to establish an expert group between ASEAN and Korea to prepare for eventual FTA negotiations. Finally, at the end of 2004, Korea decided to enter into FTA negotiations with ASEAN.

Korea and ASEAN agreed to commence negotiations for a bilateral free trade agreement early in 2005, with the goal of finishing the task within two years. In a summit meeting in the Laotian capital, Vientiane, President Roh Moo-hyun and leaders of the 10 member states of ASEAN signed the Joint Declaration on Comprehensive Cooperation Partnership Between the Association of Southeast Asian Nations and the Republic of Korea, which focuses on economic cooperation between the two sides.⁴⁶

Japan-Korea-China triangle

With the bilateral FTA/EPA networks developing with China, Japan and Korea on the one hand and ASEAN on the other, the missing link is

FTAs among the three countries themselves. Actually, President Kim of Korea proposed a joint study on the establishment of FTAs among the three countries at the Sino-Japan-Korea summit on the sidelines of the ASEAN+3 summit in November 1999, and three semi-governmental think-tanks – Japan's National Institute for Research Advancement (NIRA), the Korea Institute for International Economic Policy (KIEP) and China's Development Research Center of State Council (DRC) – have been conducting joint research since then. Moreover, in his inauguration speech Kim's successor, President Roh, proposed the formation of a Northeast Asia community among the three nations.⁴⁷ ASEAN leaders also decided to look into the possibility of a free trade area among ASEAN+3 due to urging by China in 2000.⁴⁸

China has been eager to form a bilateral FTA with Japan and also a trilateral FTA with Japan and Korea. A Japan-China FTA is not inconceivable, but from the Japanese point of view it is of lower priority. For Japanese corporations investing in China, improvement in their investment environment is a higher priority. Accordingly, at the November 2003 summit among the three nations it was agreed that they would start talks about investment issues at the governmental level.

Business entities in the three Northeast Asian countries, however, are very interested in a China-Korea-Japan FTA. Among the business respondents in a poll conducted jointly in the three countries in 2004, 69 per cent in Japan, 64 per cent in China and 75 per cent in Korea said that there was a need for an FTA among the three.⁴⁹ Also, China is considered the highest priority among Japanese firms in another poll conducted by the Japan External Trade Organization (JETRO) in 2004. Asked to rank the three FTAs (Japan-ASEAN, Japan-Korea and Japan-China), 43 per cent of respondents ranked Japan-China as the most likely to increase their business opportunities.⁵⁰

China has been the most aggressive on the establishment of a three-way free trade agreement, while Japan (fearing the repercussions of such a deal on its agriculture) has been hesitant. When Chinese Premier Zhu Rongji proposed to sign a trilateral FTA among Japan, China and Korea on 4 November 2002, Japanese officials were reportedly at a loss for words.⁵¹ Ever since, China has been pushing the idea, but no strong momentum has been formed thus far. Research institutes from the three countries released a joint report concerning the merits of the trilateral FTA in October 2003, but the leaders from the three countries, meeting in Bali, only pledged to bring about closer economic ties, thereby dodging the question of negotiating a three-way FTA.⁵² In 2005 China called again on Japan and Korea to expedite a trilateral study on the three-way FTA, which had been under way since 2001,⁵³ but Japan and Korea were

still hesitant.⁵⁴ Hence, no trilateral FTA negotiation is currently on the agenda.

On the other hand, there has long been an interest on the part of Japanese business in supplementing the Japan-Korea BIT with one that includes China. Although Japan has a BIT with China dating back to 1988, it is fairly weak, and one with greater binding powers and broader coverage is required. In October 2003 during a meeting in Bali, Indonesia, the discussion of a trilateral investment pact began when Japanese Prime Minister Koizumi suggested launching joint studies by experts from the private, government and academic sectors on this very topic, in response to the Chinese proposal to form a trilateral FTA among China, Japan and Korea.⁵⁵ In Jakarta in September 2004, while the joint study was still in progress, Japanese Trade Minister Shoichi Nakagawa proposed the formation of a trilateral investment treaty.

In November 2004 Japanese Prime Minister Koizumi, Chinese Premier Wen Jiabao and Korean President Roh Moo-hyun agreed in Vientiane, Laos, to upgrade from expert-level to government-level discussions on improving trade and investment environments.⁵⁶ Working-level officials from the three countries met four times in 2005. The Chinese were initially resistant to the idea of an investment treaty, but they warmed to it gradually. Big businesses did their part to persuade China: Hiroshi Okuda, president of the Keidanren, during his visit to Beijing in September 2005 proposed a Japan-China-Korea trilateral investment pact, and China was forthcoming.⁵⁷ If concluded, this will likely pave the way for a trilateral FTA in the future.

Conclusions

It has been argued that institutionalization in Northeast Asia is a multifaceted process, and that it is important to recognize both political and economic factors to understand its dynamics. Among political reasons for FTAs and BITs, the rise of China and acquiescence (at least until recently) by the United States have been important; among economic factors, economic stagnation in Japan and Korea as well as the opportunities and limitations of ASEAN integration (AFTA) were important motives behind the FTA initiatives among the Northeast Asian powers.

Table 12.1 summarizes the attitudes of the PRC, Japan and Korea regarding actual and potential FTAs in East Asia and in particular Northeast Asia. Several patterns stand out in this table. First, no country is consistently enthusiastic about establishing FTAs with other countries in the region. China, for instance, is relatively passive towards ASEAN but

Table 12.1 Summary of attitudes of three Northeast Asian powers regarding FTAs

Country	Towards	Attitude	Explanations
China	ASEAN	Passive	Mainly defensive (reaction to AFTA)
	Japan and Korea	Active	Maybe political
Japan	ASEAN	Active	Business pressure/political motives/catch up with China
	Korea	Passive	Korean initiatives welcomed, but later lost interest
	China	Passive	Mainly concern about agriculture
Korea	ASEAN	Active (only later)	Late start due to earlier emphasis on Northeast Asia
	Japan	Initially active; later lost interest	Political motives/dissatisfaction with Japanese hesitance later

more active towards Japan and Korea. Also, the degree of enthusiasm varies over time. Korea, again, was enthusiastic about the FTA with Japan, but later lost interest due to political and economic reasons.⁵⁸ Second, the degree of political calculation differs from country to country. Perhaps China's FTA strategy is most political, whereas Japan's is least political. Japan's FTA strategy has mainly been shaped by business pressure for FTAs and resistance to them by those in the agricultural sector. The ROK and China have been able to manage such particularistic interests better than Japan. In a nutshell, the FTA strategy in Northeast Asia is highly heterogeneous, and therefore contingent on many factors.

The rise of China combined with Japanese and Korean attempts to break out of their economic plight unleashed a spiral of "competitive liberalization" in East Asia at the end of the millennium. This momentum for institutionalization via BITs and FTAs/EPAs continues, and over the next decade we can expect to see the emergence of FTA networks among ASEAN+3 countries as well as among East Asian Summit members (including India, Australia and New Zealand). *De facto* or market-led trade and investment integration in East Asia has already taken place: it is the institutionalization part of it that is unprecedented in the history of this region.

Notes

1. In this chapter, “institutionalization” refers to efforts by governments and other public authorities to provide various legal and quasi-legal frameworks for maintaining and facilitating market activities, while “integration” simply refers to increasing interdependence (whether or not facilitated by governments). It is commonly agreed that regional economic integration in East Asia has thus far been “market-led” rather than “government-led”. See, for instance, Krumm, Kathie and Homi Kharas, eds (2004) *East Asia Integrates: A Trade Policy Agenda for Shared Growth*, Washington, DC: World Bank, p. xvii. For a more detailed discussion and definitions on regionalism, institutionalism and institutionalization, see the chapter by Yamamoto in this volume.
2. In this chapter, Korea/South Korea refers to the Republic of Korea (ROK). The Democratic People’s Republic of Korea (DPRK), North Korea, does not play a role in the chapter.
3. A free trade agreement (FTA) is a GATT-sanctioned preferential trade agreement among two or more countries to eliminate tariffs on “substantially all trade” within 10 years. An economic partnership agreement (EPA) is a term preferred by Japan for a broad agreement including not only an FTA but also other elements such as service liberalization, immigration and intellectual property rights (IPRs) commitments.
4. Data from the National Bureau of Statistics of China show the following growth rates of real gross domestic product (GDP):

Year	2001	2002	2003	2004	2005
Growth (%)	8.3	9.1	10.0	10.1	10.2
5. WTO press release, 14 April 2005.
6. Between 1990 and 2002 China’s worldwide trade increased at an annual growth rate of 14.4 per cent: the average growth rate of trade with Japan in the same period was 14.9 per cent, and that with Korea was 29.4 per cent. See table 1 in Chan, Sara and Chun-Chien Kuo (2005) “Trilateral Trade Relations among China, Japan and South Korea: Challenges and Prospects of Regional Economic Integration”, *East Asia* 22(1), pp. 33–50, at p. 35.
7. According to the UN Conference on Trade and Development (UNCTAD), inward foreign direct investment into China reached US\$60.6 billion in 2004 and US\$72.4 billion in 2005.
8. Toshiaki, Arai (2002) *Henbo suru Chugoku Gaiko*, Tokyo: Nicchu Shuppan, pp. 225–226.
9. Searight, Amy (2005) “Reverse Course of Changing Lanes? Multilateralism, Regionalism, and FTAs in Japan’s Changing Trade Strategy”, paper presented at annual meeting of Association for Asian Studies, Chicago, 31 March–2 April, unpublished, p. 4.
10. See Yamamoto in this volume on the role of crises in institution building. Naturally, the impact of the Asian financial crisis on regionalization was more evident in the area of financial cooperation than in the area of trade. See also the chapter by Pempel in this volume.
11. Sangyosho, Keizai (undated) *Higashi Ajia Keizai Renkei ni Tuite*. Regional production integration is particularly conspicuous in the electronics industry. As early as 1998, Japan’s dependence on reverse imports (goods made by Japanese firms abroad) from East Asia stood at 25.5 per cent for televisions, 66.1 per cent for VCRs and 14.2 per cent for stereo components. Hook, Glenn D. (2002) “Japan’s Role in the East Asian Political Economy: From Crisis to Bloc?”, *Asian Business and Management* 1, pp. 19–37, at p. 24.
12. Another reason why Japan has to rely on an EPA that includes a broad agenda is to maintain a balance of benefits with partner countries. ASEAN countries have much higher tariffs than Japan, and the abolition of already low tariffs in Japan is not attractive

- enough for ASEAN countries. Interview, Ministry of Economy, Trade and Industry (METI), 24 June 2005.
13. Cai, Kevin G. (2003) "The ASEAN-China Free Trade Agreement and East Asian Regional Grouping", *Contemporary Southeast Asia* 25(3), pp. 387–404, at p. 396; Shi, Jinping (2005) "Chinese Intentions for the Free Trade Agreement with ASEAN", MA thesis, Aoyama Gakuin University, p. 17.
 14. For the broader role of the United States in East Asia, see the chapter by Higgott and Timmermann in this volume.
 15. The idea of an EAEG was put forward by Mahathir during his talks with Chinese Premier Li Peng in Kuala Lumpur in December 1990. The US objection did not become clear until October 2001 when Carla Hills, US trade representative, declared that the United States was opposed to the idea of an EAEG. In a face-saving gesture, ASEAN agreed instead to form an EAEC to "discuss common concerns". Hoon, Lim Siong (1991) "Hills Says Asian Trade Bloc Is Now Less Likely", *Financial Times*, 11 October, p. 3. For a more complete analysis of the conflict over the EAEG/EAEC, see Munakata, Naoko (2006) *Transforming East Asia: The Evolution of Regional Economic Integration*, Washington, DC: Brookings Institution, pp. 71–76.
 16. In the early years of APEC, the United States preferred reciprocal trade liberalization while Asian countries were opposed to preferential trade agreements in APEC. The compromise was the mantra of "open regionalism". See Munakata, *ibid.*, pp. 82–83.
 17. Fred Bergsten argued that the (mis)perception formed in Asia after the financial crisis was that "they were both let down and put upon by the West". Hence "East Asia has decided that it does not want to be in thrall to Washington or the West when trouble hits in future." See Bergsten, Fred (2000) "Towards a Tripartite World", *The Economist*, 15 July, US edition, pp. 20–22.
 18. On the Chiang Mai Initiative, see the chapter by Pempel in this volume.
 19. Oorjitham, Santha (2000) "ASEAN+3=EAEC: Building Ties Across the Region", *AsiaWeek*, 15 March, available at www.asiaweek.com/asiaweek/foc/2000/03/15/.
 20. "Enterprise for ASEAN", fact sheet, White House, Office of the Press Secretary, Washington, DC, 26 October 2002, available at www.state.gov/p/eap/rls/14700.htm.
 21. Finally, in November 2005, the United States and ASEAN agreed to start negotiating a trade and investment framework agreement (TIFA), which, in US trade strategy, is a precursor to a full-fledged FTA.
 22. Speaking in Tokyo at the Japan Institute of International Affairs (JIJA), Mitchell Reiss noted: "East Asians are developing a distinctive path to regional integration. And the United States, as a traditional western Pacific power, must remain involved." He continued: "It has not escaped our notice, for example, that a regional trade and financial system is emerging ... This poses some new challenges for the United States ... on our part, we seek an East Asia that is open and inclusive." See also Miyauchi, Teiichi (2004) "U.S. Wary as East Asian Community Nears Reality", *Nikkei Weekly*, 13 December, p. 27.
 23. *Asahi Shimbun*, 5 November 2006, morning edition, p. 1; also 7 November 2006, morning edition, p. 9.
 24. "14th APEC Economic Leaders' Meeting, Ha Noi Declaration", Hanoi, Viet Nam, 18–19 November 2006, available at www.apec2006.vn/uploads/doc/1163921984_46.pdf.
 25. For an exhaustive analysis of the positions that the Keidanren took with respect to FTAs, see Yoshimatsu, Hidetaka (2005) "Japan's Keidanren and Free Trade Agreements: Societal Interests and Trade Policy", *Asian Survey* 45(2), pp. 258–278.
 26. However, Japanese officials are careful to emphasize that this "community" is spelled with a lower-case "c", and does not signify the formation of a specific organization such as the European Community.

27. *Nihon Keizai Shimbun*, 14 January 2002, p. 3.
28. Interview, Ministry of Foreign Affairs (MOFA), 24 June 2005.
29. Keizai Sangyosho (METI), *Nichi-Singaporu Shinjidai Keizai Renkei Kyotei ni Tuite*, November 2002.
30. Ibid.
31. *Nihon Keizai Shimbun*, 16 August 2002, p. 4; interview, MOFA, note 28 above.
32. Several ideas about a Japan-Korea FTA had been raised prior to President Kim's visit to Japan. See Koo, Min Gyo (2006) "From Multilateralism to Bilateralism? A Shift in South Korea's Trade Strategy", in Vinod K. Aggarwal and Shujiro Urata, eds, *Bilateral Trade Agreements in the Asia-Pacific: Origins, Evolution and Implications*, Abingdon and New York: Routledge, pp. 140–159, at p. 153.
33. *Nihon Keizai Shimbun*, 22 December 2001, evening edition, p. 1.
34. Chong, Florence (2000) "North Asia's Trade Ambitions: Free Trade Concept Winning New Appeal", *Asia Today*, August, available at www.asiatoday.com.au/.
35. For a thorough debate on the question of history in East Asia and the textbook controversy, see the chapter by Berger in this volume.
36. *Nihon Keizai Shimbun*, 18 May 2001, p. 2, and 31 May 2001, p. 8.
37. *Nihon Keizai Shimbun*, 26 January 2002, p. 5.
38. WTO (2004) "Japan-Import Quotas on Dried Laver and Seasoned Laver – Request for Consultations", Document WT/DS323/1, 3 December.
39. WTO (2006) "Japan – Import Quotas on Dried Laver and Seasoned Laver – Notification of Mutually Agreed Solution", Document WT/DS323/5, 27 January.
40. Yoshimatsu, note 25 above, p. 277.
41. *Nihon Keizai Shimbun*, 23 November 2000, p. 8.
42. See www.cafta.org.cn/.
43. Inama, Stefano (2005) "The Association of South East Asian Nations-People's Republic of China Free Trade Area: Negotiating Beyond Eternity with Little Trade Liberalization", *Journal of World Trade* 39(3), pp. 559–579. See also Wong, John and Sarah Chan (2003) "China-ASEAN Free Trade Agreement: Shaping Future Economic Relations", *Asian Survey* 43(3), pp. 507–526.
44. *Malaysia General News* (1999) "S. Korea, Thailand Agree to Study Set Up of Free Trade Area", *Malaysia General News*, 3 November. By then, Korea was already studying FTAs with New Zealand and Australia.
45. *Japan Economic Newswire* (2000) "Goh Says Singapore Eyeing FTAs with S. Korea, Mexico, Canada", *Japan Economic Newswire*, 22 October.
46. *Korea Times* (2004) "S. Korea, ASEAN Aim to Conclude FTA in 2006", *Korea Times*, 1 December.
47. Taniguchi, Makoto (2004) *Higashi Ajia Kyodotai*, Tokyo: Iwanami Shoten, p. 28.
48. *Nikkei Keizai Shimbun*, 24 November 2000, p. 7, and 25 November 2000, p. 1; de Jonquieres, Guy and Gillian Tett (2000) "Asian Ambition", *Financial Times*, 28 November, p. 24.
49. *Nihon Keizai Shimbun*, 24 March 2004, p. 1.
50. *Nikkei Sangyo Shimbun*, 19 April 2004, p. 3.
51. *Asahi News Service* (2002) "Beijing Stuns Tokyo with Trade Vision", *Asahi News Service*, 6 November.
52. Fukazawa, Junichi (2003) "Japan, ROK Wary of China-Led FTA", *Daily Yomiuri*, 9 October, p. 8.
53. *Daily Yomiuri* (2005) "China Urges Movement on Trilateral FTA", *Daily Yomiuri*, 8 May, p. 8. The Chinese proposal was made by Foreign Minister Li Zhaoxing to his Japanese and Korean counterparts on the sidelines of an Asia-Europe Meeting (ASEM) in Kyoto.

54. *Nihon Keizai Shinbun*, 4 May 2005, p. 3, and 8 May 2005, p. 3.
55. *AFX-Asia* (2003) “Japan Seeking Multilateral Investment Pact with China, Korea – Report”, *AFX-Asia*, 2 October.
56. *Japan Economic Newswire* (2005) “Japan, China, S. Korea Agree Only to Continue Talks on Investment”, *Japan Economic Newswire*, Kyodo News International, 3 December.
57. *Nihon Keizai Shinbun*, 8 October 2005, p. 5.
58. For Korea’s earlier emphasis on Northeast Asia, see Fukagawa, Yukiko (2003) “No Muhyon Shinseiken no Keizai Seisaku to Nikkan Jiyu Boeki Kyotei” (“New Economic Policy of the Roh Moo-hyun Government and the Japan-ROK FTA”), *Kokusai Mondai* 518 (May), pp. 46–58.

13

Firebreak: East Asia institutionalizes its finances

T. J. Pempel

A series of recent developments in Asian capital and trade markets pose new puzzles for observers of Asian regionalism. Essentially, a sequence of steps have been under way since 1999–2000 that create or deepen a number of Asian regional institutions in the financial arena. These developments demand attention for at least three reasons.

First, all of them imply moves towards the once-rejected poll of “closed regionalism” typified by proposals for an East Asian Economic Caucus (EAEC). Rejection of the closed nature of the EAEC and the embrace of “open regionalism” were marked by the creation of the Asia Pacific Economic Cooperation (APEC) forum, which had its first meeting in Canberra on 6 November 1989, and the ASEAN Regional Forum (ARF), which was created in 1993. Such institutions indicated that Asia was opting for porous borders as it sought to strengthen its own regional connections. More recent actions, however, suggest that the countries of Asia are becoming more internally cohesive while systematically excluding non-Asian participants. These new institutions thus raise the question of whether and why regional actors seem to be moving away from their earlier embrace of openness in favour of something more regionally autarkic.

Second, recent moves are enigmatic, because they fly in the face of Asia’s long-standing reluctance to institutionalize. Europe and the European Union have moved towards ever-deeper institutionalization and legalization while Asia has long relied on informal networks and *ad hoc* collaboration. That the legalized and formalized European situation is

unusual in comparative perspective must be acknowledged.¹ Nevertheless, Asia has been far from “unlinked”. Numerous connections across Asia have been developed since the mid-1980s through cross-national production networks, cross-border investments and intra-regional trade, all of which have resulted in greater regional integration. But closer ties through such informal, bottom-up market mechanisms were long unmatched by formal, top-down governmental institutions.² Now, however, Asia’s previous predisposition towards informality is changing in the direction of more formal and institutionalized connections, particularly within the area of finance.

Third and finally, Asia’s new institutions include not just the countries of Southeast Asia, which since 1967 have been cooperating through ASEAN; they also weave in the three Northeast Asian countries of China, Japan and the Republic of Korea. For most of the post-war period all three were highly nationalistic and largely resistant to regional institutions that went beyond informal networking. Particularly in recent years, political and diplomatic relations among these three have been marked far more by distrust and recriminations than by growing warmth and a common agenda. It remains to be seen whether regional institutions in finance and economics will spill over, inspiring enhanced cooperation in the more problematic areas of diplomacy and security. But that these three countries have been willing to enter into relatively intimate and institutionalized regional arrangements may portend more enhanced cooperation among the powers of Northeast Asia than has been evident in their highly publicized and defamatory public statements and public relations jousting. At a minimum, recent events indicate that “Asian regionalism” is now weaving together both Northeast and Southeast Asia, whereas before it was only Southeast Asia that was linked through formal institutionalized arrangements.

This chapter examines several recent Asian regional developments in the context of these puzzling questions. The key organizations examined are ASEAN Plus Three (APT) (and most particularly the Chiang Mai Initiative, CMI, that has developed a series of currency swap arrangements under APT auspices); the Asian bond markets; and recent bilateral and multilateral free trade agreements (FTAs). This last item is a less self-evident indicator of the puzzles noted above, but, as the chapter hopes to show, many of these trade agreements work in ways similar to the CMI and the bond markets. Collectively, they provide a new set of regional “firebreaks” against the possible fires of global capital movements. But they also suggest strongly that increased Asia financial and monetary cooperation may be less motivated by any implied search for regional exclusivity than is suggested by the dichotomy between “open” and “closed” regionalism, or regional cooperation as “building block” or

“stumbling block”. Asian regional cooperation may well enhance the area’s collective global influence in ways that do not attempt to decouple the region from the rest of the world, but instead muster the region’s collective economic resources to bolster the region’s collective influence over global finance and within global institutions. Just as a firebreak does not involve any efforts to destroy an entire forest, so too recent Asian efforts are meant largely to prevent the worst dangers of the larger forest from sweeping destructively over the Asian region.

The chapter proceeds in four sections. The first reprises the low levels of regional connectedness prevailing across Asia for most of the twentieth century, and underscores the deep historical legacies that once impeded closer Asian ties. It also examines the somewhat limited moves towards enhanced regional economic connections that expanded in earnest during the mid-1980s. These were largely informal and market-driven, and hence were quite “open” to connections beyond Asia. It shows how the limited number of more formal regional institutions to which Asian countries belonged were also predominantly structured to ensure pan-Pacific, inclusive, “open regionalism”.

This is followed by a brief section on what the author believes was the major catalyst for the most recent moves, namely the Asian economic crisis of 1997–1998. It analyses why so many political and economic actors in Asia came out of the crisis having concluded that existing institutions were inadequate to meet any potential future economic crisis in the region.

A third section examines the recent moves in finance and trade noted above, along with a discussion of how these are expected to overcome existing problems in the global financial and trade architecture. It notes how embryonic these various measures remain: Asia still lacks powerful institutional mechanisms through which to act in a regionally cohesive manner. Nevertheless, these institutional seeds have at least the potential to blossom into much richer and more powerful bodies over time. For the moment, recent changes suggest a deeper and more cohesive regionalism, albeit one that remains embryonic. But the author believes they deserve investigation and monitoring as possible indicators of what may eventually prove to be more substantial shifts.

A final concluding section examines the still-competing pulls for many Asian governments between erecting closed regional firewalls against purportedly hostile global forces, particularly in finance and economics, and the sheer economic and security dependencies that most Asian countries continue to experience on forces outside the region. In addition, it underscores the ways in which moves in finance have not been paralleled by moves in more demanding areas such as diplomacy or security. The result is an as-yet-unresolved, and potentially unresolvable, tension

between the centripetal forces of Asian regionalism and the centrifugal forces of pan-Pacific globalization.

The legacy of Asia's regional ties

For most of the twentieth century deep chasms kept the countries of Asia from taking much collective action. At first this reflected the legacy of nineteenth-century imperial conquest. The separate empires of France, Great Britain, the United States, the Netherlands and Portugal absorbed all but two Asian countries, Japan and Thailand, leaving the region with few comprehensive connections. Japan made its unsuccessful bid to unify the region militarily during the 1930s and 1940s. Then, with the end of these colonial empires following the Second World War, most of Asia's newly independent countries confronted the daunting task of generating national unity. Few leaders moved to enhance Asian regional ties in the face of such overwhelming domestic problems.

To the extent that leaders of these countries looked beyond domestic agendas of nation building, they typically joined multilateral or global bodies, such as GATT, the IMF and the World Bank, established in the aftermath of the Second World War, rather than forging more narrowly regional institutions.

Also impeding regional links were the fissiparous forces of the Cold War. Most Asian countries felt compelled to side with either the United States and its allies or the Soviet Union and its. Several unquestioned anti-communist regimes, such as those of Japan, the Republic of Korea, Thailand, Taiwan, Australia and New Zealand, entered into explicit bilateral security relationships with the United States. Tentative and often loose ties also existed among pro-communist regimes, including the DPRK, China, Viet Nam and the USSR. A few regional countries such as Indonesia worked hard to create a global movement of non-aligned countries. The cumulative effect of these competing pulls was, however, to continue to leave the Asian region highly fragmented for much of the early period following the Second World War. Divisions were especially strong in Northeast Asia, where Korea was partitioned, Japan was America's closest ally and China and its market were frozen out of ties to most of America's allies until the normalization of China's relations with the United States and Japan in the 1970s.

The countries of Asia eventually began to overcome some of these divisive historical legacies. Most notably, the Association of Southeast Asian Nations (ASEAN) was formed in 1967 by five of that area's major players – Indonesia, Malaysia, the Philippines, Singapore and Thailand. ASEAN was, however, thinly institutionalized and operated only

through a process of slow-rolling consensus building. Nevertheless, with time it added new members and expanded its agendas, so that today it has become something of a regional stalwart in the much larger and still divided East Asia.³ Other formal regional organizations began to criss-cross Asia; but for the most part these were demonstrably “open” organizations with memberships drawn from both sides of the Asia-Pacific. Asia’s external boundaries remained highly porous, in the phrasing of Peter Katzenstein.⁴ As such they reflected the reality that virtually all Asian countries remained highly dependent on US markets for their own exports, while not a few also looked to US military guarantees for their own internal security as a regional counterweight to Japan and China.

Far more powerful, though primarily informal, in weaving networks across the Asian region were private financial institutions and corporations. Many of the once domestically focused corporations and investors of Japan, and later South Korea and Taiwan, driven heavily by the increased values of their currencies following the Plaza Accord of 1985, expanded operations beyond their once nationalized production to create larger regional production and investment networks. Corporations in Southeast Asia, particularly Hong Kong and Singapore, did the same, though with different organizational patterns and subregional targets.⁵ As a result, networks of intra-Asian investment and trade exploded.

The overall picture of Asian regionalism by the mid-1990s was thus twofold. On the one hand, the predominant connections across Asia remained bottom-up and market-driven. They centred on ever more disjointed and segmented networks of production, investment and trade that were responsive largely to corporate market opportunities. As such, though not completely independent of political and governmental considerations, they involved predominantly connections that had been developed and sustained with minimal government involvement. The second trait was one of openness, particularly among the few formal institutions that had been created to include Asian countries on a selective basis (as opposed to such global bodies as the WTO and the IMF). The key regional organizations were created in ways that reflected the ongoing dependence of most of Asia on the United States (and to a lesser extent Western Europe) for both markets and defence.

Asians rethink regionalism: The crisis of 1997–1998

The Asian crisis of 1997–1998 stimulated Asian political and economic élites to engage in a dramatic reappraisal of their previous thinking about financial institutions and regionalism. The events surrounding the crisis

of 1997–1998 have been subject to widespread analysis.⁶ As will be remembered, the currencies first of Thailand, then Indonesia and subsequently several other Asian countries, including South Korea, underwent sustained speculative attacks, largely through foreign exchange markets. In all cases the Asian currencies plummeted dramatically in value. Unhappy over what it saw as the global (and particularly American) non-response to the first of these crises – that in Thailand – Japan proposed a \$100 billion Asian Monetary Fund (AMF), with approximately half of the funds to be contributed by Japan. The fund would have provided rapid short-term liquidity to the affected countries. The United States, China and the IMF all opposed the Japanese proposal. To varying degrees these opponents feared that such an institution might challenge the primacy of the IMF, create problems of moral hazard and dramatically enhance Japan's regional influence. But the United States and other critics offered nothing in its place to mitigate the burgeoning crisis, let alone ensure against future crises. In the end the IMF provided bail-out funds to the most seriously affected countries, but all IMF monies came with “conditionality” that typically required the recipient governments to undertake substantial changes in their national budgets as well as their long-standing domestic financial arrangements and relations with business.

The short-term results proved disastrous in both financial and human terms. Local stock markets lost well over half their value, currencies depreciated dramatically, macro-economic growth stalled and unemployment escalated astronomically. In exchange for promises of fiscal austerity, the recipient countries underwent price liberalization that more than doubled the prices of staples such as rice, and eliminated most restrictions on movements of foreign capital in or out of these countries. Hundreds of billions of dollars of hard currency reserves that had taken decades to accumulate were eliminated in a matter of months.

Analysts in the West typically focused on the internal deficiencies in the Asian financial markets and on government-market relations that had contributed to the crisis: too much cronyism, too little banking reform, too little transparency, not a hearty enough embrace of *laissez-faire* principles and the like. Throughout much of Asia, in contrast, the preponderant explanations for the crisis centred on short-term liquidity problems that could have been solved through the Japanese proposal for an AMF or other mechanisms less disruptive of domestic strategies.

The financial crisis that swept across Asia, along with the economic devastation that came in its aftermath, revealed in stark terms Asia's continuing dependence on, and vulnerability to, events, powers and institutions beyond its collective borders. Asia remained deeply enmeshed in the basic world order dominated by the United States. Meanwhile, the

inability of existing regional organizations such as ASEAN and APEC to intervene successfully to stem the crisis – or even to offer meaningful advice – combined with the general reluctance of many relatively well-off Asian countries to use their domestic resources to “bail out” their less well-to-do neighbours, collectively underscored the extent to which existing regional ties did little to trump national self-interest. APEC became increasingly irrelevant to Asian leaders,⁷ while ASEAN was too narrow in its membership to include those Asian countries with the largest foreign reserves.

New financial institutions: Erecting Asian firewalls?

Since 1997–1998 voices within Asia demanding closer regional cooperation have grown louder and more persuasive. Various initiatives have been taken in a range of areas. For example, Japan’s Nihon Keizai Shimbun holds regular conferences on “The Future of Asia”, and specific Asian groups, such as political parties, have taken to meeting regularly. It is explicitly in the areas of finance and monetary cooperation, however, that the most important manifestations of a deepening commitment to closer and more institutionalized cooperation have been taking place. Of particular note are three specific developments: the Chiang Mai Initiative; the development of Asian bond markets; and the creation and expansion of bilateral and multilateral FTAs.

Financial integration through ASEAN Plus Three and the Chiang Mai Initiative

The global financial and trade architecture is most notably embodied in the IMF, the World Bank and the WTO. These institutions and the basic rules of the global financial and trade architecture were put in place primarily by the United States and secondarily by the European victors in the aftermath of the Second World War. As such these institutions reflected the interests of these countries and the global power balance at that time. They demonstrated little, if any, sensitivity to either the interests of the poorer countries of the world or the probability that relative financial strengths of different countries might change over the subsequent 60 years.

In the aftermath of the Second World War the United States used its material and ideational preponderance to establish the Bretton Woods and GATT systems along with supporting infrastructures, including the IMF and the World Bank. To be sure, the United States saw these institutions as compatible with its own national interest, yet America’s

national interests were defined in terms of “generous multilateralism”. Other countries, particularly those devastated by the war or confronting overwhelming developmental odds, were consequently anxious to sign on to the US agenda. As has been widely noted, the United States became the guarantor of last resort for the new financial multilateralism. The US dollar served as the currency of last resort – pegged to gold and redeemable at \$35 per ounce – giving stability to global exchange rates and paper currencies worldwide.

A critical turning point for the IMF came in 1971 when the United States, under Richard Nixon, closed the \$35-to-the-ounce gold window, effectively abandoning the Bretton Woods system of fixed exchange rates. Since that breakdown of Bretton Woods, dollars have replaced gold as the international reserve currency. Furthermore, as the 1970s advanced the United States began to use the G7 and the G10 as vehicles for stabilizing the global economy. In addition to marginalizing the IMF, this process undermined the institution’s standing in the United States and signalled to other IMF members and officers that the organization’s status and role in the world economy would depend on the uses to which the United States might choose to put it.

The current power of the IMF is enormous. Its resources are over \$300 billion and its mandate has expanded. Today its actions exert a strong influence on the wage, taxation and public expenditure policies, public sector prices and tariffs, privatization and exchange regime trade policies of most nations. But since the 1970s the IMF’s role has changed from managing exchange rate stability among the developed world to ensuring financial rectitude throughout the developing world. And the IMF’s definition of “financial rectitude” continues to reflect its strong internal ideological commitment to neo-liberal economics. Challenges to neo-liberal economic orthodoxy have largely been viewed as economic dysfunctionality. Key to the new IMF role was “structural reform” of the financial systems of developing countries, aimed at forcing them into conformity with neo-liberal economic institutions. Not at all coincidentally, such structural changes were frequently in direct conflict with the core economic principles that had catalysed growth in much of Asia.

The general problem of an allegedly global institution disproportionately responsive to the influence of a single member was exacerbated as the economies of Asia surged. As Asia’s collective economies grew at a more rapid pace than those of the rest of the world, global institutions became progressively reflective of that expanding economic weight. Existing international economic institutions failed to provide East Asia with an expanded role consistent with its new economic muscle. The United States and the European Union dominated GATT and continue

to dominate the WTO, the IMF and the IBRD, leaving both larger and smaller Asian countries grossly underrepresented.

The implications of this architectural power imbalance were masked or ignored during Asia's high-growth period. The Asian economic crisis of 1997–1998 changed all that. The crisis made it clear that private capital flows, which had expanded greatly during the 1980s and 1990s, could change direction on a dime, with devastating effects for national economies, including in this particular case the national economies of many countries in Asia.⁸

In 1997–1998 the IMF worked closely with the US Treasury to set the conditions for loans to currency-stricken countries. Following the crisis the realization deepened across Asia that intervention by the United States and the IMF represented an extreme example of what Daalder⁹ has called “gratuitous unilateralism”: they used their respective institutional powers to the disadvantage of the Asian countries whose currencies were under attack, as well as those countries, most especially Japan, that attempted to provide a measure of rapid currency relief. Asia's collective capacity to shape the conditions for settlement of what was largely a region-specific problem proved to be minimal.

Just as influential on Asian thinking was the realization that not all countries in Asia were equally subject to currency meltdowns. Taiwan, Singapore and China all had extensive foreign reserves. Moreover, both Taiwan and China had far greater restrictions on the convertibility of their currencies than did the troubled economies. Significantly, all three emerged from the crisis relatively unscathed. And Malaysia, which introduced currency controls rather than request IMF help, also weathered the storm relatively better than its neighbours. Perhaps even more importantly, hindsight revealed that collective Asian foreign reserves would have been more than sufficient to have obviated the need for specific IMF assistance, had those reserves been collectively mobilized. For many Asian élites, the crisis made it unavoidably obvious that economic security was at least as critical as the military security of their national borders. The collective response was to circle the intra-Asian wagons against what were presumed to be hostile forces from outside, in a collective effort to reduce collective vulnerabilities.

The most immediate response came with the Chiang Mai Initiative (CMI) of 6 May 2000. The CMI evolved from activities in November 1997. At that time, the ASEAN leaders invited their counterparts from Japan, China and Korea to the ASEAN summit meeting in Kuala Lumpur. That group met as ASEAN+3 (APT) the following year in Hanoi, where China proposed that deputies from their finance ministries and central banks meet regularly for financial cooperation. In May 2000 the

APT finance ministers met in Chiang Mai, Thailand, and announced the CMI.¹⁰

Essentially, the ministers sought to utilize the APT forum to foster greater cooperation in several areas: monitoring capital flows, regional surveillance, swap networks and training of personnel. These broad areas of cooperation took explicit form in the CMI, which led to a series of bilateral currency swap arrangements. The swaps involved a collective effort to take better advantage of intra-Asian capital and foreign reserves so as to reduce the likelihood of any repeat of 1997–1998 and also to keep Asia more independent of loan conditionalities imposed by global organizations such as the IMF. Pooling the reserves of participating countries through a network of credit lines and swap arrangements was seen to be an obvious solution to the rapid flow of private money into, and then out of, Asia that had contributed so significantly to the crisis of 1997–1998. Presumably such arrangements, if made on a regional basis, would have the additional benefit of being closer to the countries of the region and having a greater understanding of and sensitivity to their particular economic and social conditions.

In its initial iteration the CMI had two parts: an expanded ASEAN swap arrangement (ASA) among the 10 ASEAN countries and a network of bilateral swap arrangements (BSAs) among the ASEAN countries, China, Japan and the ROK. Essentially, swap arrangements involve short-term loans at affordable interest rates (150 basis points above LIBOR) to provide liquidity during any run on a country's foreign exchange reserves. Usually this involves swaps of US dollars for the domestic currencies of the participating countries (though the China-Japan swap is in yuan-yen), with the maximum amount that can be drawn determined through bilateral negotiations.

It is important to note that the collective foreign reserves held by the APT countries have ballooned to nearly \$2.5 trillion, roughly two-thirds of the world total and up from about \$1 trillion in 2001. Even a small amount of these resources, if mobilized collectively, would be greater than what would be available to many of the countries through multilateral financial institutions.¹¹ Not surprisingly, given the stakes involved, the CMI and its format were controversial and required extensive compromise. During the meetings in Kuala Lumpur, the IMF was fully involved in the negotiations. Pressure from the United States and the IMF ensured that proposals for a Japan-style Asian Monetary Fund were watered down to the swap arrangements that eventually emerged. In addition, only a fraction of the region's financial assets were committed to the swaps, and with the exception of a relatively small 10 per cent of the maximum drawing, other swaps remained compatible with compulsory

IMF linkages, ensuring that crisis management rules remained disproportionately under global, rather than regional, discretion.

The various Asian participants in the CMI also carried with them different national agendas. Japan, for example, was extremely active in negotiating BSAs. South Korea and China have also been strong proponents. Singapore and Brunei, in contrast, have been more sceptical of the entire process, assuming that any BSAs would be one-way streets in which they and other richer Asian countries would be asked to provide liquidity for their more stricken neighbours.

Yet many such national differences were suppressed, or bypassed, as the CMI went into effect. Uniting the countries that participated was the spirit behind the comment of Il Sakong, chairman of the Korean Institute for Global Economics, who said: "We need some kind of defence mechanism. Since not much is expected to be done at the global level, something should be done at the regional level."¹² When the CMI originally went into effect, considerable stress was placed, by those who wished to show how little change it represented, on the limited amounts of money involved in the swaps, as well as on the requirement for most swaps to be congruent with IMF regulations. This message, however, ignores the fact that collective Asian monetary collaboration had gained substantial traction and was itself a new development.

Moreover, the BSAs have expanded in scope. By early 2005 some 16 BSAs had been organized under the CMI, totalling \$39 billion. Then at the eighth meeting of APT finance ministers in Kuala Lumpur on 5 May 2005 it was agreed to double the amounts in existing swap arrangements, raising the total to \$80 billion. Further, the finance ministers' meeting on 5 May 2007 agreed "in principle" to multilateralize the CMI through a reserve pool and a single contractual agreement for the drawing of funds. Such an arrangement, moving from a series of bilateral swaps to a more comprehensive reserve pool with a single contractual agreement, would centralize and multilateralize the entire arrangement.

Impediments to Asian financial integration are nonetheless quite numerous. At least as important as absolute amounts committed to BSAs is the fact that monitoring and surveillance mechanisms are still not in place. Vital to such mechanisms are of course information sharing and coordination, but most critical are assurances of structural and policy reforms in the countries likely to draw from the BSAs. Even as late as the May 2007 meeting, little progress had been made on such transparency. Until such time as an independent regional monitoring and surveillance unit is created as part of the CMI, it will be difficult to speak meaningfully of a serious regional financial institution having substantial independence from the IMF. Equally importantly, the member countries differ

over whether the CMI is to serve as a regional liquidity support system to back up the IMF or as the keystone in a regional financial and monetary system. Certainly, China and Japan appear to have different long-term visions for the CMI. Nor is it clear whether membership is fixed at the current 13 countries, or if it might be expanded to include Australia, New Zealand and possibly Taiwan. Even more complicating since the East Asia Summit (EAS) begun in 2005 is whether India or even Russia (which attended as an observer and has asked to join the next EAS) might become participants.

Despite all these limitations, the CMI has put enhanced monetary autonomy into the hands of Asian policy-makers. Given the devastation of 1997–1998 and the relatively rapid expansion of the BSAs, it would be a mistake to ignore the probability that current arrangements will lead to participating countries becoming increasingly interdependent, with potentially deeper levels of trust, and, as cooperation intensifies, weaning themselves from IMF dependency. In these ways some form of regional monetary and financial system is likely to evolve.¹³ Equally importantly, Asia's collective influence within the global monetary architecture is likely to be enhanced. And that may well be at least as important an achievement.

Asian bond markets

The most advanced economies in Asia have also moved to develop Asian bond markets as an additional mechanism to promote financial stability in the region and reduce Asia's links to, and consequent dependence on, the US dollar for financial reserves, currency baskets and international transactions. At the heart of the problem is the effort to mobilize regional savings for regional investment. Bond markets denominated in local currencies allow Asian borrowers to avoid the "double mismatch" problem that arose in 1997–1998: borrowing short in foreign currency (mostly dollars) and lending long in domestic currencies. So long as exchange rates were stable, or better yet the foreign currencies were weakening, that was a highly profitable situation. Its drawbacks became clear when exchange rates were reversed.

As noted above, many of Asia's central banks are now awash in liquidity. The countries of Asia now account for 70 per cent of global foreign exchange reserves, compared to only 30 per cent in 1990 and 21 per cent in the early 1970s. These reserves have also been expanding rapidly, particularly since the crisis of 1997–1998. Large portions of these monies have been invested in US-denominated Treasury notes, the dollars in turn flowing back to Asia as portfolio and foreign direct investments. The costs of this round-tripping, as shown by the yield spread between

US Treasuries and Eurodollar and global bonds issues by Asian economies, are estimated by CFC Securities to be about 2 per cent.¹⁴ Using a portion of the collective Asian surplus to support direct borrowing within Asia in local currencies – effectively cutting out the middleman – promises to provide more diversified outlets for investing Asia's huge surpluses. Additionally, a local bond market would give Asian borrowers relatively direct access to capital markets and investors, thereby freeing them from their long-standing dependence on bank borrowing.

A related problem concerns simply the growing US current account deficit. Today, Asian central banks hold approximately \$1.5 trillion in US dollar-denominated reserve assets. Most of the world's international reserves come into existence as a result of this American current account deficit, which grows at the rate of \$1 million *a minute*. In 2007 the deficit was larger than it has ever been – nearing \$800 billion, almost 7 per cent of US GDP. The combined international reserves of the countries with a current account surplus increase by more or less the same amount as the US current account deficit each year. So central bankers, particularly in Asia, must worry not only about their existing stockpile of dollar reserves, but also about the flow of new US dollar reserves they will continue to accumulate each year so long as their countries continue to run a surplus on their overall balance of payments. With the depreciation of the dollar as an ongoing worry, Asian central bankers have been scrambling to find alternative, non-dollar-denominated investment vehicles in which to hold their countries' huge reserves. They are a long way from agreeing on any single alternative Asian currency. But in the interim they have opted for the development and enhancement of an Asian bond market (ABM).

On 2 June 2003 the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP) announced the establishment of an Asia Bond Fund (ABF). The maiden launch of the ABF involved a group of 11 Asian central banks and an initial size of US\$1 billion. The objective was for these central banks to invest part of their international reserves in a basket of US dollar-denominated bonds of Asian economies. Meanwhile, a second initiative began with the APT finance ministers' meeting. They opted to develop a local-currency bond market, including a regional clearing and settlement system, a bond rating agency, a trading system and so forth.¹⁵

The ABF provides an alternative investment channel for Asian central banks, which have traditionally invested heavily in US Treasury bonds, with a total holding worth over US\$1 trillion. The development of an ABM, including the issuance of bonds dominated in a basket of local currencies, will also facilitate the flow of savings and investment within the region and enhance regional financial development and integration.

A second ABF (ABF2) was created during the week of 5 May 2005. This fund, unlike the first which was denominated in US dollars, is based on a basket of regional currencies, thus taking another early but substantial step towards creating a grid of currencies that could form the basis of an Asian monetary system similar to the European monetary system. ABF2 consists of a pan-Asian bond fund – renamed the ABF Pan-Asia Bond Index Fund (PAIF) – plus eight single-market bond funds.¹⁶ ABF2 is a \$2 billion fund, split equally between the PAIF and the eight single-market funds. It allows investments in denominations as small as \$1,000, making it relatively easily accessible to even small investors. But, of course, it is also accessible to much larger borrowers.

Among others, the Asian Development Bank has committed to the promotion of the regional bond market through active issuance in the region. A number of APT countries have moved to open their own local currency bond markets to foreign investors. Participation by MNCs in domestic bond markets should deepen and develop these local markets.

As yet, bond markets have not actually been established in several of the APT countries, most notably Cambodia, Laos and Myanmar. But other countries in the region have well-developed markets, and, with the addition of the regional market, countries now lacking such bond markets can gain access both to regional capital and also to models for their own internal development.

In sum, an active Asian bond market seeks to overcome the disadvantages of the long-standing “reverse flow” of capital – where money flows through New York or London. Additionally, it is a mechanism by which the major economies of Asia become linked to one another, reducing their dependence on US dollar-denominated networks. Eventually, an expanded ABM holds the potential to become a critical underpinning to the development of an Asian currency (or currency basket) that might rival the dollar and the euro as reserve currencies. Such a development, however, is a long way off. At its current level, the ABF remains quite small and below cumulative Asian needs for private capital. But to the extent that Asian bonds form a new, explicitly Asian, market relatively independent of US and IMF influences, it suggests one more movement away from earlier patterns of Asian financial dependence on the United States.

Intra-regional trade agreements

One final example of moves that challenge existing global institutions and enhance Asian monetary, financial and trade integration can be found in the emergence of various free trade pacts that have recently been forged among a limited number of Asian countries. Bilateral FTAs

increased in number among many states worldwide in the 1990s. For the most part Asian countries did not participate in this expansion, relying instead on global trade agreements negotiated in conjunction with the WTO. Since then, and particularly since the collapse of the Doha Round in September 2003 in Cancun, there has been an explosion in the number of bilateral, regional and other preferential free trade pacts. In many cases, the new FTAs represented a substantial shift in national policy from multilateralism to bilateralism or regionalism.

Bilateral pacts have entered into force, for example, between Singapore and Japan, South Korea and Singapore, and China and Thailand. Numerous pacts are in negotiation between Japan and Thailand, the Philippines and Malaysia. Furthermore, ASEAN has its own free trade area (AFTA), which began in 1993, and a larger pact has been signed between China and ASEAN. Japan has indicated that it would be interested in a similar pact with ASEAN. A host of additional proposals for various mixes of trade partners have been offered by different governments, including proposals for a Korea-Japan-China pact. In most instances the trade pacts go beyond the usual lowering of formal tariff barriers, committing the partners to various steps encouraging foreign direct investment, distribution networks, technology sharing, immigration and other items.¹⁷

Such a wave of established and proposed arrangements suggests one further mechanism by which the governments of Asia are becoming more active in regional finance and trade, more focused on expanding collective Asian controls and less dependent on existing global institutions. As with the CMI and the bond markets, these bilateral FTAs are creating intra-Asian arrangements that are top-down, institutionalized and (for the most part) region-specific. FTAs will also stoke regional integration in trade and investment, which in turn would provide an additional incentive to step up exchange rate cooperation, since any serious currency fluctuation could wreak havoc with trade and investment activities.

At the same time, the notion that the Asian region has turned inward economically should not be overdone. The bilateral swap arrangements, despite their Asian focus, still involve relatively small financial commitments and remain largely congruent with IMF conditions. But they enhance Asian monetary influence, including within the IMF. Importantly, as a counter to notions of some purported Asian exclusivity, many of the bilateral trade pacts negotiated by Asian countries reach beyond the region, including Mexico, Chile, New Zealand and others. Furthermore, Chinese and Taiwanese accession to the WTO early in 2002, combined with the unmistakable dependency on non-Asian markets by virtually all the major exporting countries of Asia, make it improbable that the region is working towards, or would want to work towards, regional isolation or

autarky as a viable long-term strategy. Continued economic viability requires that most of Asia should continue to embrace some version of “open regionalism” and involvement with the global financial system. At the same time, the balance between “open” and “closed” regionalism has definitely shifted within the financial arena in Asia, providing more mechanisms by which Asian leaders are looking collectively to one another, rather than to the West, to provide important solutions to many of their future problems. And as that process proceeds, Asia’s collective weight in influencing global financial decisions grows as well.

Conclusion

The evidence above makes it clear that since the economic crisis of 1997–1998 many governments across Asia have begun to deepen their formal, institutional and region-specific ties to one another. This has been particularly true in the areas of finance and, to a certain extent, trade. Clearly, this evidence provides support for claims that Asia is becoming more formally institutionalized and more closed as a result. Yet, at least as importantly, all recent moves have been somewhat tentative and embryonic. They might well lead to little or nothing in the way of substantial structural changes. But equally as plausible, they hold the potential to be the first steps in a process of deepening intra-Asian institutionalization. And given the legacy of the crisis of 1997–1998, a strong and common negative experience is driving Asian leaders to act collectively in creating regional firewalls to prevent a recurrence of any disasters caused by free-floating “hot money” and global financial markets. And together Asian governments are operating to enhance their collective influence within the global financial arena.

At the same time, nationalist sentiments remain deep and vituperative, particularly across Northeast Asia. The residues of historical conflicts, deeply embedded nationalism and domestic political considerations have left Japan, the Republic of Korea and the PRC reluctant to consider closer regional security and diplomatic ties. If these countries have moved towards a certain measure of intra-Asian cooperation in finance, they have certainly not done so in diplomacy or security.¹⁸ And it is certainly clear that growing economic and financial interdependence still leaves Asia a long way from having created any comprehensive regional partnership. It may do so, as Ming Wan¹⁹ has contended, by mitigating conflict and transforming the security order in Asia, but the process is at best slow in its evolution.

Security links across the Pacific remain extremely strong, underscoring the fact that Asian regionalism in finance and economics is far from being

a trend that encapsulates all policy areas and all relationships. The US-ROK alliance has been somewhat problematic since President George W. Bush took office in the United States and Presidents Kim Dae-jung and then Roh Moo-hyun have been in office in Korea. Still, the military alliance remains a key component in the strategic thinking of both countries; and the bilateral KORUS FTA may bolster these ties. Bilateral closeness is even truer of the US-Japan relationship. And China, while it continues to be viewed through competing lenses by various American policy-makers, has won a measure of US appreciation for its cooperation with US aims in dealing with North Korean nuclear problems through the Six-Party Talks, as well as its broader support in the so-called “war against terror”. In these and other ways it is difficult to envision regional security relations in Asia developing in ways that freeze out active and regularized US participation.

These broader links to the United States – as well as the entire global arena – are equally true in economics and finance. Intra-Asian connections that are developing in these areas will at best enhance, not replace, Asia’s ties to the broader international sphere.

For the moment, developments in Asia appear to be moving forward on two rather separate tracks with overlapping regionalisms in different functional areas. Regional ties are becoming more institutionalized, closed and intra-Asian within many areas of finance and trade, while at the same time remaining both regionally fissiparous and linked to the United States in the security arena. It is easy, but mistaken, to overdo the potential parallels between Asia and the European Union. In many respects, the current situation in Asia involves the kinds of mixed boundary arrangements that were represented by the ECSC, which eventually led to the European currency union on the one hand and NATO on the other – institutions that were exclusively European in membership in one area, but open to inclusion of the United States and other non-European states in security. Just how these early Asian experiments with financial “firebreaks” will eventually unfold, and what forms of Asian regional linkage emerge from them, remains to be seen. But clearly within the financial area Asia has become far more explicitly connected, with far greater governmental involvement and tangible institutional form than was the case a decade ago.

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14

China and its neighbours: Patterns of trade and investment

John Weiss

What are the issues?

The East Asia region, encompassing both Northeast and Southeast Asia, has been undergoing a process of “natural” economic integration with the growth of trade and investment between countries of the region. In recent years, however, much has been made of the economic impact of the re-emergence of China as a regional and global economic power. In the neighbouring countries the threat from Chinese competition is feared at least as much as the opportunities created by its rapid growth are welcomed. The question “China: threat or opportunity?” has been posed so frequently that it has become a cliché of recent policy debate. How China impacts on its neighbours, or just as importantly how it is perceived to impact on them, is a critical backdrop to efforts to foster closer formal institutional ties within East Asia. This chapter surveys current evidence on the issue of China’s economic impact, concluding that on current evidence there is as yet little reason for policy-makers to fear the rapid growth of China.

Economic theory as applied to international trade gives us grounds for saying that China’s impact can be both threat and opportunity simultaneously. Conventional trade theory (based on the standard Heckscher-Ohlin analysis) implies that having a large neighbour growing rapidly over an extended period of time, while unilaterally lowering its barriers to trade through its WTO accession and contemplating further reductions through its entry into various regional free trade agreements, can only be

strongly positive for regional economies. This freeing of trade with China will allow specialization on the basis of comparative advantage. How far different partners will benefit will depend on their trade and production structures, how far these are complementary to those of China and how flexible economies are in allowing resources to shift out of declining activities. As a large economy with a strong foreign direct investment (FDI) presence, China can produce a great variety of goods from the simple to the highly sophisticated in a technological sense. However, standard theory says it is impossible by definition for China to have a comparative advantage in everything, and that it is comparative rather than absolute advantage which matters in determining trade flows. From this perspective, possible loss of market share in either domestic or export markets should not pose a threat to regional producers if they can shift to other products where their comparative advantage is greater.

There are likely to be strong distributional shifts, and not everyone will gain. Theory predicts that the opening of trade between two economies (or a group of similar economies and a large trading partner) will lead to a realignment of relative prices. If domestic relative prices differ in both sets of trading partners prior to the opening up, when barriers to trade are removed the relative prices of goods in which each economy has a comparative advantage will rise in comparison with the no-trade scenario. From the Samuelson-Stolper theorem this implies that factors used intensively in an activity whose relative price has risen will gain, while those used intensively in an activity whose relative price has fallen will lose in terms of income share. Income growth may be strong enough to offset this, so there is no absolute worsening of their position. Much has been discussed about China's impact on the terms of trade of its trading partners. In a simple two-factor (land, labour), two-product (primary goods, manufactures) model with China well endowed with labour and its regional partners with natural resources, and with factor endowments determining comparative advantage, opening to trade will raise the return to owners of land in the trading partners (as they export primary goods to China) and lower that to unskilled labour (as they import manufactures).

The story becomes more nuanced once we allow for dynamic considerations. "New international trade theory" based on the assumption of increasing returns introduces the possibility of cumulative gains in efficiency over time arising from agglomeration effects, learning by doing and dynamic economies of scale. "First-mover advantages" can be important, so if an industry is established in one country its comparative advantage and competitive strength will grow relative to latecomers. Hence both history and geography, that determine where an initial production centre emerges, can influence long-run trade patterns. To these concerns

can be added realistic assumptions about the inflexibility of economies, since with price and wage inflexibility and real-world barriers to entry in various markets there can be no guarantee that resources can shift readily from declining to expanding sectors in response to changing comparative advantage. From this perspective, if regional economies lose market share to China in dynamic products there may be significant long-run consequences that are not compensated by simple resource reallocation.

In addition, China's re-emergence can be seen as part of the broader process of globalization, defined loosely as the expansion of trade and international capital flows in response to the liberalization of international commodity, service and financial markets and the decline in transport and communications costs. East Asia has been at the centre of the expansion of global production networks and supply chains, and through its FDI inflows China has come to play a pivotal role in this pattern of regionalization. Conventional theory cannot ignore the factors that determine "intra-production network trade". These will be not just factor endowments and relative prices, but much wider issues relating to the "investment climate" in different locations and the "trade cost" aspects of trade barriers. How China relates to its neighbours in terms of production networks within the region will thus have a major impact on trade and investment.

If there are both positive and negative forces to be assessed in relation to China's regional economic impact, the net outcome will be an empirical question. On the positive side we know there will be strong demand and specialization effects as neighbours expand their trade with China. Nonetheless, China's growth may also create competitive effects in terms of loss of market share, trade effects and potentially competition for FDI. We do not yet know all the answers, but a considerable body of empirical work now exists and the following sections survey this empirical literature selectively.

Demand and specialization effects

The strong growth of China's economy is now well established, but it is the opening to foreign trade since the beginning of trade policy reform in the mid-1990s, culminating in WTO accession in 2001, that is of particular significance here. Total foreign trade as a share of GDP is extremely high for an economy of the size of China, and rose steeply from roughly 40 per cent of GDP in 2002 to two-thirds in 2006. This has meant a strong growth in regional exports to China and a growing trade deficit between China and its neighbours. China's imports from East Asia as whole grew

Table 14.1 Share of exports to China in total exports, 1997 and 2005 (%)

Country	1997	2005
Indonesia	4.2	7.8
Thailand	3.1	8.3
Malaysia	2.4	6.6
Philippines	1.0	9.9
Singapore	3.3	8.6
Korea	10.0	21.8
Japan	5.2	13.5

Source: UN Commodity Trade Database (COMTRADE).

by over 14 per cent annually over the period 1995–2004, which implied a tripling in value of its intra-regional trade from \$199 billion to \$655 billion.¹ This export growth was for both higher- and lower-income neighbouring countries. Table 14.1 gives the export shares going to China in 1997 and 2005 for the main neighbouring countries. Growth in intra-regional trade with China in parts and components for electrical and electronic products has been an important part of this process, with goods assembled in China and shipped to third-country markets, principally the United States and the European Union. The share of parts and components in imports can be used as a simple indicator of integration with global networks. In 2004 it was 31 per cent for China (up from 15 per cent in 1992), compared with 12 per cent for India.²

Disentangling the effect of rising incomes in China and the process of regional trade liberalization on imports requires a form of economic modelling and there have been many such exercises, normally using “computable general equilibrium” models.³ The effects of China’s WTO entry on the region were examined in a number of models, and more recently the impacts of different free trade area configurations, such as China joining ASEAN and a wider East Asian Free Trade Area (ASEAN+3), have also been assessed. The broad conclusion is that the rising trade surpluses of neighbouring countries with China observed at present will grow significantly in the future as trade is liberalized, and rising trade will in turn create rising income. To illustrate, table 14.2 shows the projected trade balances with China in 2020 and the impact of WTO accession found in one such study. It indicates a strong long-term trade surplus for the main regional economies in their trade with China, while the United States and the European Union have strong trade deficits. China’s trade reform accompanying its accession to the WTO accounts for a significant proportion of this surplus for Japan, Korea and Taiwan.

Table 14.3 shows estimates of changes in income in 2015 for different countries as a result of various trade policy changes, relative to what

Table 14.2 Projected bilateral trade balance with China (\$ billion)

Country	Change in trade balance due to China's WTO accession, 2020	Projected actual trade balance, 2020
Japan	4	5
Korea and Taiwan	34	135
ASEAN	3	41
USA	-61	-166
EU	-46	-66

Source: Roland-Holst, D. (2002) "An Overview of PRC's Emergence and East Asian Trade Patterns to 2020", ADB Institute Research Paper No. 44, Tokyo: ADB Institute, available at www.adbi.org, table 4; and Roland-Holst, D. (2003) "East Asian Trade Relations in the Wake of China's WTO Accession", mimeo ADB Institute, Tokyo, table 2.2.

Note: Negative figure indicates a deficit with China.

Table 14.3 Income effects relative to baseline 2015 due to regional free trade arrangements (% change)

Country	China unilateral liberalization	China joining ASEAN	China, Japan and Korea joining ASEAN
China	2.9	1.4	4.0
Japan	0.3	0.0	1.6
Korea	0.6	-0.1	3.7
Taipei, China	1.0	-0.3	-1.0
ASEAN	0.5	2.5	4.0

Source: Lee, H., D. Roland-Holst, and D. van der Mensbrugghe (2004) "The Implications of Prospective Free Trade Agreements in East Asia", mimeo, table 1.

income would be in 2015 under the scenario of China's WTO accession but no further policy reform. The first option is where China unilaterally removes all remaining barriers to trade as part of the package agreed with the WTO. The second scenario is where China joins ASEAN, and the third is where Japan and Korea also join. As is expected in this type of modelling exercise, the more countries that join a free trade area the greater the benefits for those included. Hence the ASEAN+3 scenario gives the greatest benefit to all regional economies apart from Taiwan, which is assumed to be excluded.⁴ The precise results of such exercises need to be treated with caution, but they serve to underline the positive interpretation conventional trade theory puts on the combined impact of China's growth and trade liberalization.

In these exercises part of the income increases estimated for regional economies will be due to the changing composition of production based on increased intra-regional specialization, where goods with a compara-

tive advantage – that is, a lower opportunity cost – are expanded relative to goods with a higher opportunity cost. The potential for future regional specialization will be strongly influenced by the extent of current and potential dissimilarities in trade and production structures between China and its neighbours. China's rapid macro-economic growth is changing its trade and production structure rapidly, but as a broad generalization it is accurate to say that relatively simple low-technology products still dominate its exports (at around 45 per cent), although the share of high-technology products is rising rapidly (at around 25 per cent). Significantly, the share of resource-based products, at around 10 per cent, is comparatively low and indicates a scarcity of natural resources in China relative to the vast labour power available. Formal tests of similarity of export structure, for example, find that China in 2000 was closer to Korea and Taiwan 10 years earlier than to most of the ASEAN economies in 2000.⁵ It is still very dissimilar from Japan. Given its current structure, the expectation is that in the medium term China will import high-technology goods and equipment from Japan and Korea, and foodstuffs, some natural-resource-based products and various parts and components for use in the production of high-technology final goods from its ASEAN partners. This will give a future regional production specialization that underpins the positive income and trade projections noted above.

The modelling exercises referred to earlier have industry-level projections supporting this view, although the level of aggregation at which such models are constructed means that detailed predictions of individual product growth cannot be derived from them. For example, table 14.4 shows predicted net trade balances as a proportion of trade (or intra-industry competitiveness) for China in its trade with Japan, Korea and Taiwan and ASEAN in 2020, on the assumption of an East Asian Free Trade Area.

Table 14.4 confirms the broad picture, with China running trade deficits with Japan and Korea in electronics, the most technologically sophisticated industry shown in the table. It runs a significant surplus with all partners in the important low-technology clothing sector and is heavily in deficit with ASEAN in staple foods like rice, sugar and livestock. However, the industry categories used are too aggregate to identify the expected flows of manufactured parts and components from ASEAN to China. The figure of 0.02 for electronics trade with ASEAN indicates China's exports only marginally exceed its imports, and this overall balance masks very substantial projected exports and imports in electronics (that is "intra-industry trade") between the two partners.⁶

Broadly similar results are reported by Chirathivat and Mallikamas in their assessment of the consequences for ASEAN countries of China entering the free trade area.⁷ For selected countries substantial gains in exports and production are projected for the primary products of rice (from

Table 14.4 Intra-industry competitiveness in 2020: China *vis-à-vis* trading partners in East Asian Free Trade Area

Industry	Japan	Korea and Taiwan	ASEAN	Total
Rice	1.0	1.0	-0.94	-0.47
Other grains	1.0	1.0	1.0	-0.48
Oil seeds	1.0	1.0	1.0	-0.78
Sugar	1.0	-1.0	-1.0	-0.86
Other crops	0.96	0.92	-0.54	-0.48
Livestock	0.72	0.44	-0.64	-0.51
Energy	0.96	-0.28	-0.74	-0.36
Processed food	0.94	0.63	-0.45	-0.15
Textiles	0.04	-0.69	0.41	-0.12
Clothing	0.89	0.73	0.99	0.92
Leather goods	0.94	-0.26	0.80	0.72
Basic manufacturing	-0.06	-0.38	0.09	-0.02
Motor vehicles	-0.81	0.52	0.76	-0.32
Other transport equipment	-0.06	-0.54	0.85	0.0
Electronic goods	-0.32	-0.42	0.02	0.06
Other manufactures	-0.11	-0.05	0.44	0.22
Construction	-0.32	0.31	1.0	-0.48
Services	0.26	0.32	0.34	0.24

Source: Roland-Holst, D. (2003) "East Asian Trade Relations in the Wake of China's WTO Accession", mimeo ADB Institute, Tokyo, table 3.13.

Thailand and Viet Nam), sugar (also from Thailand and Viet Nam) and vegetable oils (from Malaysia). Textiles and chemical and rubber products are other activities projected to expand significantly. However, within manufacturing the results of the model do not highlight enhanced trade in parts and components. Ianchovichina and Martin focus principally in their model on the short-run impact (1995–2007) on China of WTO accession.⁸ They do include some estimates for other economies, and find a negative short-run impact on the rest of ASEAN. This is most significant for Viet Nam, and arises from the impact of the removal of textile and clothing quotas for WTO members in 2005. As a WTO member, China benefits from this at the expense of the textile and clothing sector in the rest of the region.

Competitive effects

Although it is clear that there is considerable scope for complementary relations between China and both its high-income and its low-income

neighbours, with the former supplying China with high-technology goods and the latter primary products and raw materials, it is also the case that currently there is still significant overlap in exports to third-country markets. This is particularly the case with the ASEAN economies in the important US market, where China has increased its share of this market very substantially, often at the expense of ASEAN exporters. China's share of world exports rose dramatically to over 8 per cent of all manufactures in 2004 (compared with less than 2 per cent in 1990). However, in some sectors it is far higher – for example 24 per cent for clothing and 15 per cent for office machines and telecommunications equipment.⁹

Loss of market share

The extent of “threats” in this regard can be illustrated by taking a country's exports and dividing them into various categories depending on how the country's share of the world market is changing relative to China. Lall and Albaladejo conduct this exercise for the main ASEAN economies, as well as Korea and Taiwan.¹⁰ They identify five categories.

- *Direct threat*: where China gains world market share and the other country loses it.
- *Partial threat*: where both gain, but China gains more.
- *No threat*: where both gain world market share, but China's exports grow more slowly.
- *Reverse threat*: where the country gains world market share and China loses it.
- *Mutual withdrawal*: where both the country and China lose world market share.

Taking the change over the 1990s, table 14.5 classifies selected countries' exports in 2000 into these five categories.

This analysis reveals how the competitiveness of different countries, as measured by changes in their world market share, compares with that of China. It can be seen that all the economies covered have a majority of their exports in categories in which China has an increasing world market share relative to the economies concerned (i.e. the categories of direct and partial threat are 50 per cent or more of total exports by value). For all but the Philippines and Thailand the direct threat category (where China is gaining market share and the economy concerned is losing it) accounts for at least 20 per cent of exports, and in the case of Malaysia nearly 30 per cent. The countries with the technologically most sophisticated export structures are those where proportionately the direct threat category is largest, reflecting in part the very fast growth of China's high-technology exports from a small base over this period. In all cases the

Table 14.5 China's threat in the world market, 2000 (% of total exports)

Category	Singapore	Taiwan	Korea	Malaysia	Thailand	Indonesia	Philippines
Direct threat	23.5	22.9	26.2	28.7	15.1	19.9	5.8
Partial threat	40.4	34.0	28.0	56.5	61.6	48.3	44.0
No threat	32.0	39.3	42.2	5.0	15.9	10.7	44.3
Reverse threat	3.4	3.4	2.9	6.3	6.1	8.9	3.6
Mutual withdrawal	0.7	0.4	0.7	3.5	1.3	12.2	2.4

Source: Lall, S. and M. Albaladejo (2004) "China's Competitive Performance: A Threat to East Asian Manufactured Exports", *World Development* 32(9), pp. 1441–1466, table 6.

“reverse threat” category, where the country is gaining relative to China, is small – at less than 10 per cent and in several instances less than 5 per cent.

This analysis gives the broad perspective on overlapping patterns of trade, but it is at a fairly aggregate product level and cannot reveal the detailed nuances of shifting specialization and competitiveness. A more disaggregate approach examines changes in market share at the four-digit level of trade classification. Weiss and Gao consider changes in import share in the US and Japanese markets for Chinese and ASEAN exports over the period 1995–2000.¹¹ While ASEAN exports grew over this period for several important categories, there was loss of market share, particularly in the United States; the important exception is the case of electrical machinery, where market share continued to grow, but at a slower rate than for China (a “partial threat” in the previous terminology). Their analysis shows that for all ASEAN economies loss of market share has been greatest in the most specialized and therefore the most established lines of activity. This pattern holds across the full spectrum of products, from the labour-intensive to the high-technology ends of the range.

Textiles and clothing perhaps provide the most dramatic example of major shift in export market share in favour of China in the immediate aftermath of the ending of the quota regime at the beginning of 2005. Within months the growth of Chinese exports of these goods to the United States and European Union had prompted the reimposition of restrictions to “safeguard” domestic producers from market disruption. The main regional casualties from the end of the export quota regime of the Agreement on Textiles and Clothing will be Viet Nam and Cambodia, although how their industries will react to the greatly enhanced competition from China is unclear. Dimaran, Ianchovichina and Martin conduct a modelling exercise by first using current projections of world growth to set a baseline, and then assessing the future impact of China and India growing by roughly 2 per cent above their baseline figures.¹² The results are reported relative to the baseline and show a major decline in the clothing sector in Viet Nam (by 19 per cent in 2020) and the Philippines (16 per cent in 2020). Overall, of the neighbouring countries the Philippines is the biggest loser, principally it seems because of the high share of assembled electronic products in its exports, which suffer a large trade loss due to Chinese competition. It must be clarified that the exercise is an illustrative “thought experiment” and the declines are relative to current projections and are not absolute contractions, so that even relative loser economies and activities need not suffer an income decline.

Terms of trade

Changes in the terms of trade caused by China's growth provide a key mechanism for the transmission of competitive effects. As noted above, the predictions of simple trade models are that, given China's large labour surplus, opening of trade with China will lower the relative price of labour-intensive products (like technologically simple manufactures) and raise the relative price of land-intensive products (like natural-resource-based products). Further, once we allow for varying levels of labour skills given China's relatively low ratio of skilled to unskilled labour, we would expect the opening of trade to raise the relative price of skilled-labour-intensive goods (like high- and medium-technology products).

Recent trends in world prices are basically in line with these expectations, although China's precise contribution to these trends has not yet been disentangled conclusively. For example, ADB points to strong demand from China as a factor keeping up world prices for oil, metals and minerals.¹³ Further short-term price increases for metals (particularly steel) and minerals are projected on the grounds of continued demand from China. Neighbouring economies that are net importers of these commodities will lose from this effect, but those which are net exporters will gain. There is now clear evidence of a trend of declining manufactured prices since the mid-1990s, which many attribute to a "China effect" in depressing prices for simple labour-intensive products. For example, Kaplinsky¹⁴ points to his detailed analysis of unit-price data for manufactured imports into the European Union, and the fact that absolute declines in prices for goods from China were found for roughly 30 per cent of sectors covered (for high-income countries the share was only 8 per cent). Such price trends will exert downward pressure on prices for other exporters of labour-intensive manufactures, so that again of the neighbours net exporters of such goods will lose and net importers will gain.

It is not clear, however, how quantitatively significant these terms-of-trade effects are, or whether they undermine some of the optimistic predictions for China's neighbours noted above. There is evidence that China's contribution to the rapid rise in oil prices since 2004 has been modest, with supply constraints and geopolitical uncertainties being the key factors.¹⁵ Modelling by Dimaran, Ianchovichina and Martin looks at the difference between a baseline scenario using the most likely projections for global growth and one in which both China and India grow at about 2 per cent faster than in the baseline.¹⁶ For several neighbouring countries (Korea, the Philippines, Singapore and Thailand) net terms-of-trade effects in the higher-growth scenario are negative, although gener-

ally modest. However, with a correction for improved quality of products from China and India and treating improvements in quality as equivalent to a price reduction, the net effect only remains negative for the Philippines. This is principally because the Philippines is in direct competition with China in the export of an increasing number of electronic products. Only if major productivity improvements in high-technology export sectors in China are assumed does the model generate absolute income losses (relative to the base of 2005) for the neighbouring countries. As yet the magnitude of these terms-of-trade effects for most sets of assumptions does not seem serious enough to cause major income effects.

Foreign direct investment diversion

Loss of market share in the face of a large trading partner growing quickly from a low base is not in itself cause for concern in relation to competitiveness. What will be more significant is if the underlying trends of productivity growth and technical change in the neighbouring economies fall significantly below those in China. However, for this to be judged a serious concern we need a credible mechanism through which it might occur. In discussions of a “competition effect” from China, either explicitly or implicitly the key role is usually given to FDI inflows. The logic is that FDI provides access to technology, management and marketing skills as well as the potential to link local firms with international suppliers and buyers in global production networks. These links will help to raise productivity in local firms that become foreign-owned. In addition, there may be external benefits, for example in terms of technology spillover or labour training, that accrue to firms which are not recipients of the initial FDI inflow – either competitors or input suppliers. Following this analysis, if the re-emergence of China diverts FDI that would have gone to other countries in the region, this may undermine the competitiveness of these countries.

It is significant that of the modelling exercises examining China’s WTO entry, the one that indicates significant negative effects for ASEAN countries as a whole from trade liberalization in China¹⁷ does so on the assumption that there is FDI diversion to China and that this loss of FDI has a significant negative impact on productivity growth in ASEAN. The authors’ argument is that FDI diversion may occur because prior to China’s WTO accession its access to world markets was uncertain (its most-favoured-nation status in the United States, which was critical to its export success there, had to be renewed annually with the approval of the US Congress). WTO membership gave China the same rights as other WTO members, and the removal of uncertainty regarding access

to markets of WTO countries can be seen as equivalent to a reduction in the risk premium required on investment in China.

It is well known that Japan, Korea and Taiwan developed without a heavy FDI presence. However, it is also true that more recently the ASEAN economies have used FDI much more intensively than elsewhere, and that in particular cases, such as Singapore, Malaysia and to some extent Thailand, it may have been the key driver of growth.¹⁸ These economies may therefore be most vulnerable to FDI diversion to China.

Theoretically the FDI diversion argument implies that globally there is a pool of funds earmarked for direct foreign investment, and that more going to China will reduce the funds available for others. This view is at least questionable, since although there will be an absolute limit on total global savings at any point in time, we would expect this limit never to be reached in practice, in that higher investment opportunities themselves will generate the higher savings needed to finance them. Further, from an empirical perspective there are reasons to doubt the significance of the FDI diversion case. This is partly because it is well known that official Chinese statistics exaggerate the amount of genuine FDI coming to the country, as a significant proportion (anywhere between 20 and 40 per cent according to different estimates) of recorded FDI is actually recycled domestic funds that leave China and re-enter principally through Hong Kong, the Virgin Islands and other offshore financial centres, because there are still fiscal and legal advantages for companies to be established as foreign-invested rather than nationally owned enterprises.¹⁹ Even recorded figures for FDI to China, although large in absolute terms, remain small relative to total activity because of the size of the economy, with most investment funded from domestic savings. FDI in 2003 and 2004 was estimated to be only around 4 per cent of total investment in China. There is also little evidence that FDI to China is more profitable than FDI elsewhere.²⁰

There is more formal econometric evidence, however. There is now a well-established literature that explains FDI inflows to individual countries in terms of variables relating to market size, the labour market, the quality of institutions, tax rates and aspects of general economic policy. For example, in general the expectation is that economies with characteristics like a fast-growing domestic market, low labour costs, a well-established legal system, low corporate tax and an open policy on foreign trade tend to attract higher FDI inflows than economies where these features are absent. These relations can be modelled in a regression framework, while adding a term to reflect FDI inflows to China to pick up the possible diversion effect. If diversion is actually occurring, in a model explaining FDI to its neighbours we expect a significant negative coefficient

on the variable reflecting FDI to China. A recent analysis along these lines by Chantasawat et al.,²¹ allowing for simultaneity in the determination of variables, finds that after other effects are controlled for over the period 1985–2002 the absolute level of FDI to China is positively rather than negatively associated with absolute FDI inflows elsewhere in the region. Depending upon the specification, a 10 per cent rise in FDI to China is associated with higher FDI inflows elsewhere of between 1 per cent and 3 per cent. This runs directly contrary to the diversion argument, and is explicable if one accepts that a regional process of FDI creation (rather than diversion) is at work: through production networking by international firms, FDI in China is linked with FDI elsewhere in the region via the transfer of parts and components between different branches of global networks and the allocation of different tasks (such as manufacturing, office processing and research and development) between different locations.²²

A significant omission of previous analyses is that they focus on the aggregate regional effect of FDI to China, assessing whether total FDI to the region is influenced positively or negatively by FDI to China, rather than looking at individual country effects. The latter may imply diversion for countries directly competitive with China in some market segments. This has yet to be demonstrated conclusively, however.

Conclusions

How should we interpret this story? The generalization that it is better to have a large, fast-growing and open neighbour than not seems borne out by the evidence we have at hand. This suggests that there is a strong economic base to support moves towards closer institutional cooperation in the region, with China as a regional engine of growth. The negative terms-of-trade effects seem modest and FDI diversion, while it may exist, has not been found conclusively in recent studies. Nothing is totally clear-cut, however, since we cannot ignore the dynamic of global competition. Adaptation and flexibility are essential at both enterprise and economy levels, since more open trade and investment flows will inevitably create losers as well as winners. If resources from contracting sectors can flow readily to sectors where returns and growth prospects are better, all will benefit, but where they do not, problems will emerge. The short-run difficulties of clothing exporters in Viet Nam and Cambodia that now face the full force of Chinese competition with the ending of the international textile and clothing regime are an obvious and important example, and there may be major dislocations in sectors like electrical and non-electrical machinery in some economies. Success in coping with the

re-emergence of China requires producers in the region to upgrade their technological base and move up the ladder of comparative advantage into the more dynamic products. This will ensure that the positive side of the China effect (a large and growing market in the region) is not outweighed by the negative impact of growing competition in similar product lines and for FDI inflows.

Notes

1. ADB (2007) *Asian Development Outlook*, Manila: Asian Development Bank, table 1.6.4.
2. Dimaran, B., E. Ianchovichina and W. Martin (2007) "Competing With Giants: Who Wins and Who Loses?", in L. Alan Winters and S. Yusuf, eds, *Dancing With Giants: China, India and the Global Economy*, Washington, DC, and Singapore: World Bank/Institute of Policy Studies, pp. 67–100.
3. Examples of such approaches based on the widely used GTAP model are Roland-Holst, D. (2002) "An Overview of PRC's Emergence and East Asian Trade Patterns to 2020", ADB Institute Research Paper No. 44, Tokyo: ADB Institute, available at www.adbi.org; McKibbin, W. and W. Woo (2003) "The Consequences of China's WTO Accession for its Neighbours", *Asian Economic Papers* 2(2), pp. 1–38; Ianchovichina, E. and W. Martin (2003) "Economic Impacts of China's Accession to the World Trade Organization", World Bank Policy Research Working Paper 3053, May, Washington, DC: World Bank; Chirathivat, S. and S. Mallikamas (2005) "The Potential Outcomes of China-ASEAN FTA: Politico-economic Implications for Participating Countries", in H. K. Leong and S. Yu, eds, *China and South-East Asia: Global Changes and Regional Challenges*, Singapore: Center for South East Asian Studies, National Sun Yat-sen University and ISEAS, pp. 98–110. A more general discussion of the benefits of closer regional cooperation can be found in Pangestu, M. and S. Gooptu (2004) "New Regionalism: Options for East Asia", in K. Krumm and H. Kharas, eds, *East Asia Integrates: A Trade Policy Agenda for Shared Growth*, Washington, DC: World Bank/Oxford University Press, pp. 80–95.
4. There are other estimates which give the same broad conclusion but different numerical results. For example, Urata and Kiyota find the East Asian Free Trade Area brings smaller benefits to Japan, Korea and China compared with the figures in table 14.2, but much larger benefits to some ASEAN countries – e.g. gains to Thailand are nearly 16 per cent of income in the baseline, and those to Viet Nam are 8 per cent. However, the baseline used and a range of other assumptions vary between the studies. Urata, S. and K. Kiyota (2003) "The Impacts of an East Asian FTA on Foreign Trade in East Asia", NBER Working Paper No. 10173, December, available at: <http://papers.nber.org/papers/W10173>.
5. The data on the technology content of exports come from Lall and Albaladejo, and refer to 2000. Lall, S. and M. Albaladejo (2004) "China's Competitive Performance: A Threat to East Asian Manufactured Exports", *World Development* 32(9), pp. 1441–1466. The same authors have a simple test of similarity of export structure by regressing data on the structure of exports at the three-digit level for China on the same data for its neighbours. The correlation coefficient derived in this way is a test of similarity.

6. This may be partially a problem with the level of aggregation used, but is also likely to reflect the logic of the model that does not incorporate FDI flows.
7. Chirathivat and Mallikamas, note 3 above.
8. Ianchovichina and Martin, note 3 above.
9. Yusuf, S., K. Nabeshima and D. Perkins (2007) "China and India Reshape Global Industrial Geography", in L. Alan Winters and S. Yusuf, eds, *Dancing With Giants: China, India and the Global Economy*, Washington, DC, and Singapore: World Bank/Institute of Policy Studies, pp. 35–66.
10. Lall and Albaladejo, note 5 above.
11. Weiss, John and Gao Shanwen (2003) "People's Republic of China's export threat to ASEAN: Competition in the US and Japanese markets", ADB Institute Discussion Paper No. 2, Asian Development Bank, Tokyo.
12. Dimaran, Ianchovichina and Martin, note 2 above.
13. ADB see note 1.
14. See Kaplinsky, R. (2006) "Revisiting the Revisited Terms of Trade: Will China Make a Difference?", *World Development* 34(6), pp. 981–995, at p. 988.
15. See Shalizi, Z. (2007) "Energy and Emissions: Local and Global Effects of the Giants' Rise", in L. Alan Winters and S. Yusuf, eds, *Dancing With Giants: China, India and the Global Economy*, Washington, DC, and Singapore: World Bank/Institute of Policy Studies, pp. 133–174.
16. Dimaran, Ianchovichina and Martin, note 2 above.
17. See McKibbin and Woo, note 3 above.
18. The UNCTAD index of FDI performance, which compares a country's share of global FDI with its share of global GDP, provides a simple measure of FDI dependence (see UNCTAD (2002), World Investment Report, UN New York. Urata, S. and Kiyota, K. (2003) "The Impacts of an East Asian FTA on Foreign Trade in East Asia", NBER Working Paper no. 10173, table 2.1, for example).
19. Xiao Geng discusses these issues in detail and presents some approximate estimates of the amount of so-called "round-tripping" funds. See Geng, Xiao (2004) "Roundtripping Foreign Direct Investment in the People's Republic of China", ADB Institute Discussion Paper No. 7, Tokyo: ADBI, available at www.adbi.org. The ADB also reported in 2007 that these tax preferences are to be rescinded: see ADB, note 1 above.
20. See Goldstein, M. and N. Lardy (2005) "China's Role in the Revived Bretton Woods System: A Case of Mistaken Identity", Working Paper Series WP 05-2, Washington, DC: Institute for International Economics.
21. Chantasasawat, B., Fung, KC., Iizuka, H., Siu, A. (2004) "Foreign Direct Investment in Asia and Latin America: is there a People's Republic of China effect?", ADB Institute Discussion Paper no. 17, available at www.adbi.org.
22. It is well known that econometric exercises may not produce robust results as changes in data, time period or model specification may lead to different results. Broadly similar results are found by Zhou, Y. and S. Lall (2005) "The Impact of China's FDI Surge on FDI in South-East Asia: Panel Data Analysis for 1986–2001", *Transnational Corporations* 14(1), pp. 41–65. See also Eichengreen, B. and H. Tong (2005) "Is China's FDI Coming at the Expense of Other Countries?", NBER Working Paper 11335, available at www.nber.org/papers/w11335.

15

Institutionalizing Northeast Asia: The energy market

Stuart Harris

Introduction

In considering the role of institutions in the energy market in Northeast Asia, one problem is how to categorize the energy market itself. As a market it fits into both the discussion of economic institutions and the realm of economic interdependence and cooperation favoured by liberal institutionalists, who generally see cooperation as having a stabilizing effect in the region.

Yet a major concern of the countries of Northeast Asia is energy security. This takes energy into the broader field of security analysis and the realist argument that security is a principal motivation of foreign policy. Realists tend to see international relations as a zero-sum game, making competition more attractive for the major states, rather than developing institutions leading to cooperation. Countries in Northeast Asia would commonly be seen as concerned with relative gains and future uncertainties – factors unlikely to contribute to stabilizing the region.

These differences are reflected in how the scope for multilateral cooperation may be judged differently by realist political scientists and liberals, with the liberals largely overlapping with economists. Realists are more inclined to see energy rivalry deepening tensions in great-power relations in Northeast Asia. Economists, in particular, are more inclined to emphasize market forces where, in a context of historically high energy prices, more efficient energy use and more investment in energy production and refining capacity would be stimulated. Both approaches accept

that there may be benefits from cooperation in the provision, for example, of public goods; they differ, however, over specific needs for cooperation and its objectives.¹ These differences are important in determining the scope for cooperation within the region.

International cooperation is a conscious act that requires decisions by governments to adjust their behaviour. Willingness to do so may stem from a persuasion that common interests exist and cooperation could be a better way to pursue the national interest than acting unilaterally. Cooperation, when what one country does helps achieve the objectives of other cooperating countries, can reflect informal acceptance of particular patterns of behaviour, but it commonly comes by way of policy coordination through multilateral institutions.² Hence the continuing interest among liberal institutionalists lies in turning competition into cooperation by way of such institutional mechanisms. Not uncommonly, those mechanisms may do little more than act simply to facilitate information exchange and agreements among governments, but this is the way expectations converge and norms often develop. Realist political scientists, however, even when accepting that scope for cooperation does exist, tend to see multilateralism as constraining, and are more concerned with responses to apprehensions about security of supply that they see as likely to intensify tensions. In the case of energy supply they commonly see the issue as a zero-sum situation: more oil for country A means less for country B. Given the relatively competitive nature of oil market distribution, this only holds if it is assumed that country B could be otherwise denied the oil.³

The emphasis in international discussions at the regional level has been on energy supply, and there are limits to the scope for cooperation in that context. A particular area where cooperation is feasible and beneficial is in investment in the oil industry; underinvestment has been a contributing factor to the tightness of energy supply since 2003, and uncertainty about future prices will remain to inhibit investment. Investment cooperation – to share the risks – may increase overall oil supply. Cooperation also has benefits in the case of stockpiles, and potential benefits in terms of reduced costs and increased supply reliability through international cooperation in electricity grids. Cooperation may be more readily envisaged on the demand side. This can include transferring technologies that can increase energy efficiency, lowering environmental impacts, developing alternative energies and pursuing demand management more generally. This does raise issues of intellectual property, but they may be resolvable in an energy cooperation framework.

There are many Northeast Asian energy issues that potentially provide a regional basis for cooperation. Against this is the question of whether gains from cooperation are countered by the political risks that cooperation implies.

The chapter looks at regional interactions over energy from two perspectives. First, do the countries in Northeast Asia see conflicts emerging among themselves from their expected needs in the energy field? And do they see gains as possible in cooperating with others in the region? Second, there is the functionalist argument that, in a region singularly lacking in institutional mechanisms for cooperation, cooperation in the energy field might contribute to creating a sense of a regional community that develops institutions to manage that cooperation. In either case, there would be major political, economic and technical problems to be overcome.

For present purposes, the Northeast Asian region includes China, Hong Kong, Mongolia, Japan, North and South Korea and Taiwan. These countries and economic entities account for about 22 per cent of global primary energy consumption, China alone accounting for nearly two-thirds of that. In defining the region in the context of energy cooperation, it is necessary to include eastern Russia as well, given its existing and prospective linkages as an exporter. Russia is the world's second-largest oil producer and its gas reserves are the world's largest. Many existing proposals for multilateral cooperation in Northeast Asia involve Russia, as do most regional multilateral discussions on energy.⁴ There is also a question, not dealt with here, of US involvement given its importance in the global energy market.

Outside of Russia, the regional emphasis is on consumption and imports. Although China is rich in energy resources – the only regional country that is, except Russia – and is a major energy producer, it has become an increasingly significant net oil importer and will become a substantial gas importer. In the light of the price and supply uncertainties in the future energy market, but also for environmental reasons and, in China's case, growing problems of domestic electricity supply, energy policy has become an important, indeed critical, component of national and international policy in the region.

Moreover, aspects of energy policy have become matters of some dispute, if at times indirect, between countries in the region. This has involved competition over investment/development projects, notably in Russia, and unresolved territorial disputes that have grown in political importance as the potential energy importance of such territories has become more salient. The importance of these disputes has intensified, since they often occur within a context of other regional political tensions. Thus a solution to the region's nuclear problems in North Korea will require a resolution of the energy supply question. More generally, environmental issues are growing in importance: deposits of acid rain originating externally have been a regional problem, notably for Japan,

while climatic change is a general concern, as is the atmospheric pollution in China from the burning of “dirty” coal.

The global situation

The energy market is largely global, particularly for oil, and the region has to work within the global market framework. The sharp increases in Asia’s energy needs, and those of China in particular, have clearly been among the contributors to the pressures experienced in the global market as a whole since 2003 – and demand will grow in the future.

Much of the global debate about the future of oil and gas supplies is in response to the high oil prices experienced after 2003. These have led to arguments that oil prices in particular will stay at high levels, reflecting the gradual exhaustion of supplies of non-renewable resources. Economists tend to approach such claims with some scepticism. While accepting that fossil-fuel resources and their depletion will eventually constrain production, this is not regarded as likely in the near future. They believe the global energy markets will respond to high prices by dampening demand growth, stimulating new investment to find new resources and applying new technological developments that will lower costs, unlock new deposits in existing areas and open new areas for discovery. Morris Adelman (a leading energy economist), in putting the economists’ position thus, sees the problem much more as the adverse consequence of the OPEC cartel’s activities.⁵

Yet not all economists see the current situation in Northeast Asia as easily manageable. Economists generally accept that short-term supply shortages and price spikes can occur because of rapid demand increases in the face of capacity constraints in production, processing and distributional infrastructures. There are also grounds for questioning whether the major Northeast Asian countries are wrong to believe that the oil and gas markets may not be as open as economists like Adelman wish to think.

The major increase in pressure on oil prices since 2003 has reflected a mix of supply, demand and speculative factors. In the oil industry, production, processing and transport capacity are based on investments, the time-scales for which are lengthy and the financial magnitudes large. Although investments are made on judgements about future profitability, oil prices have varied greatly over the last 30 years with a difficult-to-discern trend – varying from US\$8 to US\$96 in 2003 prices.⁶ Following the sharp oil price rises in the 1970s and early 1980s, and often with government assistance, investment in the industry was heavy and production capacity expanded rapidly. Excess capacity and consequent low oil prices

in the late 1980s and 1990s induced a much lower level of investment in oil exploration and extraction, and also in related infrastructure such as refineries, pipelines and shipping facilities, and in stocks; what investors saw as a period of overinvestment was followed by 20–25 years of underinvestment.⁷ Consequently, when global economic activity surged unexpectedly, as in 2003 and particularly in 2004, the industry came close to the limits of its capacity. Continued global economic growth and market uncertainty have held prices up.

Increasingly, much decision-making affecting fossil-fuel exploration and production globally is subject to decisions and regulations of governments, and this has led to already substantial market uncertainties arising from, and contributing to, price volatility. Oil traders have also responded to reports of geopolitical problems in important oil-producing regions that have contributed to price volatility.

Overview of the Northeast Asian energy market

In recent decades, economic growth in the overall Northeast Asian region has been considerable and consumption of energy has grown rapidly. Projections suggest that each of the regional economies will consume more energy, although at substantially different rates of growth.⁸

For individual regional economies, expectations vary according to the expected future energy mix and efforts at diversification. While others in the region will increase their demand at a slower rate, due in part to expected slower economic growth rates, industrial structure change to less energy-intensive activities will also be a factor. All projections expect that the region's import dependence will grow and that its imports, in the case of oil at least, will come increasingly from OPEC countries.

Due mainly to China's growing import requirements, notably for its transport sector, its demand will constitute an increased share of global energy consumption and account for increased demand in global energy markets. IEA projections suggest that China's annual oil imports could grow to 12.5 mbd by 2030 (from 3 mbd in 2004), close to three-quarters of projected US levels for the year 2030.⁹ The region's dependence on the Middle East for crude oil in particular is high – over half current imports – and is likely to increase gradually to closer to three-quarters of imports.

The energy mix among the regional countries differs. China still depends more heavily on coal than others, and will remain so for some decades, although it is looking to diversify into natural gas and nuclear energy. It is also the only significant oil producer – in size not far behind Iran. Its current reserves are not substantial, but its scope for further dis-

coveries is considered promising.¹⁰ Not all regional energy problems arise in the international energy market, though they may contribute to it. China's recent problems have included shortages of electricity generating capacity and structural problems in coal production and transport. Part of its increased demand for oil and gas in 2004 and 2005 was for use in power generation. While most of its power-generating capacity will be based on coal, the planned increased use of natural gas will make China a large gas importer. In Japan, South Korea and Taiwan oil plays a major role, but all three have already become more diversified. Japan and Korea are significant users of natural gas; like China, they have major plans for expansion of their existing nuclear industries.

Cooperation among regional countries would need to reflect the different involvements of regional governments in their energy industries and the different mix of actors. Generally, while in these economies the state remains central to energy policy, governments also have a major impact on choices made in the use of energy. In what is complex interdependence, as Keohane and Nye have defined it, state enterprises, including financial institutions and specialist ministries, often develop different perspectives from their dealings with similar agencies of other countries in ways that may influence or diverge from state behaviour.¹¹ This does not always reflect how they operate in practice. Christoffersen argues that China's state-owned enterprises are more market-oriented than Russia's private oil companies, which are more statist in character.¹²

In China, state-owned enterprises are the producers and importers and are responsible for investment in production and exploration internationally. Japan and South Korea, like China, have interests in major pipeline investments in Russia. Through a government-owned company, Japan had until recently a support programme for private companies to invest in overseas energy projects in areas close to the region. South Korea still has a state-owned company responsible for its supply diversification and supply security efforts internationally, with exploration and production interests in 13 countries.

Nevertheless, such investments may have a limited impact on energy security. For China, despite its large overseas investments, only around 10 per cent of its oil imports are expected to come from equity oil output.

Current problems and threat perceptions

The range of energy problems faced by the Northeast Asian countries are wide but, as noted, they need to be fitted within the global market. Oil and, to an increasing degree, gas are fungible commodities and Northeast Asia cannot isolate itself from the global market. Nor, given

oil's fungibility, are the consequences of any substantial increases in the region's ties to equity oil likely to be significant globally. Within the region, although Northeast Asian countries share the characteristic of extensive import dependence (apart from Russia), they do not see the problem in the same way. All in the region are anxious about physical supply interruptions and price volatility, and about ensuring the adequacy of energy supplies in the light of expected future demand growth. For Japan, and to a degree South Korea, it is also about how to maintain existing supplies at reasonable prices, and so maintain competitiveness in the face of the rapidly growing Chinese (and expected Indian) demand.

Both China and Japan share concerns about transportation, notably sea-lane security. Both have also become concerned about energy infrastructures, including in supply as well as refining, generating, distribution and handling capacity. China, in particular, has concerns about urban environmental issues arising from the use of coal in electricity generation, and lack of capacity in domestic electricity supply due to industry and transport problems in the face of major demand growth.

Future energy availability has been a growing concern in the region. In practice, although economically recoverable fossil-fuel resources are finite and will eventually restrain production, such restraints are not likely in the near future if the needed investment in exploration and production takes place. Problems of adequacy of total global energy or even oil supply seem less urgent than much of the public debate might suggest.¹³ In the meantime, the market might be expected to provide a reasonably satisfactory mechanism that offers access to available supplies for all able to meet the competitively determined price, with limited scope for manipulation.

While economic market issues may dominate, geopolitical factors are important motivations for regional governments – in part as a perception but in part reality. Policy-makers recognize that their growing requirements domestically will have to face increased competition from the rest of the world, including the United States, which will not necessarily rely on market forces. Adelman notes for example that the United States has to “protect” OPEC “from outsiders or neighbours”.¹⁴ To Adelman, references to “protection” are apparently benign; to the region, such references are a reminder that the market is not as free as he argues. Given the global uncertainties, the rapid growth in actual and prospective oil and gas demand in the region in the face of slower production increases has led to considerable policy uncertainties in every regional country, and a perception that global sources of oil and gas will have difficulty meeting all the increased needs.

For the countries in Northeast Asia, therefore, their understanding of problems and threat perceptions can be divided into short-term concerns

– raising the question of emergency responses, and the need for enhanced data/information in real time to avoid under- or over-reactions – and longer-term concerns. All have longer-term anxieties that there will be a competitive and potentially conflictual scramble for available supplies – possibly a self-fulfilling belief if widely enough held.

Northeast Asia and energy cooperation

Northeast Asia as such lacks any broad regional multilateral processes to deal with economic, security and specifically energy issues. Countries and economic entities in the region, however, are part of institutional arrangements that deal with energy issues at a broader international level. Given that critical parts of the energy market – and notably the oil market – are global in character, and many of the energy issues on which cooperation would be beneficial are global rather than regional, the question arises of where regional cooperation might fit in.

The major global institution is the International Energy Agency (IEA), established in the 1970s to develop international energy cooperation following the Organization of Arab Petroleum Exporting Countries (OAPEC) oil embargo. At present it is limited to OECD membership; Japan and South Korea are members, but there are continuing dialogues between the IEA and China on energy issues.

The IEA does deal with coal, nuclear power and unconventional energies but, given the reason for its establishment, not surprisingly its main effort has been in the oil market. In that context it has had four main areas of attention. The most prominent now is the setting of rules for the establishment and utilization of emergency stockpiles. These were brought into operation in September 2005 when members agreed collectively to release stocks following Hurricane Katrina. Japan and Korea have stockpiles that exceed the 90-day stock mandatory for IEA members; China has also started to build an emergency stockpile. Other key elements of the IEA process, each of which has been important at times, are an emergency supply-sharing system, oil market monitoring¹⁵ and oil demand restraint with both short- and long-term dimensions. Although there are regional aspects to these processes, they all mainly benefit from global rather than regional cooperation.

Other multilateral processes dealing with energy and involving regional countries include APEC and the UN regional body, ESCAP. Japan, South Korea, China and Taiwan are members of APEC, which has an active Energy Working Group (EWG). ESCAP has similarly been pursuing regional cooperation on energy. It has organized meetings on energy cooperation in Northeast Asia, resulting in the Vladivostok

statement of April 2003 on cooperation possibilities. In addition, Russia, Japan and Mongolia are signatories to the Europe-based Energy Charter Treaty, and China and South Korea are observers.¹⁶

Much of the regional multilateral dialogue about energy and energy cooperation that involves Northeast Asian countries is broader in its dimensions than Northeast Asia, often including Southeast Asia and at times the United States. These dialogues do suggest areas where cooperation could be beneficial. APEC's EWG has on its agenda an energy security initiative, including efforts designed to respond to oil price volatility, develop emergency measures aimed to improve sea-lane security and increase stockpiling. Also on its agenda are longer-term factors, ranging from energy substitutes, including natural gas, nuclear energy and renewables, to clean fossil energy and sequestration of carbon dioxide.

Beyond governmental discussion, there has been extensive regional discussion of energy cooperation or an energy community on Track I.5 or Track II levels over at least two decades, generating what Christoffersen refers to as an epistemic community across Japan, China, South Korea, Russia and sometimes the United States.¹⁷

Much of what constitutes multilateral energy cooperation in the region now seems to lie with APEC. Thus within APEC's EWG, cooperation in practice has largely involved efforts to improve data accuracy and transparency, exchanges on information and experiences, and moves to adhere to best practice methods. Commonly, energy cooperation has been bilateral rather than multilateral.¹⁸

What is the scope for future regional cooperation?

There are various ways in which cooperation could benefit the countries of Northeast Asia and might lead to a more general integration of the region in a cooperative manner. Many of these are of a public goods nature. The areas discussed briefly are joint emergency stockholding, natural gas and oil pipelines, electricity supply grids, the investment climate and territorial disputes. The major approach for short-term reliability is stockpiling. Nevertheless, emergency stockpiles may not provide much of a basis for regional as distinct from global cooperation. Regional cooperation could make sense on the supply side of the energy system in relation to investment in exploration and production, and the establishment of electricity supply grids and of oil and gas pipelines.

There are a number of other collaborative strategies that can be followed as well. They include R&D in energy conservation, adoption of conservation measures and existing technologies and diversification strat-

egies. Given an energy community, exchanges of information and technologies in energy-saving and environmental protection technology would be greatly encouraged and facilitated. Japan in particular has much to offer in the region. It is not clear, however, that this alone would provide a sufficient functional basis for establishing a regional community.

Emergency oil stockpiles

It was noted earlier that short-term concerns in the region involve the potential vulnerability of energy supplies to instability for various reasons, including coercion, military conflict, civilian unrest and terrorist acts. There are also fears of vulnerability to interruptions at sources and in the routes and means by which energy supplies are transported.¹⁹ There is increasing interest in offsetting these vulnerabilities through emergency fuel stockpiles, particularly as private participants in the energy markets tend to underinvest in supply reliability and especially in stockholding. So far, stocks have been unilaterally held. Following the 1970s' oil embargo and high prices, in 1978 Japan was the first country in Northeast Asia to stockpile oil systematically. In 1980 South Korea also began to build up an emergency oil stock. In its case, it also arranged to hold stocks with Statoil, the Norwegian state oil company. China's stockpiling activity is in the early stages, although Saudi Arabia is considering holding stocks in China.²⁰

There is a clear public good aspect to oil stockpiling. Oil is fungible, and any release of stocks from one stockpile lowers prices for all consumers. Since all economies benefit, emergency stocks have been seen as providing a logical case for collaborative government action to avoid free-riding. There have been many discussions of collaborative stockholding for this purpose in the Asian region, under many auspices. These include those of the IEA, the Asian Cooperation Dialogue (ACD), ASEAN+ 3 ministers and the APEC EWG in March 2005.²¹ Cooperation on this, as on other energy issues, has been endorsed in principle by Northeast Asian countries, including in the Qingdao Initiative communiqué issued by the ACD in 2004.

There are many difficulties in reaching agreement on how to manage emergency stocks in a collaborative programme that would need some multilateral framework. Private or government stocks? Financed in what way? What is held – crude oil or product? When to buy? What should trigger releases from stocks? And what countries would collaborate – globally, regionally, subregionally (Northeast Asia) or nationally?

Japan and Korea already operate their stocks within the IEA framework. Moreover, given that all net importing economies benefit, and not

just those in Northeast Asia, it is logical for emergency stocks to fit within a global rather than a regional framework.

Natural gas and oil pipelines

Natural gas consumption will grow faster in Asia than in other regions in the future, while oil consumption growth will be among the fastest. Not surprisingly, China, Japan and Korea are interested in the supply of oil and gas from Russia. Developing an import capacity from Russia would help in diversifying supply sources and is also seen as improving Northeast Asia's competitive position with respect to Middle East suppliers, which add an "Asian premium" to the price of exports to Asia. For its part, Russia clearly wants to diversify its energy exports to Northeast Asia and improve its competitive position. Russia is a major oil producer, ranking seventh in the world in terms of proven resources; it also has a little over a quarter of the world's proven resources of natural gas. Consequently, Russia's Siberian oil and gas reserves have the potential to contribute significantly in meeting Northeast Asia's increased energy demand.

Russia is likely to become a major gas supplier to all the countries in Northeast Asia in a matter of years if the political and commercial problems can be overcome and the very large financial issues can be resolved. To link Russia and Northeast Asia by way of pipelines could, if achieved, knit the region together.

In the wider Asia context, there have been frequent discussions about forming a regional natural gas pipeline network. For various reasons, this idea has not progressed much beyond the conceptual discussion stage. While exports of gas through pipelines have been extensively discussed in Northeast Asia, more tangible progress has been made with respect to oil exports. Russian oil has been exported to China by rail since 1991.²²

The various options considered include a gas pipeline from Sakhalin Island through North and South Korea, though under present circumstances that would face US concerns in that US companies would not be permitted to participate in such an oil pipeline;²³ a gas pipeline from Sakhalin to northern China; a gas pipeline from Sakhalin to Japan; a gas pipeline from western Siberia to Xinjiang; a gas pipeline from Irkutsk to northern China; and the oil (but perhaps accompanied by gas) Pacific Pipeline, now apparently to be routed from Taishet to Nakhodka. These pipelines will service markets in Japan, China, perhaps South Korea and maybe even the United States. China and Japan supported different proposals for the routing of these pipelines: Japan wanted a northern route to Nakhodka; the Chinese preferred a southern route to Nakhodka via

Daqing in China. The Russian compromise has been to accept the route supported by Japan, but with a branch line to Daqing possible later.²⁴ It proposes, however, that priority for the oil should go to China, with oil in the meantime continuing to be transported by rail.

The 10 years it has taken to reach a “final” decision on the route of the Pacific Pipeline have been widely seen as a test of the cooperative processes among the two countries. Certainly, there have been efforts by both sides to influence the outcome. In practice, it is more an issue of Japan and China siding with different and competing domestic interests within Russia²⁵ and, to some extent, uncertainty about the adequacy of available oil resources to meet the needs of both countries and make any particular route economic.²⁶

The question is whether the development of these various proposals, or their evaluation, provides a basis for regional institution building. There are strong arguments that decisions on natural gas would benefit from multilateral consultations among Russia, Japan, China and Korea. And environmental as well as energy security incentives exist: in the case of gas, Japan and Korea would gain from China’s increased use of gas rather than coal mainly for environmental reasons, to reduce the acid rain falling on the two countries.

There are various options for routes and subroutes for natural gas and decisions will be needed on various issues, such as Russia’s domestic development needs; where natural gas fits within the national energy policies of regional economies, including against alternative energies; the future role of gas-to-liquids; the strength of the environmental issues; and the questions of ultimate market requirements and pricing arrangements.

These are complex issues, and it may need confidence-building measures elsewhere if they are to be managed in a multilateral forum. They may be seen as having a degree of urgency that may sharpen regional minds. Yet unpredictable Russian decision-making and doubts about its reliability as a supplier have raised concerns in the region.²⁷

Electricity supply grids

There has been technical interest for a long time in an electricity supply grid among countries of Northeast Asia. In each of the major regional economies, electricity demand is expected to grow rapidly and generating capacity needs to expand correspondingly.

The potential for cooperation in electricity supply is substantial and could meet a significant part of Russia’s wish to develop eastern Russia on the basis of energy exports, which could include electricity generated from coal, gas or hydro. For Northeast Asia this would enlarge and diversify its energy supply significantly. Gains could be made from

an internationally linked electricity supply grid which could take advantage of the fact that daily and seasonal peak demands vary substantially in the region. There are many reasons to account for the lack of progress: North Korea is one, but not the major one.

Although the ultimate economics have yet to be confirmed by detailed studies, there is a wide belief that generation of electricity and linkages through a power grid can provide a range of benefits to those involved in terms of supply reliability, lower financial costs for infrastructure development, lower electricity costs to consumers, reduced environmental impacts and diversification of energy supply for energy security.²⁸

No official endorsements have yet come from governments, but interest that has been shown in the past might be expected to increase. Any progress in this direction would need to overcome technical, financial and political challenges.²⁹ The difficulties include identifying and agreeing upon the best routes. There are various possibilities – a land route which, for South Korea, would involve North Korea, but alternatives involve China and Japan. In addition, as well as economic feasibility questions there would be technical issues, reform of differing market structures, pricing philosophies and regulatory processes. None is insuperable, and there are examples of existing grids in Europe, North America and Southeast Asia that demonstrate the possibilities and benefits.

Any movement forward, however, would require a long process of consultation and eventually negotiation among the parties involved. This would have some functional benefits of the kind raised in the introduction to this chapter. On the other hand, the lack of any broader consultative process in place in Northeast Asia may well be the reason why multilateral discussion of such proposals at governmental level has been so limited.

There have already been suggestions that at a broader level the six-party talks could provide the basis for a multilateral security process in Northeast Asia.³⁰ An agreed outcome from these talks will require a satisfactory solution to the problem of energy supply for North Korea.

In the context of the Six-Party Talks on North Korea's nuclear programme, proposals have been made by South Korea for the supply of electricity from the South to the North as part of a solution. The particular South Korean proposal, however, faces practical as well as political problems.³¹ The practical problem relates to the inadequacy of the existing electrical grid in North Korea. In the same way as the nuclear reactors promised under the previous agreed framework could not, in themselves, have met North Korea's energy needs, the South Korean offer does not provide a solution given the largely non-existent electricity grid in North Korea. A proposed alternative is a regional tie-up with Russia and South Korea, which would have the added advantage of en-

hancing North Korea's electrical supply security from political influence in South Korea, but Pyongyang's grid problem would still need to be resolved.

The investment climate

Contributing to the changed oil market situation was an industry capacity ceiling that reflected a substantial period of inadequate levels of investment. Given the rapid growth of energy demand in Northeast Asia, the future investment needed to meet its energy exploration, development and related infrastructure requirements is very large; one estimate simply for the Pacific Pipeline, for example, is \$16 billion. An overall estimate is \$830 billion for the next 10 years and another \$570–870 billion for associated supporting infrastructure.³²

Without a satisfactory and predictable legal, regulatory and policy framework that includes management of risk and property rights, the ability to attract the necessary very large private sector funding, and in some cases governmental finance, will be greatly reduced.

To achieve that kind of investment climate requires not just cooperation but knowledge and understanding of the needs, and willingness of governments to take action to provide its basis. Interest has been expressed in extending to Northeast Asia a parallel form of the EU Energy Charter Treaty, to provide a body of common rules covering key issues such as protection of investments, encouragement of more transparent and competitive markets and promotion of energy efficiency. Such a treaty, that would reflect what Yamamoto in his chapter in this volume terms “outside-in” institutionalization, would reduce risk and uncertainty (including discrimination) in energy-related investment and trade projects. It could also help promote increased energy efficiency and reduced environmental impacts of energy production and use.

Each country has an incentive to cooperate with others in developing oil fields in particular, but also gas pipelines and electricity grids. These incentives are what led Japan in the past to help China with oil development in Xinjiang: to increase overall supply, with consequent consumer market and price benefits.

Territorial disputes

Cooperation often results from concerns to avoid or overcome conflicts. Where disputes over sovereignty are not easily resolved or where competition with other oil- or gas-importing countries may create unwanted tensions, the question of joint development is at times a compromise step. China has entered into such arrangements with several countries

outside the Northeast Asian region. Agreements are in place with Viet Nam and the Philippines as part of its concern to maintain good relations with ASEAN over the South China Sea. Its energy cooperation also includes joint investments with India in Sudan and Iran, aimed at containing tensions that might come from their competition in the oil market.

In Northeast Asian countries, in their individual efforts to achieve increased supply security, competition and tensions have emerged. Significant conflicts exist between Japan and China (and Taiwan) over the Senkaku Islands (Diaoyutai), in the unresolved ocean border area in the East China Sea and over the Okinotori islet in the Pacific south of Japan;³³ between Japan and South Korea over the Dokdo (Takeshima) Islands; and between Japan and Russia over the Northern Islands.

In these disputes, competition for fishery resources, nationalism and broader issues of history and geopolitical competition are present. That they have emerged in heightened form in part at least reflects the concerns about energy security. This has been argued, for example, over the area of the East China Sea, where China has been exploring and drilling for natural gas in waters on China's side of the Japanese-defined (but which China disputes) line bordering Japan's exclusive economic zone (EEZ).

Although joint development of ocean resources has been proposed, talks between the two sides have been inconclusive. The Chinese development is already at an advanced stage, and this puts Japan at a disadvantage. The continuing efforts by the Chinese to explore and develop within the disputed area could in fact be seen as putting pressure on Japan to agree to China's joint development proposals, as yet with no positive response from Japan.³⁴ The situation is not helped by China's unwillingness to provide information that Japan regards as necessary for its decisions. Some industry sources, however, doubt that this is a particularly attractive area, with the natural gas resources not seen as substantial and production costs likely to be high.³⁵

In these circumstances, the region's options are limited. More might have been possible had there already existed a regional cooperative institutional arrangement; in a regional, as distinct from a bilateral, dialogue, a sense of "shaming" or "peer pressure" has some influence.

Scope for a regional institution?

The situation in Northeast Asia may not seem conducive to multilateral cooperation in the energy field, nor to the establishment of related institutions to develop norms and guidelines or manage such cooperation.

Learning processes, however, have taken place among the regional actors, and each of the major countries is accustomed to participating in

international multilateral institutions – including, to varying degrees, those involved with energy issues. There is already considerable interaction among regional countries that has led to improvements in economic ties and transport and telecommunication linkages. Various proposals in the past have been made to pursue multilateral cooperation, often coming from Japan but in which others have participated. The idea of a regional energy collectivity emerged marginally in the now-suspended Tumen River Project (involving China, North Korea and Russia), under UNDP auspices.

Much of this was at the level of state enterprises and agencies rather than at government level, and any future regional institution would have to involve the private sector effectively. Nevertheless, governments have been involved in international cooperative efforts. Japan, China, Russia and South Korea are participants in the multilateral efforts on nuclear fusion energy and the hydrogen economy, and all but Korea on carbon sequestration.

The first international Conference on Northeast Asian Natural Gas Pipelines was held in Tokyo in 1995, with China, North Korea, Kazakhstan and Japan participating. Subsequent discussions also included Russia, Mongolia and South Korea. Japanese Prime Minister Hashimoto wanted to integrate Japan, China and Russia in a broader Northeast Asian multilateral process, but the dispute over the Kuriles tended to limit progress. Other forms of multilateral approach were pushed by Russia under President Yeltsin, who wanted to further Northeast Asian integration in part to improve Russia's claims as being a great Pacific power along with China, Japan and the United States. China also wanted a four-power group, but not an institution. According to Christoffersen, however, China included participation in an East Asia energy community as one element in the steps to ensure energy security in its Tenth Five-Year Plan (2000–2005).³⁶

The energy situation has changed the policy dynamics markedly. Considerations of economic costs and benefits have been increasingly inter-linked with energy security. This might suggest a more competitive rather than cooperative regional response. Examples given in this chapter, however, point to the virtual inevitability of cooperation – and more than on a bilateral basis – if countries in the region are to increase energy security.

In a fully competitive market system, government direct involvement – unilateral or collective – would be necessary only in providing a legal, contractual and regulatory framework. Not only do the conditions that such a market assumes not exist, but there are widespread public good aspects that need international cooperation.

Periodic tensions between Japan and its neighbours pose problems for collaboration. If energy is seen as an economic issue, however, the usual

capacity to separate economic from political factors should hold where territorial claims are not directly involved. It has been possible in the past to argue that, in the fraught China-Japan relationship, economic issues have been largely kept separate from political issues in a relationship lacking in trust, even when tensions were high.³⁷ The demonstrations in China against Japanese enterprises in 2005 may have weakened but not eliminated that belief.

Conclusion

Are there grounds for concluding that governments in Northeast Asia have accepted that, by coordinating policies through an institutional mechanism, they gain increased scope for pursuing their own national interests?

There have been many suggestions for institutionalizing the dialogue on Northeast Asian energy issues in a Northeast Asian Energy Community. This idea has been given further stimulus by the suggestions emerging from the Six-Party Talks on North Korea's nuclear programme.

Japan has long sought international energy cooperation as a means of buttressing its energy security; in particular, it has taken a view that unless China's energy problems were dealt with, Japan would have greater difficulty in dealing with its own problems.

For China, in the early 1990s it was reluctant to embrace interdependence in the energy field as it faced the prospect of becoming a net oil importer. In 2002 China's "21st Century Oil Strategy" made no provision for regional cooperation. This has changed, but how far the learning process has shifted Chinese thinking in favour of a multilateral energy regime is still unclear.³⁸ Moreover, its enhanced perception of insecurity may now also be a factor in how Chinese leaders relate to their neighbours and China's willingness to cooperate.

Logic suggests that on most energy issues the regional economies will continue to look mainly to links with institutions outside the Northeast Asia region. This could lead to an "outside-in" process of Northeast Asian institutionalization in some instances. In the wide range of institutions in which regional economies are already involved, some limited progress has been made towards developing rules and norms involving regional governments, notably on stockholding for Japan and South Korea and on investment-in-principle guidelines for Russia, Japan and Mongolia. "Inside-out" institutionalization of Northeast Asian regional cooperation on energy could provide a basis on which full advantage could be taken of the opportunities that Russia's resources offer in alleviating some, at least, of Northeast Asia's energy security concerns. At the

same time, the lack of a regional economic and security institutional arrangement, *ad hoc* or formal, may itself be a problem in optimizing the exploitation and reliability of those opportunities.

Notes

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2. Keohane, Robert (1984) *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton, NJ: Princeton University Press, pp. 51–52, 238.
3. A point acknowledged by the US Department of Energy in "National Security Review of International Energy Requirements", Report to Congress under Section 1837 of the Energy Policy Act 2005, February 2006.
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14. Adelman, note 5 above, p. 21.
15. In 1979, although production increased despite the cut in Iranian exports, prices doubled following the market uncertainty it created. Cited in Keohane, note 2 above, p. 228.
16. The treaty is designed to provide a kind of WTO framework for energy relations between Western Europe and emerging Eastern European states.
17. Christoffersen, note 12 above.
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22. The decision has apparently been taken to start the pipeline from Taishet rather than Angarsk for the ecological protection of Lake Baikal.
23. Although KoRus, a consortium of Russian, South Korean and American companies, claims to have US political support. North East Asia Economic Forum (2005) "Promoting a Northeast Asian Energy Community", Final Report on 2000–2004 Research, March, Honolulu: North East Asia Economic Forum, p. 55. Developments in the six-party talks in 2007, if sustained, could see this become a viable proposition.
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16

A small leap forward: Regional cooperation for tackling the problems of the environment and natural resources in Northeast Asia

Hiroshi Ohta

Introduction

The problems of the environment and natural resources (ENR) in the Northeast Asian region are something of a double-edged sword: they can offer an opportunity for regional cooperation or they can bring about conflicts. In this ecologically interdependent world, inter-state cooperation is imperative in order to solve any kind of international environmental problems.

Lagging far behind the European Union, the Northeast Asian region lacks even a cornerstone for erecting a cooperative apparatus like the European Coal and Steel Community (ECSC). Thus the institutionalization of multilateral cooperation for tackling ENR problems might provide the nations in this region with unique opportunities for creating various regional ENR regimes.¹ On the contrary, however, the absence of a cooperative scheme like the ECSC for sharing vital natural resources might lead regional powers to collide with each other over such resources.²

Despite the confrontational image of international relations in Northeast Asia, preliminary research shows that there are quite extensive regional ENR cooperative arrangements with regard to a wide range of issues in the region, although none of them has developed into a full-fledged multilateral ENR regime.

There are several arguments put forward in this chapter. Firstly, regional ENR problems have now compelled the nations affected to form

Institutionalizing Northeast Asia: Regional steps towards global governance, Timmermann and Tsuchiyama (eds), United Nations University Press, 2008, ISBN 978-92-808-1156-8

a new functional institution.³ Secondly, if the nature of ENR problems allows participation by environmental non-governmental organizations (NGOs) and raises public awareness, a nascent regime has a good chance of developing into a regulatory regime.⁴ Third, severe competition over regional natural resources can cause armed conflicts; at the same time, a clash in a tense situation can serve as a “warning call” about escalation of conflict into a major military confrontation so that contending parties may make an effort to find a way to defuse the tension and control the escalation. Finally, an international regime sometimes has a positive influence on regional ENR cooperation when major regional powers ratify it.

This chapter will first place the main countries in this region in the context of high and rapid economic growth, and then identify the major ENR problems as the by-products of rapid industrialization and urbanization.

Environmental and natural resource problems in Northeast Asia: The current status of regional cooperation

ENR problems in Northeast Asia in the context of dynamic economic growth

This chapter primarily focuses on ENR problems in China, South Korea and Japan.⁵ In China, for example, environmental degradation resulting from rapid economic growth has become a regional and international issue. Severe flooding, desertification, water scarcity, air and water pollution and dwindling forest resources are all of serious concern. Thus regional ENR problems in Northeast Asia must be analysed within the context of the long-term trend of “economic miracles” in East Asia,⁶ with the recent rapid growth of China regarded as an extension of this trend. Japan and South Korea have also experienced environmental problems resulting from rapid industrialization, including air and water pollution.

In terms of transnational environmental effects of rapid economic growth in Northeast Asia, global warming caused by greenhouse gas emissions such as carbon dioxide (CO₂) and methane (CH₄) is a major concern. In 2004 China, Japan and South Korea together emitted more than 24 per cent of the world’s total CO₂ emissions.⁷ If the trends of expansion in economies, energy supply and CO₂ emissions continue, the environmental consequences will be far-reaching.

Other common ENR problems facing the Northeast Asian region include acid rain, sandstorms, industrial waste, garbage washing up on

shores, fisheries, and oil and natural gas deposits in the border areas of Northeast Asian countries. Due to space limits, this chapter focuses only on the regional problems of acid rain, sandstorms and fisheries. These problems are extensive and wide-ranging, and require collective action to address them. While it is true that in Northeast Asia there is no institution like the European Union, nor a regional forum like ASEAN, there are numerous efforts to build various institutions or shape regional cooperation for solving ENR problems.

The current status of regional cooperation: An overview

Regional cooperation concerning environmental and natural resource problems takes on two major forms in Northeast Asia. One is multilateral cooperation revolving around international conventions or administrative schemes involving several countries (and in some cases international organizations). The other form of ENR cooperation is mainly based around bilateral agreements (for example, agreements to protect migratory birds between two particular countries involved) or the widening of cooperative scope beyond bilateral agreements by linking one agreement to another so as to deal with problems more appropriately.

There are, indeed, many regional cooperative schemes covering the countries within and around the Northeast Asian region, but almost all of their objectives are related to research, networks/networking, information exchange, policy dialogue and conferences or meetings. Among them, the Kitakyushu Initiative for a Clean Environment is a unique example of regional cooperation at the subnational level, and has actually helped to ameliorate urban and industrial pollution in Dalian, China. Now Kitakyushu City is trying to broaden its network by establishing the Environmental Cooperation Network of Asian Cities.⁸

There are also several governmental cooperative schemes in existence between Northeast Asian countries, and bilateral cooperation between South Korea and Japan, China and Japan, and South Korea and China. For analytical purposes, multilateral and bilateral schemes for regional ENR problems are separately identified here. In reality, however, the development of multilateral cooperation often parallels the development of bilateral cooperation.

Among multilateral and bilateral environmental cooperation in this region, there is some nascent institutionalization, such as regional cooperative arrangements for dealing with acid rain and dust/sandstorms. Regional efforts to address acid rain are complex but quite advanced. In contrast, there is little development towards region-wide regime building in relation to natural resources. For instance, there are no regional agreements and no regional forum to manage and discuss the allocation of fish

catches among the nations of Northeast Asia; there are only separate bilateral agreements. Nevertheless, we have begun to witness the emergence of a series of bilateral agreements that have a region-wide effect on the future of straddle and migratory fish stocks, particularly after the ratification of the UN Convention on the Law of the Sea (UNCLOS) by China, Japan and South Korea (and Russia). This chapter therefore also addresses the issue of fisheries in the region.

Challenges in the air: Acid rain

Acid rain and the early experiences in Europe and North America

Acid rain characterizes air pollution that travels over long distances and harms natural and man-made environments, as well as humans, as a result of its direct acidic or corrosive effects or through mobilization of harmful chemical reactions.⁹ The most important sources of acid rain are emissions of sulphur oxides (SO_x) and nitrogen oxides (NO_x). The mean transport distance of acidifying emissions is 400–1,200 km, such that they can transcend national borders to affect neighbouring countries and constitute an international environmental problem.¹⁰

Acid rain has harmful impacts on forest soil and trees, lakes and humans, as well as on materials such as marble and limestone. However, the mechanisms by which these impacts take effect are extremely complex. These physical and chemical complexities make it difficult to identify a clear causal relationship between emitters of acid rain and the receivers who suffer the consequences. Thus, we have to recognize from the outset that there is room for political arguments and negotiations about the impacts of acid rain.

However, the difficulties of identifying the emitters and victims of acid rain are not insurmountable. A Scandinavian initiative is widely considered an exemplar for a multilateral approach to tackling issues of the long-range transport of pollutants in general and of acid rain in particular. One of many important studies in the context of international politics on long-range transport of air pollution was presented by the Swedish government to the UN Conference on the Human Environment (UNCHE), held in Stockholm in 1972. The study, “Air Pollution across National Boundaries: The Impact of Sulphur in Air and Precipitation”, spurred similar studies by Norway, Canada, the United States, the Organization for Economic Cooperation and Development (OECD) and the UN Economic Commission for Europe (ECE), among others, during the

1970s.¹¹ Thus the accumulation and diffusion of knowledge about acid rain occurred in the European and North American regions and paved the road for international recognition of acid rain and its harmful consequences to the human environment.

This recognition led to multilateral activity resulting in formal conventions; for example, 34 states and the European Community signed the Convention on Long-Range Transboundary Air Pollution (LRTAP) in 1979.¹² Further, the institutionalization of international environmental cooperation developed into an acid rain regime in Europe. The European Monitoring and Evaluation Programme (EMEP) was strengthened to include all of Europe, and after the LRTAP Convention entered into force in 1983 the “30% Club” was formed in Ottawa, aiming to reduce sulphur emissions by 30 per cent in 1984. This raises the question: how has the issue of acid rain been handled in Northeast Asia?

Acid rain in Northeast Asia

China’s growing energy consumption and heavy dependence on coal are major concerns for neighbouring Northeast Asian countries (and even the rest of the world). The amount of China’s primary energy consumption has now surpassed that of the Russian Federation to make it the second-largest consumer in the world. Although China’s dependence on coal declined from over 90 per cent in the 1950s to a little over 75 per cent in the 1980s, it still relies heavily on coal, which accounted for 65–70 per cent of its energy usage relative to all other energy sources in the 1990s and early 2000s.¹³ In addition, most of the coal burnt in China is so-called “dirty coal”, which contains much more sulphur than other types of coal.¹⁴

According to the annual report issued by the State Environmental Protection Administration of China (SEPA), the air quality in urban areas of China has gradually improved (based on year-by-year comparisons),¹⁵ but overall the nation’s air has become increasingly acidified.

The director of the Chinese Research Academy of Environmental Sciences points to the rapid increase in the number of automobiles, increased coal consumption and the overuse of fertilizers as the main causes of China’s acid rain pollution. In addition, as of November 2004 there has been no special regulation to control nitric acid. A SEPA official was quoted as saying “The regional acid rain pollution is still out of control, and even worse in some southern cities”, and named the surging demand for coal and an excessive number of small-scale thermal power plants as the two main sources of the rapid growth in SO₂ (sulphuric acid) discharges.¹⁶

Neighbouring countries' concerns about acid rain have grown, partly because of learning from regime-building efforts in Europe and between Canada and the United States, partly because of their own research and monitoring on acidification in their own countries and partly because of the rapid increase of acidification in south and south-west China. Korea is located downwind of China, and it is believed that China's SO_x and NO_x reach the Korean peninsula and became a part of acid deposition in Korea (though the data are not conclusive).¹⁷

Japan is located downwind of Korea; thus South Korea's efforts to improve air quality by desulphurization and denitrification affect Japanese well-being, just as China's air pollution policies affect Korean well-being. Although Japan took note of what was happening in Scandinavia as early as the beginning of the 1970s, the main concern about acid rain was its effect on human health, with less concern about the nature of long-range transboundary air pollution. By the early 1980s, however, the Japanese government and scientific community began to recognize the issue of acid rain as an international problem due to increased news about its harmful effects on forests and lakes in northern Europe as well as diplomatic wrangles between Canada and the United States.

The Japanese Environment Agency (now Environment Ministry) set up several committees dealing with acid rain. One of them, the Advisory Committee on Acid Rain Countermeasures established in 1983, issued reports in 1989 and 1992. At the same time the Japanese scientific community began to study acid precipitation in China, long-range transport mechanisms, the effects of acid rain on vegetation and some areas in Japan that might have suffered damage from acid rain.¹⁸

By the early 1990s Chinese and Japanese interests and concerns about acid rain converged in recognizing it as a regional environmental problem. Above all, in the run-up to the Rio Summit of 1992 both the Japanese government and society as a whole were eager to take a leadership role in international environmental politics and diplomacy.¹⁹ In April 1992 the Japanese minister of international trade and industry and the Chinese vice premier agreed to establish a bilateral agreement on environmental technology cooperation.²⁰ In the same year China requested the inclusion of desulphurization technology in a package of Japanese official development assistance (ODA). Prior to this request, in early 1992 the Ministry of International Trade and Industry (MITI; now Ministry of Economy, Trade and Industry – METI) had launched a green aid plan to assist in the technological aspects of international environmental cooperation.²¹ This was a first small step towards regional cooperation, but a more significant step was taken by the Japanese Environment Agency in 1992 when it sponsored the formation of the Acid Deposition Monitoring Network in East Asia.

The Acid Deposition Monitoring Network

The initial steps of China and Japan in the early 1990s gradually developed into the Acid Deposition Monitoring Network (EANET), a scientific body for facilitating regional cooperation. The development of EANET can be divided into three phases: expert meetings (1993–1997), preparatory activities (1998–2000) and regular activities (since 2001).²² During the first phase, four expert meetings were held, with participants agreeing that a comprehensive approach was most appropriate for assessing the impacts because of the multiple factors involved (including deposition acidity, chemical components and soil sensitivity). Since the available monitoring methods and analytical techniques differed among countries in the region, the expert meetings called for a regional collaborative monitoring network and designed a preliminary outline for such a network and guidelines for monitoring methods.

Although the dominant players were China, Japan and South Korea, other countries participating in the preparatory phase of creating a regional acid rain monitoring network included Indonesia, Malaysia, Mongolia, the Philippines, Russia, Thailand and Viet Nam. During the first session of the intergovernmental meeting on EANET (IG1), held in Yokohama in March 1998, the representatives of 10 participating countries held extensive discussions about the fundamental characteristics of the network, including objectives, activities, schedule for establishment and institutional and financial matters. Out of these intensive discussions, they produced a tentative design for EANET and agreed that the preparatory phase activities would start in April 1998. IG2, held in Niigata, Japan, in October 2000, concluded that the preparatory activities had been successful and decided to start EANET activities on a regular basis from January 2001. IG2 also designated the UN Environment Programme (UNEP) as the secretariat for EANET, and the Acid Deposition and Oxidant Research Center (ADORC) in Japan as the EANET network centre. Right after the phase of regular activities began, Cambodia and Lao PDR joined the network (in November 2001 and November 2002, respectively), and their monitoring activities began in 2003.

Prospects for a full-fledged regime

Certainly, EANET's creation is a significant step forward towards the development of a full-fledged regime constituted by a treaty like the LRTAP Convention of 1979. But EANET must overcome several obstacles to help finalize any type of regulatory regional agreement. It has not yet even come up with any uniform monitoring methodology.

The main hurdles that the member states – above all, China, Japan and South Korea – will have to clear include financial constraints, scientific and technical disagreements, and political and economic rivalries compounded by animosity rooted in different historical memories and divergent perceptions of risk.²³

While Japan has been the leading financial contributor from the preparatory phase to the operational phase, the financial mechanism for EANET is based on voluntary contributions by member states. Since most member states are developing countries, they are opposed to making financial contributions mandatory. China, however, began to contribute voluntarily to the budget for operating EANET in 2002 and continued to pledge its contribution in 2004.²⁴ Although three sessions of the Working Group on Further Financial Arrangements for EANET were held (in July 2002, August 2003 and October 2003, all in Bangkok), the prospect of future financial support for EANET activities is not so promising.

EANET is rightly striving to strengthen its scientific and technical foundations, but its task is quite complicated (if not insurmountably difficult). The fifth intergovernmental meeting (IG5) of November 2003 assigned six major tasks to the Working Group on Future Development (WGFD). The WGFD drafted a work plan for EANET in August 2004. Among others, task 5, to “develop a 5-year medium-term plan for EANET”, constitutes the core activities for EANET that may lead to the development of a regional acid rain regime.²⁵ However, even at IG8 held in Hanoi, Viet Nam, on 29–30 November 2006, the prospect for EANET to evolve into a regulatory regime was still far from coming to fruition. In addition to the financial constraints mentioned above, there are considerable disagreements about the sources and amounts of long-range transported SO₂.

The results of “scientific” studies carried out by different countries and institutions differ sharply regarding the sources and amount of acid rain. For instance, Chinese scientists claim that most of China’s SO₂ emissions which are not deposited within China are deposited in nearby oceans or seas, and that only a tiny fraction (1 per cent) of SO₂ originating in China precipitates in other nations.²⁶ Another study sponsored by the World Bank and the Asian Development Bank (ADB) suggests that China’s SO₂ falls in North Korea and Viet Nam, while Japan’s Environment Agency indicates that most of Japan’s transboundary acid rain comes from South Korea.²⁷ How can EANET come up with a harmonized methodology given these divergent results of various studies?²⁸ The answer is still “blowing in the wind”.

Just as political and strategic considerations during the Cold War promoted the negotiations of the LRTAP Convention of 1979 in Europe,

scientific and technical differences on the sources and amount of acid rain in Northeast Asia could also be overcome. In any event, the relationships among the three dominant regional powers will determine the likelihood of regional cooperation. If these three players were to engage in serious political or economic competition over regional leadership or markets, the perception of risk incurred by acid rain would be relatively less alarming; the differences in scientific and technical arguments would thus prevail and, as a result, regional cooperation would be hindered. If regional political competition is compounded by different historical memories of the Second World War, or if the difficulty in governing domestic political and economic affairs promotes nationalism and politicizes even environmental issues, the prospect of regional cooperation will become slim.

However, if instead China, Japan and South Korea share the harmful consequences of acid rain in Northeast Asia and find a collective gain for strengthening EANET, the negative effects of political economic rivalry on regional cooperation could be subdued. Alternatively, severe consequences of further acid deposition in this region could compel member states to act swiftly to find a resolution to the problem. The following case of yellow storms illustrates this.

Regional cooperation for arresting dust and sandstorms

Massive dust and sandstorms, called “yellow sand” by the Japanese (*kosa*) and Chinese (*huangsha*), and “the gatecrashers of spring” by the Koreans (*whangsa*), blow hard across Northeast Asian countries almost every spring. The harmful effects on health and the welfare of the general public are significant, particularly in China and Korea. Economic damage caused by these storms is also substantial.

Thus it appears relatively easy to form regional cooperation for reducing the magnitude and frequency of dust and sandstorms in comparison with other atmospheric environmental issues such as acid rain and global climate change. In addition, the rise of dust and sandstorms is not merely caused by industrial development but also involves natural processes, which implies that the down-wind nations cannot simply blame inaction by the up-wind nations.²⁹

Large-scale dust and sandstorms (DSSs) cause enormous economic losses and serious public health problems beyond national borders, and sometimes take human life. A preliminary study indicates that 18 of the 32 DSSs in 2001 originated from the deserts of Mongolia, while the remaining 14 originated from the desert or semi-desert areas of the Inner Mongolia Autonomous Region (within the People’s Republic of China). The main factors that contribute to DSSs include natural elements; large

desert and semi-desert areas; strong winds from Siberia sweeping the DSS-originating source areas; lasting drought; and natural disasters. Anthropogenic factors further strengthen and intensify DSSs: human interventions over the last few decades have included overgrazing, over-reclamation of land, deforestation and overexploitation of water resources (all of which result in rapid land degradation and desertification). Since the DSS-originating source areas are concentrated in China and Mongolia, it is imperative to arrest land degradation and further desertification in these two countries before the situation becomes out of control.³⁰

Both the Chinese and Mongolian governments have formulated comprehensive programmes to combat land degradation and desertification. Multilateral institutions such as the UN Economic and Social Commission for Asia and the Pacific (ESCAP), the UN Convention to Combat Desertification (UNCCD) and UNEP are also working with China and Mongolia to develop their national action plans in these areas. The Chinese government launched a 10-year programme with a total investment of 54 billion yuan (about US\$6.7 billion) to alleviate DSS causes and impacts in 2002, and it has also worked with the ADB and the Global Environment Facility (GEF) to restore degraded land in dryland ecosystems. What is further needed to arrest long-range transboundary DSSs is regional policy coordination to link separate national initiatives. For this purpose, the institutionalization of region-wide intergovernmental and inter-societal cooperation is crucial.

South Korea has been severely affected by dust and sandstorms originating from northern China and Mongolia. Since the 1980s the Korean Meteorological Administration (KMA) has been forecasting Asian dust development. A DSS on 21–23 March 2002 was particularly severe. During this storm most elementary schools and airports were closed, and the factories that produce semiconductors and other precision products reduced operations. This extreme event led to the creation of a warning system for dust storms. Based on the Whangsa trajectory model, which visualizes the forecasted trajectories of particulate materials in the air for three days (72 hours), the KMA has issued warnings for Asian dust since April 2002. The warning system consists of three categories – “watch”, “advisory” and “warning” – according to the degree of concentration of particulate materials in the atmosphere.³¹

It is quite natural for South Korea, along with Japan, to show a strong interest in assisting China and Mongolia to arrest further land degradation and desertification in DSS-originating areas. All major players recognize the problem, its cause-and-effect relationship and its costly consequences. Therefore, regional cooperation has speedily progressed.

At the second tripartite environment ministers' meeting held in Beijing in April 2000, China, South Korea and Japan agreed to hold a workshop on tackling dust and sandstorms and invited officials, researchers and NGOs.³²

At the fourth tripartite meeting of 2002, the three countries' environment ministers agreed to set up a yellow dust monitoring network. In order to substantiate this network, the three governments in 2004 requested assistance from the GEF, ADB, ESCAP and UNCCD. They began to fund a project on the prevention and control of DSSs. "The project will help establish an institutional framework for cooperation, develop a regional monitoring and early warning network, set up an investment strategy, and research the causes of dust storms."³³ China is willing to share real-time data with Korea and Japan on dust and sandstorms as they arise. Since the massive storms in 1998, 2000 and 2002, China has been an active participant in initiatives aimed at combating DSSs.

In addition to governmental initiatives and assistance from neighbouring countries and international organizations, civil society is also taking part in the efforts to arrest DSSs. The general public and environmental NGO communities are swiftly reacting to intensified transboundary DSSs, and are willing becoming involved in regional cooperation on combating DSSs, particularly in DSS-affected areas. Thus environmental NGOs and volunteers from DSS-affected countries have been actively engaging in cross-border mitigation activities. Their most common strategy is to plant trees in areas where land degradation and desertification are advancing.³⁴ Needless to say, however, the scale of activities of environmental NGOs and volunteers is small, and most of their activities are spontaneous and sporadic. In order to sustain the goodwill of people, the business sector's involvement (based on the tenet of corporate social responsibility and its constant support for NGO activities) is the key to making voluntary activities more effective.

Conflicting interests over scarce natural resources

Dwindling straddle and migratory fish stocks

The situation regarding marine resources in Northeast Asia is quite confrontational, without any multilateral regime or even a multilateral forum for managing dwindling straddle and migratory fish stocks among coastal states. Instead, there are several combinations of bilateral disputes over migratory fish. These include the disputes between the two Koreas, between South Korea and Japan, between Japan and China, and between

Russia and Japan. Here, Thomas Homer-Dixon's theme of acute security concerns aggravated by "ecological scarcity" might be applicable.³⁵ However, if these countries create some type of multilateral resource management scheme for dwindling migratory fish stocks, such cooperation might generate an atmosphere for regional cooperation in other issue areas. In fact, the Law of the Sea is now providing some kinds of forums or frameworks for future multilateral management of straddle and migratory fish in Northeast Asia.

People in Northeast Asia depend on fish as their major source of protein to a greater degree than the average person in the world. In the mid-1980s fishermen in the North Pacific caught about 30 per cent of the world's catch.³⁶ However, it is estimated that fish and invertebrates in Northeast Asia declined, in terms of biomass, by 40 per cent between the early 1960s and the early 1980s. For example, Japan caught over 60,000 tonnes of snow crab in 1968, but could catch only 10,000 tonnes in the 1980s.³⁷

Similar trends can be found in major fish stocks. In fact, recent annual trade in fish and fisheries products of Japan, South Korea and China raises concern about the current state of regional and international marine resources stocks, in particular, and the health of regional marine ecosystems in general. For example, Japan's imports of these items amounted to about US\$15.56 billion in 2000, a 390 per cent increase since 1980. South Korea's imports in 2000 were about US\$1.39 billion, an increase of 3,791 per cent since 1980.³⁸

The current situation of exploitation of marine resources in this region points to the "tragedy of the commons".³⁹ One way of ignoring the problem of maintaining a prodigal life is to import fish from other fisheries, as the rich nation of Japan does. However, this kind of practice will create similar problems elsewhere. Thus, solving or not solving the regional problem of dwindling marine stocks also has international implications.

There is also another complication: regional fishery problems involve clashes of economic interests and territorial disputes that occasionally create extremely tense situations, inviting not only heated exchanges of words but also exchanges of bullets.⁴⁰ If dwindling marine resources of regional and international fisheries become much scarcer, and competition for them becomes much fiercer, those resources might be considered as vital as oil and natural gas, and so invite strategic thinking to obtain them at any cost (if necessary by armed force).⁴¹ Popular and shallow nationalism associated with territorial disputes might inflame skirmishes into regional resource wars over fisheries. Good governance of regional and international fisheries and conservation of marine resources are prerequisites for regional peace and stability.

*The two Koreas' confrontations over marine resources,
and their lesson*

North and South Korea have occasionally clashed over the maritime border in the West Sea, or near Yeonpyongdo and a line of islands offshore, where fish and crabs swarm. The UN Command (UNC) and North Korea signed an armistice agreement in 1953 that clearly established the land border on the Korean peninsula along a military demarcation line, but failed to do the same for a maritime border. The West Sea Northern Limit Line (NLL) was drawn north of a group of islands by UNC Commander Mark W. Clark without consultation with North Korea (the DPRK). Thus, some legal and political problems remain to this day.

International legal experts generally disagree that the NLL is a maritime border, and the DPRK has just acquiesced in the *de facto* maritime border. In order to avoid unnecessary armed clashes along the NLL, a buffer zone was set up 1–15 km south of the NLL to prevent accidental intrusion, and action rules of refraining from firing unless the other side first uses armed force were introduced so as to prevent a military clash from arising from “unintentional intrusion”.⁴²

Therefore, even today, South Korean fishermen are still escorted by navy vessels when they go fishing in the contested area. The DPRK's interests are mainly economic, strategic and political. Maritime resources in this area are quite attractive to the DPRK since the export of crabs is annually worth US\$20 million. Thus intrusion by DPRK fishermen south of the NLL occurs mostly in June, the crab-harvest season. From a strategic vantage point, the neutralization of the NLL can help break the armistice regime and secure a diplomatic edge over South Korea and the United States. Finally, regarding the DPRK's domestic politics, its confrontational posture towards South Korea may provide an outlet for hardliners' discontent about internal reforms.⁴³

Against this background, two skirmishes occurred in 1999 and 2002. In June 1999, when boats of North Korean fishermen entered South Korean territory and were pushed back, North Korea's navy vessels fired shells at the South's vessels. Soon after, two North Korean vessels were destroyed and at least 30 North Korean troops died. In June 2002 another naval clash occurred, killing five South Korean soldiers; the number of North Korean victims is unknown.⁴⁴

These incidents must have come as a “wake-up call” from the frozen nightmare of the Cold War. North Korea's 1999 incursion happened just before mid-term National Assembly elections in South Korea, and the 2002 clash occurred about six months before the presidential election. One year after the 1999 incident, President Kim Dae-jung met with his

counterpart Kim Jong-il for the first peacetime summit.⁴⁵ Two years after the 2002 clash, military delegations of the two countries worked out a detailed plan to avoid accidental armed clashes in the NLL. The two militaries were to set up a telephone hotline, share a radio frequency, use joint signalling systems and exchange information on checking for illicit fishing around the NLL from mid-June 2004. While the two countries agreed to convene high-level military talks to ease tension on the Korean peninsula and build military mutual trust, South Korea suggested that priority be given to avoiding armed clashes on the NLL, as the June crab-catching season was drawing near.⁴⁶

Other island disputes and fisheries in Northeast Asia

The Northeast Asian region has many similar disputes over marine resources somewhat related to territorial disputes over islands, though much less bloody than confrontations between the two Koreas in the NLL. Between Japan on the one hand, and China and Chinese Taipei on the other, there is the Senkakus/Diaoyus dispute. Between Japan and South Korea there is the Takeshima/Dokdo dispute; while between Japan and Russia there is the Northern Territories/South Kuriles dispute.

When we look at the issue of natural resources through the lenses of territorial disputes, the confrontational aspects are magnified while resource management appears anarchic and chaotic. However, a multilateral arrangement or an international convention can sometimes provide a region with an instrument for cooperation and rational management of natural resources based on bilateral agreements. A positive impact of the UN Convention of the Law of the Sea for regional bilateral agreements on fisheries is a case in point.⁴⁷

Since the entry into force of UNCLOS in 1994, the 200-mile EEZ (exclusive economic zone) has been internationally recognized. China, Japan and South Korea ratified the convention in 1996 and proclaimed their EEZs so that they entered into a new international maritime order. However, since the waters between these three countries do not extend over 200 nautical miles, the boundaries of their EEZs overlap. Thus they have to operate under tentative arrangements concluded bilaterally until permanent boundaries can be drawn.

For instance, negotiations for a new Korea-Japan fisheries agreement were initiated in May 1996. The two countries signed an agreement in November 1996 (which became effective in January 1999) that “waters within about 35 nautical miles from the territorial baseline shall be subject to direct jurisdiction of the coastal nation; reciprocal fishing is allowed with the permission of the other party for operations in waters under the jurisdiction of the other party; and intermediate zones will

be set up for waters where the EEZs overlap".⁴⁸ In addition, fishery resources of the overlapping waters will be explored and managed on the recommendations or decisions of the bilateral Joint Fishery Committee. However, South Korean fishermen did not necessarily welcome this agreement. To express their discontent strongly, over 100 Korean fishing boats surrounded Japanese patrol boats that entered South Korean waters for joint Korean-Japanese rescue training.⁴⁹

South Korea and China began to talk about a bilateral fisheries agreement in 1993, after their diplomatic relations were established in 1992. The two countries signed the Korea-China fisheries agreement in August 2000, and this came into force in June 2001. The agreement divides their waters into three categories for efficient management of marine resources by zone: "a provisional regulatory zone, where fishery resources are jointly managed by both governments; an interim management zone that will revert to the EEZ of the coastal nation in 4 years; and a zone where the fishing conditions will remain unchanged even after the entry into force of the agreement".⁵⁰ By January 2005 the number of vessels operating in each other's EEZ and their quotas were supposed to be adjusted on an equitable basis.

Tensions remain among China, South Korea and Japan over marine resources, and new bilateral agreements cannot defuse all the tensions or dissolve all contending economic interests. It is, however, fair to say that these bilateral agreements are significant in that "they have established a new fishery order among the three Northeast Asian nations under the UNCLOS, and that a foundation was laid for cooperation in management of fishery resources by the three countries in the years to come".⁵¹

Finally, the positive impact of a new institution regarding the world order on maritime resources *per se* is not insignificant, either. After the ratification of UNCLOS, an annual total catch allowable was imposed for several species. For example, sardines, mackerel, horse mackerel, saury, walleye pollack and snow crab – all of which are popular with the Japanese – are put under an annual catch restriction. Some other species will be added to the list of control. Moreover, local fishery officials are now required to use new computers to tabulate data on catches in major fishing ports, and these data are utilized for determining a "total allowable catch" of dwindling fish stocks in this region.

As for South Korea and China, similar restrictions went into effect following the ratification of UNCLOS. In addition, while South Korea and Japan planned to introduce, in November 2003, a new fishing quota system based on fish types in the joint Korea-Japan EEZ, China introduced a plan to reduce the number of fishing boats by 30,000 by 2010: from 222,000 boats in 2002 to 192,000 boats in 2010.⁵² Needless to say, viable

verification and extensive monitoring are crucial to determine how effective this new institution is for managing maritime resources.

Conclusion

As noted in the introduction of this chapter, the main discovery of this preliminary study is that there are extensive regional cooperative arrangements for ENR problems in Northeast Asia. Among them, arrangements to deal with acid rain and dust and sandstorms have the potential to evolve into a regulatory regime. Although this chapter has examined only the issue of straddle and migratory fish in the region as an example of natural resource problems, we have now begun to witness the burgeoning of region-wide multilateral management of fish stocks.

Regarding regional cooperation for acid rain concerns, EANET (the regional monitoring network) has strong potential to develop into a full-fledged regime. Yet political space for arguments still exists, especially regarding debate over sources and transport models of acid substances between countries. It is therefore necessary to overcome scientific and technical differences by political will to call for more forceful collective actions. Thus, while solidifying EANET as the source of scientific authority on sources and transport of acid substances and building a viable monitoring system (by coming up with harmonized methods for measuring acidity throughout the region) are important steps, public awareness also needs to be built up to spur political will to reduce acid deposition in the region.

Public awareness and the participation of NGOs are key ingredients of regional cooperation for the problems of dust and sandstorms. Unlike acid rain, the cause-and-effect relation of this problem is more visible and tangible. Another important factor is the active participation of China for DSS mitigation. In addition, the causes of DSSs are both natural and anthropogenic, such that nations on the down-wind side cannot deal with the problem by simply blaming the nations on the up-wind side for their inaction.

From the perspective of economic and national security interests, the issue of natural resources magnifies the confrontational aspects. Resource management, moreover, appears anarchic and chaotic. According to conventional views, there are no agreements and no regional forums to discuss the management of shared resources in this region. This view may still hold, especially if we look at the case of oil in the region. However, the case of straddle and migratory fish shows that a multilateral arrangement or an international convention such as UNCLOS can provide a region with an instrument for cooperation and rational management of

natural resources based on bilateral agreements. This is a case in point for future efforts on successful institution building for the protection and management of natural resources in Northeast Asia.

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3. “Institution” is defined herein as “a set of rules or conventions (both formal and informal), decision-making procedures, and programs that give rise to recognized practices, assign roles to participants in these practices, and govern interactions among occupants of specific roles”. This definition comes from Young, Oran R. (1994) *International Governance: Protecting the Environment in a Stateless World*, Ithaca, NY: Cornell University Press, p. 26; see also Young, Oran R. (2002) *The Institutional Dimensions of Environmental Change: Fit, Interplay, and Scale*, Cambridge, MA: MIT Press, p. 30.
4. “Regime” means here a governance system established to deal with a set of issues or a single issue. A regulatory regime refers to an institutional arrangement or a governance system established under the terms of treaties and conventions.
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17

Multilevel regionalization through think-tanks, higher education and multimedia

César de Prado

Introduction: Increasing people's exchanges in Northeast Asia

While there is no public discussion about enacting a bold policy through which all people could freely travel, work and settle in Northeast Asia, the governments of Japan, mainland China and South Korea are nevertheless softly weaving bilateral “people’s exchanges” into a more tripartite or trilateral regional space. At their meeting in November 2000, on the occasion of the ASEAN+3 summit, the three Northeast Asian leaders proposed measures to enhance human and cultural exchanges between capitals and young people. The year 2002, anniversary of several diplomatic landmarks, was designated as the “Year of Japan-China-Republic of Korea National Exchange” to complement the “China Year” in Japan, the “Japan Year” in China and the “Year of Japan-ROK National Exchange”.¹ The declaration of tripartite cooperation on 7 October 2003 in Bali, again on the margins of the ASEAN+3 summit, went further, as it included a broad set of political, economic and socio-cultural exchanges that reflected a consensual agreement towards more flexible governance.

The three-party committee, headed by the foreign ministers who study, plan, coordinate and monitor the cooperation activities, presented a glowing first-year “progress report” on cooperation in science and technology, cultural exchanges and people-to-people exchanges. It also adopted an action strategy on trilateral cooperation to enhance sport

Institutionalizing Northeast Asia: Regional steps towards global governance, Timmermann and Tsuchiyama (eds), United Nations University Press, 2008, ISBN 978-92-808-1156-8

exchanges further, encourage exchanges between local governments and launch tourism promotion programmes to entice foreign tour operators to operate in all three countries.

In the joint press statement of the third meeting of the three-party committee held in May 2005 in Kyoto, however, the foreign ministers did not elaborate on the progress of people-centred exchanges, except for a vague mention of cultural exchanges. Public awareness about these developments further decreased as China decided to cancel the seventh trilateral summit in December 2005, due to “the current atmosphere” of political posturing over historical issues. Yet the three Northeast Asian leaders gleefully appeared next to each other for a colourful picture at the first East Asian Summit held in Kuala Lumpur. It is therefore necessary to analyse whether and how people-centred exchanges contribute to the institutionalization and regionalization of Northeast Asia.

Starting from the basic assumption that knowledge construction and dissemination are essential for people-centred exchanges, this chapter will introduce three examples of multilevel knowledge construction and dissemination: the activities of think-tanks and related policy intellectual networks advising political leaders; the higher education sector; and multimedia communication which is enhanced by converging information and communication technologies that increasingly deliver supranational messages to the majority of the less mobile populations in the three countries.

Decentralizing policy knowledge to regional think-tank networks

One of the first agreements among the leaders of Northeast Asia was to create a new batch of young intellectuals who would focus on the potential for future collaboration. This implicitly gave the message that they realized they needed to escape from their “unintellectual” impasse, but were not sure of the best way to proceed. Young leaders from government, business, academia, media and people’s organizations have been meeting in the Japan-China-Republic of Korea Future Leaders Forum since 2002 – a yearly forum for the exchange of opinions in seminars and symposia, as well as field trips and visits to schools and government offices in all three countries. This forum is co-organized by the Japan Foundation, the Korea Foundation and the All-China Youth Federation, all of which are key government organizations in promoting international cultural exchange.

These seeds are planted in a land also watered from external rivers. An intellectual policy community in Northeast Asia was catalysed through

trans-Pacific links, regionally outlined through links with Europe and later enhanced by stronger dialogue and cooperation processes with Southeast Asia.² Actually, ASEAN countries are often allowed to lead formal initiatives and take much credit for helping bind Northeast Asia through ASEAN+3, the East Asian Summit and other macro-regional processes.

“All the major initiatives for the institutionalization of Asia-Pacific cooperation from the mid-1960s onwards came mainly from Japanese academics, who acted in close association with the Japanese government and in collaboration with counterparts in Australia.”³ Japanese economist Kiyoshi Kojima proposed in 1965 to create a Pacific Advanced-Countries Free Trade Area (PAFTA);⁴ although this proved unsuccessful, it led to a long series (from 1968) of Pacific Trade and Development (PAFTAD) conferences of self-selected economists from academia and government promoting economic liberalization.

Japan proposed to enlarge the Australia-Japan Business Cooperation Conference, and in 1967 hosted the first conference of the Pacific Basin Economic Council (PBEC),⁵ an association of prominent business representatives from five industrialized economies (Australia, Canada, Japan, New Zealand and the United States). The lack of governmental interest in PAFTA led Kojima to reformulate the proposal into the more flexible Organization for Pacific Trade and Development (OPTAD), aided by the writings of Peter Drysdale and John Crawford.⁶ OPTAD, too, was unsuccessful, but it generated momentum to create in 1980 another Australian-Japanese initiative, the Pacific Economic Cooperation Council (PECC), a still-active tripartite gathering of prominent (and rather liberally minded) government representatives, academics and business people. The United States remains engaged in these Track II processes.

As the above happened, one could observe parallel Track II developments in Northeast Asia dealing with thorny security issues. After the Canadian government funded some conferences in 1991–1992, the Institute on Global Conflict and Cooperation at the University of California, San Diego, in 1993 started the Northeast Asia Cooperation Dialogue between China, Japan, both Koreas, Russia and the United States. This dialogue, which peacefully “wired” (WiredForPeace)⁷ the participants through the yearly conferences to discuss many delicate issues of bilateral and regional concern, paved the way for the multilateral Six-Party Talks to deal with North Korea’s worrisome attitude.

Japan, in particular, approached Southeast Asia to enmesh China politically and intellectually. Japan induced the creation of the ASEAN Regional Forum (ARF) as a diplomatic process to create measures of confidence building and preventive diplomacy. Based on experiences

with the ASEAN Institute of Strategic and International Studies (ISIS), a think-tank network originating in trans-Pacific conferences and since the 1990s serving as an important Track II process for ASEAN, the Council for Security Cooperation in the Asia-Pacific (CSCAP) was formed and has since June 1993 been the main Track II counterpart for the ARF.⁸

Complementing the ARF/CSCAP and the Six-Party Talks in the enmeshing of Northeast Asian countries in regional dialogues is the ASEM process, which since 1996 has been promoting both bilateral and biregional cooperation, epitomized by high-level intellectual interaction in relation to political, economic and socio-cultural issues. First was the ASEM Vision Group, proposed by South Korean President Kim Dae-jung at ASEM-1, which in 1998–2000 gathered persons from academia, business, government and civil society to produce a comprehensive report with 29 recommendations to improve cooperation in the fields mentioned above.

Under the initiative of the South Korean government and in the wake of the ASEM Vision Group, the East Asia Vision Group (EAVG) was formed in December 1998. So far, the EAVG is the closest thing to a preliminary constitutional effort to help turn the ASEAN+3 regional process into a substantial East Asian Community. A total of 26 intellectuals (two per country) gathered several times before submitting a landmark report of recommendations in 2001.⁹ Then, again under Korean leadership, ASEAN+3 leaders agreed in November 2000 to convene an East Asia Study Group (EASG) of governmental officials to assess the EAVG recommendations and the implications of an East Asian Summit. The EASG, established in March 2001, submitted its own report to the ASEAN+3 leaders meeting in Cambodia during November 2002. The report argued that an East Asian Summit was both inevitable and necessary, and presented 26 recommendations generally ratifying the input of the EAVG.¹⁰

Overall, the joint goal of both reports is to promote more political and business interactions while enhancing knowledge dissemination. The achievement of such interactions and knowledge dissemination would be steered by networks of think-tanks while more permanent (but lean and effective) institutions are constructed. In other words, the construction of an East Asian Community remains largely a top-down design for the near future, although the masses would progressively be engaged. A key short-term measure was to “build a network of East Asian think-tanks”, building on the experience of the ASEAN ISIS, to form a bridge between political leaders, academics and other social groups.

Following this recommendation of the East Asia Study Group, the Network of East Asian Think-tanks (NEAT) was set up with a website¹¹

in Beijing after its first meeting there in 2003. NEAT's yearly meetings, which are held alternately in Northeast and Southeast Asia, have become increasingly structured and productive. At the second meeting, in August 2004 at Bangkok's Thammasat University, six working groups were established and sponsored by various countries.¹² At the third meeting, hosted in August 2005 by the Japan Institute of International Affairs, the first set of proposals were presented and discussed, and during the fourth NEAT meeting in August 2006 a new working group structure was proposed.¹³

NEAT and other multilevel initiatives are promoting think-tanks in Northeast Asian countries. For example, Japan's new Asia Strategy, presented just before the ASEAN-centred regional summits in December 2005, declared an intention to turn the country into the "thought leader of Asia". As a means to prepare for that declaration, the Council on East Asian Community (CEAC)¹⁴ that gathers leading Japanese think-tank and academic leaders had been inaugurated in May 2004.

Meanwhile, China's think-tanks have been adapting to the times. In the newest, post-Tiananmen generation of research sections and affiliated institutes of party organs analysing international issues, the influence of the Central Committee's China Institute of Contemporary International Relations (CICIR)¹⁵ is decreasing relative to the Foreign Ministry's China Institute of International Studies (CIIS).¹⁶ However, they are both carefully analysing the world from a multilevel perspective. In addition, the rapidly growing China Foreign Affairs University (funded by the Chinese Ministry of Foreign Affairs) nowadays wants to be the key hub of East Asian intellectual diplomacy: soon after the inaugural conference of NEAT, it became the coordinator and the host of NEAT's website.¹⁷

South Korea, which has long felt pressured to be a balancer between its larger neighbours, as a result of the recommendations of the East Asia Vision and Study Groups took responsibility for managing an East Asian Forum for prominent politicians and think-tank leaders to engage in annual dialogue. Seoul's Yonsei University, one of the promoters of the forum, has also created a Northeast Asian Network (NEAN)¹⁸ for young people to explore solutions to common problems more freely. Moreover, Korean President Roh Moo-hyun has established a presidential committee for a Northeast Asian Cooperation Initiative (NACI)¹⁹ to set up strategic lines for regional cooperation.²⁰ If much better coordinated with the policy intellectuals of China and Japan, NACI could eventually grow alongside young think-tanks and Track II initiatives to catalyse a subregional coordination office of the earlier East Asian Vision and Study Groups.

Creating joint knowledge through higher education collaboration

To help create a more knowledgeable civil society, Northeast Asian governments, advised by think-tank and policy experts, incorporated education actions in paragraph 10 of the 2003 Tripartite Declaration. The first yearly progress report of the tripartite cooperation, adopted in November 2004, already indicated growth in student and language exchanges, and progress in mutual recognition of academic credits and records through agreements between universities. Furthermore, the action strategy on trilateral cooperation, adopted in November 2004, agreed to several measures to enhance education through the promotion of high-level consultations; cooperation on the training of highly qualified personnel; mutual recognition of academic degrees, credits and records; and student exchanges.²¹

Political problems between Japan and its neighbours surprisingly seem to have catalysed enhanced knowledge cooperation. Following Japanese Prime Minister Koizumi's visit to the Yasukuni shrine on 17 October 2005, the South Korean Ministry of Education announced that it was seeking a three-way meeting with education ministers from China and Japan to address alleged distortions in history textbooks in the three countries. To prepare for this and other joint activities, the inaugural Korea-China-Japan educational directors-general meeting was held in Seoul in March 2006; each country presented its educational priorities and government policy measures, and all discussed ways to develop diverse three-way collaboration models.²² As in the case of think-tanks, the revitalization of the Northeast Asian higher education systems relies on multilevel links with key partners around the world, such as the Asia-Europe Foundation (ASEF).

To help form an East Asian higher education core, ASEF has promoted several activities in higher education, including the formation of university networks, short-term university courses and scholarship programmes. ASEF has also begun to create databases on academic programmes and scholarships and is promoting thematic networks of experts on various regional issues.

The ideas of the East Asia Vision Group, which called to "provide assistance and cooperation in . . . human resources development" and "work together with cultural and educational institutions to promote a strong sense of identity and an East Asian consciousness", were followed up by the East Asia Study Group. Japan then formed an ASEAN+3 Group on Facilitation and Promotion of Exchange of People and Human Resource Development that advanced the earlier ideas; a report was presented

to the ASEAN+3 leaders' meeting in Bali in October 2003 with 14 recommendations touching on economic, educational and social/cultural issues.²³

The people-centred economic recommendations ranged from addressing free trade and economic partnership agreements to the promotion of mobility among skilled and unskilled workers. The socio-cultural recommendations suggested promoting gender equality, youth skills, greater public appreciation of regional cultural heritage, galvanizing public actors at local levels as well as other types of community actors, and requesting advice and monitoring from Track II processes. The educational recommendations were to promote lifelong-learning programmes; credit transfer systems; scholarships and exchange programmes for students, faculty and staff; research and development cooperation; "centres of excellence", including those based on e-learning; and curriculum development as a basis for common regional qualification standards among potentially interested centres/institutions. Overall these recommendations seem a bit vague, but closer analysis suggests that much is quickly being accomplished.

Through these policies, Japan wants to consolidate itself as an intellectual hub in East Asia. According to its Ministry of Education, most of Japan's inbound foreign students come from China and other East Asian countries. The number of inbound foreign students grew from 53,847 in 1995 to 117,302 in 2004, 65 per cent of whom came from China, 12 per cent from South Korea and 14 per cent from other Asian countries.

Growth is also significant in the number of higher education initiatives promoted by Japan. The University of Tokyo, the most prestigious of the national universities, is a good example of how Japan aims to become an intellectual gateway between East and West. In 1999 the University of Tokyo (Todai) created the BeSeToHa network in collaboration with the top national universities in Beijing, Seoul and Hanoi. In 2005 the undergraduate liberal arts college of Todai created an East Asia Liberal Arts Initiative to reach out bidirectionally to China and other neighbouring countries on difficult issues.

Moreover, the Association of East Asian Research Universities links 17 centres from Japan, South Korea, China, Hong Kong and Chinese Taipei. Many Todai academics are involved in Asian issues, an increasing number of which are galvanized by the Asian Studies Network, which has been managed since its creation in 2002 by the University of Tokyo's Institute of Oriental Culture.²⁴ Research academics at that institute have in past years also helped advance several other complementary regional education and research activities.²⁵ This includes academic journals;²⁶ the Asia Barometer, the first comprehensive yearly survey on the opinions of East Asian urban residents on a broad number of issues, hoping

to find clues to help advance an (East) Asian identity; an (East) Asian Consortium of Political Research; and a Network of East Asian Studies to catalyse contemporary East Asian regional knowledge through leading national universities in the ASEAN+3 countries. The Institute of Oriental Culture also hosts an online “Gateway to Asian Studies in Japan”, which has scores of links to Japanese research centres touching on aspects of East Asia – increasing numbers of these have a regional remit or interest.

In addition, the Institute of Asia Pacific Studies Centre of Excellence on Contemporary Asian Studies,²⁷ based at Waseda University, has a number of initiatives focused on the East Asian Community. In December 2005 it held an East Asian Studies forum with representatives from Northeast and Southeast Asia to brainstorm in detail about how to create networks that can help internationalize higher education in East Asia with an East Asian dimension. As one example, the participant from China’s People’s University suggested constructing an association of research institutes for Northeast Asian studies and a network of academic associations for regional cooperation in (North) East Asia. Meanwhile, researchers at Waseda and other public and private universities also play a role in developing new technologies for education being tested for East Asian cooperation; the Asia e-Learning Network,²⁸ for example, during 2002–2006 encompassed East Asian countries focused on the expected growth of info-communication technologies in the higher education sector, mainly in China.

China’s rise and South Korean transformation

With the introduction of market economy mechanisms and growing demand for qualified manpower, China has been focusing on establishing a viable system of human resources development. An overall strategy for this is to reform its university system to face internationalization; China is now in the middle of a revolution of its higher education system that is facilitating, and perhaps determining in the longer term, the creation of a regional higher education area in East Asia. First in 1985, and again in 1993, the Party Central Committee reformed the system to promote expansion and diversification of institutions to allow private centres, to send more students abroad and to encourage further international exchange. Since the early 1990s China has consolidated its university system by merging many of them and promoting selected universities to compete globally; the number of transnational programmes, physical and online, has increased to about 800. To internationalize at home,

public authorities have recently clarified a policy of increasing (albeit controlled) semi-open inwards foreign investment.²⁹

Since the demand by potential students for domestic and international higher education is growing exponentially, many who cannot enter Chinese universities go to Japan or other East Asian countries. The regional trend is particularly seen in the intake of foreign students.³⁰ In 2003 China had some 77,715 foreign students: more than 45 per cent came from South Korea and 17 per cent from Japan. Presumably many more students will soon come from the region, because China started to implement an unprecedented plan in 2004 to attract 120,000 foreign students by 2007. Not only public universities but private colleges have been able to accept foreign students as of July 2004.³¹ The curriculum is being modernized accordingly; while in the past foreign students went to China to study the language or traditional medicine, many now go to study natural and social sciences. Not surprisingly, about 70 per cent of the joint programmes between Chinese and foreign higher education institutions focus on business and management.³²

Given the developments in Japan and China, in 2005 the South Korean government announced a plan to reverse the comparative falling of its higher education system based on five key policies:³³ university administration systems will be substantially improved; content will fit industrial demands; universities in particular will enhance regional innovation; professional graduate schools will be created to enhance the quality of university education; and specialized universities will be supported with funding based on the principles of “selection and concentration”.

A number of support schemes will connect South Korea's new higher education vision to the outside world. The government wants to enhance world-class research-oriented universities. The Brain Korea 21 project has entered its second round (2006–2012) to help students study abroad, invite foreign faculty members, provide graduate students with funds for personnel expenses and foster industry-academia collaboration. The government's Study Korea project hopes to attract 50,000 foreign students by 2010. The number of partnership agreements between Korean and foreign universities will increase. Moreover, establishing branches of Korean universities abroad will be promoted.

Regionalization through multimedia communication

The political will to construct a Northeast Asian space, shaped by the visions of policy intellectuals, may further occur as more internationally knowledgeable students graduate from reformed university systems. To

complement this long-term people-centred strategy, the governments of Japan, China and South Korea are now reaching the majority of their citizens through new types of cultural policies that profit from converging multimedia technologies. Here again Japan has been playing a leading role, although the behaviour of China is becoming the key to a knowledge-based Northeast Asian community.

Meanwhile, China's cultural adaptation is reflected in the current welcoming of the Korean cultural wave. Since the late 1990s, South Korea has also begun to welcome Japanese films, videos, manga and pop music – a policy temporarily suspended in the new century due to protest against the treatment of history in Japan's textbooks, an issue on the way to amelioration through the setting up of a joint commission of historians. While some Japanese ultra-nationalist cartoonists denigrate their neighbours, the government tries to use the mass media in a positive light. This mild Asianization of Japanese culture tends to imply a leading role for Japan.

A high-tech Japan is also helping lead East Asian countries into a more common multimedia age. In September 2001 Japan hosted the first East Asia Information and Communications Technologies (ICT) Cooperation Conference, and a year later it promoted the first China-Japan-Korea IT ministerial meeting in Morocco, a side event of an International Telecommunications Union meeting. In the second ministerial meeting, held in September 2003, the governments released a broad joint declaration for trilateral information-communications cooperation in six main areas: next-generation telecommunication service policies; 3G and next-generation mobile communications; digital TV and broadcasting (including the 2008 Beijing Olympics); open source software; network and information security; and next-generation internet (IPv6). Working groups and forums first met in spring 2004, and the next ministerial meeting held in Sapporo in July 2004 created an international cooperation working group as well as an *ad hoc* study group focused on the concept of a grand convergence idea called the "ubiquitous network". It was decided to rename the regional cooperation framework the East Asia (CJK) ICT Summit to link better with the developments towards an "e-ASEAN" aiming at free trade and investment in the area of information and communications.

A closer sectoral analysis suggests some hopeful progress in regional information-communications cooperation, which is necessary to catalyse the interest of Northeast Asian populations. The telecommunications and audio-visual sectors, traditionally under state control, are slowly becoming more open in a regional fashion as they converge with the globalizing technologies behind computing and the internet.

Telecommunications

The early generations of wireless phones in East Asia represented a fragmented panorama. While Japan encouraged indigenous systems, China and other East Asian countries mainly adopted the European GSM system. The main telephone companies, under the oversight of governments, are now adopting new generations of mobile communications that allow multimedia communication to develop more in a regionally and globally compatible manner. Japan's NTT DoCoMo, Asia's largest mobile communications provider, has built on GSM and indigenous 3G technologies to launch the Freedom of Mobile Advanced (FOMA) standard, which can be used around East Asia. A pragmatic China, which since 2001 has been the largest mobile telecommunications market in the world, has so far preferred to allow various foreign standards to compete among themselves while Chinese firms upgrade their technologies. Meanwhile, NTT DoCoMo announced in early 2006 that it was investing in South Korea's telecommunications market through a closely controlled stake in the Korea Telecom Corporation.

Naturally, Japan's multilevel strategy leads its telecommunications companies to reach into other parts of Asia that are also well linked to China. For instance, leading the Tokyo-based (and NTT-sponsored) Asian ISDN Council, which was established in 1988, reflected Japan's interest in regionalizing high-speed cable-based technologies. Original members from Korea, Singapore and the Philippines were joined by others from Thailand, Indonesia, Malaysia, Viet Nam and China. Nowadays the key public and private actors in the region gather to exchange opinions and information on technologies and their international standardization. Furthermore, the name was changed in 1999 to the Asian Info-Communications Council³⁴ in order to accommodate converging technological changes.

The Japanese government approached the Asia Pacific Telecommunity (APT) to promote regional cooperation.³⁵ The APT until recently was a relatively low-profile institution established in Bangkok in 1979 as a regional telecommunications organization under the auspices of the UN Economic and Social Committee; recently APT member countries have increasingly presented a unified voice in global venues like the International Telecommunications Union. In 1997 Japan's former Ministry of Post and Telecommunications (MPT) lobbied for a plan to create an Asian Telecommunications Standardization Institute (ATSI) within the APT. The proposal was for ATSI to become a regional body to promote the technologies of the region's companies.³⁶ Although the original plans to have a fully operative ATSI by 1999 were scaled down due to coordi-

nation problems within the many and diverse members of the APT (reaching from Iran to the Pacific), an *ad hoc* group on standardization, chaired by Japan, eventually led to an APT Standardization Program to harmonize technologies coming downstream from the ITU with local needs. Moreover, there has been substantial progress in the APT's Asia-Pacific Information Infrastructure (APII) annual ministerial meetings since the first one took place in Tokyo in 1995. The sixth APII, which met in Bangkok in August 2000, prepared for a landmark Asia-Pacific summit on the information society that took place in Tokyo in November 2000.

Expecting to gain a world leadership position in third-generation systems, Japan's MPT announced that it was compiling a blueprint to promote a single global protocol for fourth-generation (4G) mobile phone systems, allowing for rapid communication speeds for convergent multimedia, which should be ready by 2010. In 2002 Japan and Korea created a joint 4G forum to develop and standardize new mobile technologies, and even tested a pilot satellite service during the 2002 football World Cup that they jointly hosted.

Audio-visual

Although new communication infrastructures facilitate it, the key to a more common Northeast Asian regional information-communications space is the audio-visual sector.³⁷ One might assume that the prospects of broadcasting cooperation are dim, given the strong governmental protection on all forms of media communication, especially in China, as well as the media battles about territorial disputes, textbooks and history. The Chinese ruling party, through State Administration of Radio, Film and Television, controls the main TV company (China Central Television), regulates the connection and standardization of content of local cable networks and is trying to establish a national radio and cable transmission network to merge cable, wireless and satellite TV as well as internet systems.³⁸ Yet Japan's government has been trying to lead the regionalization of technology and media content in East Asia.

When colour TV appeared in the 1950s, Japan, South Korea and Taiwan decided to use the US National Television Standard Committee (NTSC) system, while China opted for a version of Germany's phase alternating line (PAL) system. During the 1990s Japan's public broadcaster, NHK, developed an indigenous digital TV technology named Integrated System Digital Broadcast for Terrestrial (ISDB-T). Now slowly being introduced, ISDB-T will dynamically compete with the indigenous types of high-definition television that the Chinese government

is nowadays considering.³⁹ Yet if Chinese competing standards find ways to collaborate with Japan's NHK, there is good reason to think that Asia could be a harbinger in the partial regionalization of TV technologies, leading to the easier exchanges of services.

As in the case of telecommunications, Japan has long been trying to reach to China through Southeast Asia. The Asia-Pacific Broadcasting Union (ABU)⁴⁰ is a professional association of terrestrial broadcasting (radio and television) carriers and producers. While the ABU was not ready to work on common colour TV standards, it has found avenues to cooperate in exchanging limited amounts of TV content and has recently declared its readiness to coordinate its activities with other standardization venues, including the aforementioned Asia-Pacific Telecommunity.

All these (and other) activities are being promoted at the ministerial level, increasingly within an ASEAN+3 framework. A first conference of the ministers of information and broadcasting in the Asia-Pacific region, which met in May 2003 in Bangkok, recognized that "media professionals can play an important role in informing, educating and entertaining the public, fostering peace and mutual respect".⁴¹ To sustain the recent expansion of distribution of films and television programmes in East Asia, under the proposal of Japan's METI in the ASEAN+3 economic ministerial meeting held in Jakarta in September 2004, ministers and experts responsible for content industries gathered at the Asian Content seminar held during the 2005 Tokyo International Film Festival.⁴² They agreed jointly to study the establishment of an Asian Content Promotion Center, develop and exchange human resources, support Asian film festivals and enhance the trade and investment environment – all activities to be followed through an Asian Content Information Network and future annual meetings.

Computing

At the same time that Japan and other East Asian countries are beginning to regionalize their traditionally closed telecommunications and media policies, there are signs of possible effective regionalization of global computing and internet technologies. Global computing technologies have allowed economic growth in much of East Asia, as countries like Japan and the "dragons" have excelled in semiconductor memories, computer peripherals (like monitors) and related consumer electronics. East Asian countries are nowadays advancing regional collaboration in operating systems, but instead of developing something totally new and incompatible, they are building upon the globally available Linux-based software and operating system. The first Asia Open Source Software symposium,⁴³ co-sponsored by Japan's Centre of International Coopera-

tion for Computerization, was held in Thailand in 2003; biannual conferences are held in East and South Asia to focus on upgrading software programming skills and the creation of regionally mutual recognition standards (although this has to take into account the current global environment, where Silicon Valley still leads a large global network of computing hubs).

On top of global operating systems, Japan and other East Asian countries have been able to promote local forms of written communication. When computers increasingly began to be used for text-based applications, global-based computing firms had to code the language scripts of the countries where computers were going to be sold. The text that computers handle was originally limited to a character set named ASCII (American Standard Code for Information Interchange) – small enough to code the simple Roman alphabet on which English is based, but not at all suited to code the many ideograms found in Chinese, Korean and Japanese scripts. Nevertheless, Japanese and other technical experts induced a compromise, in which ASCII became a subset of a globally comprehensive Unicode⁴⁴ standard that has been upgraded over the years to add more characters and languages. The issue of language script encoding may eventually bring Northeast Asian countries together in the internet-based multimedia age.

Towards internet-based regional convergence?

Keio University in Tokyo, the Asian hub of some important internet parameters, first connected to the research internet in the mid-1980s. Japan's commercial internet providers began their activities in the early 1990s, at the same time as the precursor of the Japan Network Information Center (JPNIC)⁴⁵ was formed. Since then, the country has experienced an exponential growth in connections and applications, an increasing number of them suited for the Japanese language and culture. In 2000 the JPNIC transformed into a more nimble corporation to take over the administration of the .jp domain name registration and management as well as the Japan Registry Service (JPRS),⁴⁶ which soon began a registration service for general-use .jp domain names and a better service for browsing Japanese .jp domain names through the internet.

At the same time, Japanese stakeholders have been active with other countries and regional organizations in East Asia. This cooperation includes China, whose ruling party has increased its control of the internet to limit information that the government considers harmful to basic political and social stability, but which has generally welcomed the use of the internet for economic purposes.

The Asia Pacific Networking Group (APNG),⁴⁷ originating in the National University of Singapore, is the core body for newly created regional internet organizations dedicated to the advancement of regional infrastructure. It is flexibly organized by part-time volunteers throughout the Asia-Pacific region, although the pre-eminence of the key internet players in the region – especially Japan, South Korea, Singapore and Hong Kong – is noticeable. The APNG has spawned several Asia-Pacific organizations as well as information, trade and policy discussions. One of the most relevant was the Asia-Pacific cross-country top-level domain organization, intended to coordinate and organize the region's top-level domain holders.

A key topic of interest for the APNG has been the promotion of a decentralized, multilingual internet environment. Researchers at Singapore National University's Computing Faculty in 1998 started a pilot project with academics in Japan to create domain names in Chinese, which soon developed to incorporate more languages. The project quickly became operational with the launching of services in Chinese Taipei in December 1999 by Internationalized Domain Names Solutions,⁴⁸ a largely Singaporean firm that has quickly spread throughout Asia and to the United States, for instance through the Multilingual Internet Names Consortium.⁴⁹

Given these developments around the world,⁵⁰ it may be just a matter of time before regional solutions appear in Asia. In November 2000 the US-based VeriSign Inc. had a test-bed allowing the registration of second-level domain names in Chinese, Japanese and Korean, thus still forcing the use of .com, .net and .org generic top-level domain names through the Internet Corporation for Assigned Names and Numbers (ICANN),⁵¹ a private organization that controls the public internet under the oversight of the US Department of Commerce. But the Chinese government, through the Chinese Domain Name Consortium (CDNC),⁵² blocked internal registrations, stating that registrations in Chinese are its sovereign right. In the wake of the dispute, the .asia top-level domain name was proposed in 2004 by the Hong Kong-based DotAsia Organization,⁵³ which was originally backed by a consortium of mainly East Asian country and regional internet regulators (although it soon attracted the support of a growing number of countries, organizations and companies). After long negotiations with ICANN, the DotAsia generic top-level domain name was approved in October 2006, to start operations in 2007–2008.

With the Bush Jr administration worrying about the pressure that the Chinese government puts on search engine companies like Google to comply with its stringent media regulations, China is moving further away from the shaky consensus under ICANN. In the winter of 2006

China launched a system to use Chinese characters under .cn, .com and .net top-level domain names, thus allowing users to type Chinese characters instead of Roman alphabet letters for website and e-mail addresses.⁵⁴ This system is still compatible with the global internet run by ICANN, but it could be decoupled if, for instance, decoupling was jointly agreed to by other countries writing in Chinese characters.

Concluding comments

Despite much tension over unresolved problems, the soft developments towards jointly creating a knowledge-based space in Northeast Asia presented in this chapter are raising high hopes that the seemingly “impossible” is finally within the reach of the next generation. There are, as yet, no regional institutions for the political leaders of Japan, China and South Korea to engage continuously with each other and with capable elements of their civil societies in the functional knowledge-based sectors presented in this chapter.

Nevertheless, policy leaders are allowing a growing number of think-tanks to interact through Track II processes, and are planting a few democratic seeds as they allow young leaders from non-governmental backgrounds to view the policy landscape. If minimally coordinated, it is conceivable that the growth of these parallel initiatives could herald the birth of a new type of regional governance institution that mixes the European legal approach with a more recondite Asian way of informal consultation and organization.

There is not yet an overall common Northeast Asian education space; nevertheless, higher education institutions have begun to promote structural collaboration to facilitate the further growth of knowledge exchange. Japan wants to be a hub for Chinese and other students, but China has also entered international competition to attract talent, and South Korea has finally started to catch up. Cooperation in the higher education sector among the three Northeast Asian countries should not be difficult. The development of capable human resources has been crucial to the rapid economic growth of Japan and South Korea – a situation that China would like to replicate, helped by traditional, hierarchical, hard-work Confucian values (though partially relaxed to allow for meritocratic Western values).

While Japan has experienced several waves of cultural influx from more advanced China and Korea, it is nowadays successfully reaching to its neighbours through visual and other forms of mass culture. Yet South Korea is also an important regional player, and all are committed

to advancing cultural exchanges that may easily converge in the multi-media world that internet information communications facilitate. If these exchanges continue to be softly woven into a stable pattern within an open, internet-focused world, it is conceivable that a common, friendly Northeast Asian identity may appear to complement the still-strong national identities.

To sustain the hopeful soft regionalization that links governments to an incipient civil society, the role of external partners will remain crucial. The United States is not only a regional hard power, but also a regional soft power in much of urban Northeast Asia. This power should be complemented by Europe's regional developments, which are still mainly soft. Transatlantic and other world partners could then further facilitate a gradual rapprochement between Japan and China, possibly balanced by a more stable Korean peninsula, in conjunction with Southeast Asia, which now holds the driver's seat in a series of ASEAN-centred dialogue and cooperation processes. If these steps are taken without stumbling, Northeast Asia will softly contribute to a more successful multilevel world governance system.

Notes

1. Basic government documents are available at foreign ministries' websites, including www.mofa.go.jp/region/asia-paci/asean/conference/asean3/index.html.
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3. Ravenhill, John (2001) *APEC and the Construction of Pacific Rim Regionalism*, Cambridge: Cambridge University Press.
4. Kojima presented his ideas at the International Conference on Measures for Trade Expansion of Developing Countries held on 10–13 November 1965 in the Japan Economic Research Center, Tokyo. He published his ideas together with Hiroshi Kurimoto in 1966: Kojima, Kiyoshi and Hiroshi Kurimoto (1966) "A Pacific Economic Community and Asian Developing Countries", in *Measures for Trade Expansion of Developing Countries*, Tokyo: Japan Economic Research Center, pp. 93–134.
5. See <http://home.pbec.org/>.
6. Drysdale, Peter (1968) "Pacific Economic Integration, An Australian View", in Kiyoshi Kojima, ed., *Pacific Trade and Development*, Tokyo: Japan Economic Research Center; Drysdale, Peter and Hugh Patrick (1979) "Evaluation of a Proposed Asian-Pacific Regional Economic Organization", in Congressional Research Service, ed. *An Asia Pacific Regional Economic Organization: An Exploratory Concept Paper*, Washington, DC: Committee on Foreign Relations, US Senate, reprinted in Crawford, John G. and

- Greg Seow, eds (1981) *Pacific Economic Cooperation: Suggestions for Action*, London: Selangor, Heinemann.
7. See www.wiredforpeace.org/.
8. See Sheldon, Simon (2002) "Evaluating Track II Approaches to Security Diplomacy in the Asia-Pacific: The CSCAP Experience", *Pacific Review* 15(2), pp. 167–200.
9. East Asia Vision Group (2001) "Towards an East Asian Community; Region of Peace, Prosperity and Progress", report submitted on 31 October to ASEAN Plus Three leaders, available at www.aseansec.org/4918.htm.
10. East Asia Study Group (2002) "Towards an East Asian Community", report submitted to ASEAN Plus Three leaders' meeting in Phnom Penh, Cambodia, 4 November, available at www.aseansec.org/4918.htm.
11. See www.neat.org.cn/.
12. Ibid. The six working groups were Overall Architecture of Community Building in East Asia (sponsored by Japan); Concepts, Ideas and Empowering Guidelines for East Asia (sponsored by Malaysia); East Asian Investment Cooperation (sponsored by China); East Asian Financial Cooperation (sponsored by China); Energy Security Cooperation (sponsored by Singapore); and Promoting Economic Integration in East Asia through Resolving New Global Imbalances (sponsored by Japan).
13. Ibid. The working group on Concepts, Ideas and Empowering Guidelines for East Asia was dropped; the working groups that were added were Intra-regional Exchange Rate Stability and Prevention of Financial Crisis in East Asia (to be steered by Japan), IT Cooperation in East Asia (to be steered by South Korea) and International Conference between NEAT and Other Regional Groupings (to be steered by Thailand).
14. See www.ceac.jp/j/index.html.
15. See www.cicir.ac.cn/.
16. See www.ciis.org.cn/.
17. Shambaugh, David (2002) "China's International Relations Think Tanks: Evolving Structure and Process", *China Quarterly* 171, pp. 575–596; Xuanli, Liao (2006) *Chinese Foreign Policy Think Tanks and China's Policy Toward Japan*, Hong Kong: Chinese University Press.
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18

International migration and human rights: A case for a regional approach in Northeast Asia

Tsuneo Akaha and Brian Ettkin

Introduction

The international community has been slow to recognize the need for a universal legal regime for the protection of international migrants' human rights. For example, a human rights analyst observes: "The language of human rights, not to mention the view and perspectives of migrants, have been largely absent from the migration policymaking arena to date."¹ But there has been a gradual recognition of the relationship between migration and human rights. For example, during the 1990s the UN General Assembly adopted the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICMW) and the UN Human Rights Commission identified migrants as a vulnerable group and appointed a special rapporteur in 1990. An expert study by the Sub-Commission on the Promotion and Protection of Human Rights charted the protection of non-citizens' rights under international law.² International migration is a fairly recent phenomenon in Northeast Asia. However, with cross-border migration in the region expected to grow significantly in the next decades, it is imperative to address this problem.³

International migration is a multifaceted phenomenon. It has economic, political, legal, socio-cultural and security dimensions. The largest segment of transborder human flows around the world is propelled by economic factors (lack of economic opportunities in home countries and better opportunities in destination countries). Cross-border migration in

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Northeast Asia is no exception, and it is affecting the distribution of employment, labour, human capital, disposable income and government revenues within and between the countries of the region. In addition, international migration in this region has political consequences, demanding both domestic and foreign policy initiatives and adjustments. Domestic and international legislation are often inadequate or ineffective in protecting the rights of migrants, as well as those of members of host communities. International migration in Northeast Asia affects social institutions, from the family to social networks at local, national and transnational levels. It also has consequences for the cultural values and identities of border-crossing individuals and those with whom they come into contact.

Furthermore, the economic, political, legal and socio-cultural effects of transborder migration sometimes trigger inter-state conflicts or exacerbate existing tensions at the international level. They also have consequences for human security, broadly defined as the freedom from hunger and fear. The most dramatic example of a human security problem regarding cross-border human flows in this region is the plight of North Koreans who for various reasons leave their country and move illegally into China, with many of them ending up in third countries, such as South Korea. Trafficking in humans is another human security problem. The region is also increasingly concerned about the impact of migration on public health issues, e.g. HIV/AIDS, SARS and other contagious diseases.

Building a regional institution that deals comprehensively with the multifaceted phenomenon of international migration is no easy task. Even the European Community, the most advanced regional integration scheme in the world today, is experiencing serious problems resulting from the free movement of people across national borders. As will be shown below, the need for regional cooperation over migration and human rights issues in Northeast Asia is obvious, but the difficulty of institutionalization is compounded by the diversity of the countries within the region, as highlighted by Yamamoto in this volume. Diversity is even greater when one adds Russia, as in the present analysis, to the definition of "Northeast Asia". The chapter will show that relevant norms and rules that need to be instituted within the region already exist at the global level or elsewhere in the world. Additionally, it is argued that this process can be facilitated through a regional mechanism for dialogue and rule adoption/adaptation, and that, fortunately, there are some examples (and merits) of this approach outside Northeast Asia from which the regional leaders can learn.

This brief analysis will examine the potential value of a regional approach to the protection of the human rights of international migrants

in Northeast Asia. More specifically, it will address three questions. How may a regional approach contribute to the promotion and protection of the human rights of international migrants? What obstacles might limit the development of a regional approach? What lessons can we learn from regional frameworks and processes developed in other parts of the world? Before addressing these questions, the chapter first provides an overview of the current state of cross-border migration in Northeast Asia and the human rights issues that have emerged as a result.

Definition of terms

This chapter is primarily concerned with migration across national borders, leaving internal movement of people to other studies. Traditional population studies define migration as “the geographic movement of people across a specified boundary for the purpose of establishing a new permanent or semipermanent residence”.⁴ This definition, however, overlooks some of the nuances of primary migration modes in Northeast Asia – such as Chinese shuttle traders moving between northeast China and the Russian Far East. Such cross-border human flows reflect a different type of migration. Their impact on both the sending and receiving countries may be greater than that of the itinerant businessperson or tourist.⁵ Thus, *migration* is defined broadly to include temporary human flows across national borders, in addition to migration for the purpose of establishing new and more permanent residence.

Most of the cross-border movement of people takes place legally, but some of it is illegal, and this discussion includes both types. It covers people who, for the most part, voluntarily cross national borders, refugees who are compelled to flee their country of origin for various reasons and persons who are trafficked abroad against their will.

The 1951 UN Convention Relating to the Status of Refugees and its 1967 Protocol define a *refugee* as an individual who “owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality, and is unable or unwilling to avail himself of the protection of that country”. A broader definition of refugee has been used in various parts of the world, to include people who move as a group across international boundaries to escape war or civil conflict.⁶ The very definition is a subject of controversy and of consequence to the protection of human rights of individual citizens in Northeast Asia.

Human trafficking is defined as “the recruitment, transportation, transfer, harboring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the

abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation”, and *exploitation* is defined to include “at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs”.⁷

In the present discussion, *human rights* is also defined broadly and includes all the basic rights enshrined in international human rights conventions and those human rights for which there is widely recognized customary international law, as well as those rights which are not yet firmly established.

As to the definition of “Northeast Asia”, the difficulty of drawing clear boundaries affects our understanding of international migration in the region. However, in the present chapter, Northeast Asia is geographically limited to the three northeastern provinces of China (Heilongjiang, Jilin and Liaoning), the DPRK, Japan, Mongolia, the ROK and the territories of the Russian Far East.

International migration in Northeast Asia

Causes

The causes of migration, whether in Northeast Asia or elsewhere in the world, are some combination of demographic, economic, political and other factors. In the case of Northeast Asia, demographic and economic conditions play the largest role. Both sets of conditions have push and pull components.

Demographically, China’s large population is the most evident push factor in the region, and significant internal migration, accompanied by rapid urbanization, increases the pressure for continued migratory outflows to other nations.⁸ On the pull side, many receiving nations – in particular Japan, the ROK and Russia – in the region are entering a phase of population decline due to low fertility rates and, in the case of Russia, high morbidity as well. The ageing of the labour force in these same countries has led to a shift in the population structure in which a growing number of elderly dependants must be supported by a diminishing number of workers.

Migration for economic purposes is not a new phenomenon in Northeast Asia, although it may have been temporarily suspended due to Cold War political factors.⁹ In terms of labour supply, underemployment in sending countries (e.g. unemployment in China’s northeast, economic

depression in the Russian Far East, etc.) serves as the main push factor. Northeast Asia has become host to migrants from Asian nations outside the region experiencing economic hardship. Rapid economic development and the need for low-wage manual labourers in Japan and the ROK set the stage for the demand side of labour migration in the region, a demand increased by population decline and ageing.¹⁰ However, both Japan and the ROK have long maintained restrictive immigration policies. As a result, illegal or irregular migration into these countries has grown in recent years.¹¹

In addition to demographic and economic reasons, individuals might be motivated to leave their home countries for political reasons. The political situation in Northeast Asian nations has been relatively stable. Moreover, potential receiving states, namely Japan and the ROK, have been reluctant to accept refugees. Consequently, the flow of refugees and other displaced persons in Northeast Asia has been relatively small as compared to other regions. The primary exception is the DPRK, as discussed below.

Dynamics

Northeast Asia was home to 18,576,777 international migrants in 2005, as compared to 15,817,487 in 1990 (if Hong Kong and Macao are excluded, the figures are 15,320,798 in 2005 and 13,394,840 in 1990). All nations increased their stocks of international migrants; some countries (e.g. Japan and China) saw the total number of migrants increase almost twofold (see tables 18.1 and 18.2).¹² What is missing is the composition of this migrant stock. Data for all Northeast Asian countries are incomplete.

Russia, the country with the largest migrant stock in Northeast Asia, compensated for 14 per cent of its population shortfall with immigration in 2004, and this figure is expected to grow to 22 per cent in 2008.¹³ However, Northeast Asian countries are neither major sources nor major destinations of migration. No nation in this region has ranked in the top five sending nations to Russia since 1994, when officials registered an inflow of 328,368 Chinese nationals.¹⁴ Of course, actual numbers may be different, given significant suspected irregular migration into the Russian Far East from China.

In the ROK the economy has become increasingly dependent on labour migration since the 1980s. The ROK supplements its labour force with workers from the region, many of whom are undocumented.¹⁵ Inflows of officially employed migrants to the ROK peaked in 1989 with 164,463 persons, the majority of whom were from Japan. After some decline in the 1990s, the numbers rose again. In 2002 the ROK received 118,303 persons, and over the same period it was a sending country to

Table 18.1 Migrant stock, Northeast Asian nations, 1990–2005

Major area, region or country	Estimated number of international migrants at mid-year (both sexes, thousands)			Estimated total population at mid-year (millions)			International migrant stock (% of population)			Net migration (thousands)			
	1990	2000	2005	1990	2000	2005	1990	2000	2005	1990	1995	2000	2005
Eastern Asia	4,293	4,986	6,497	1,350	1,481	1,513	0.32	0.39	0.43	–	–	–	–
China	380	441	596	1,155	1,275	1,305	0.03	0.04	0.05	–528	–1,281	–1,950	–1,950
Hong Kong	2,218	2,432	2,999	5.7	6.8	6.9	38.9	40.5	43.2	25.8	300	300	300
Japan	877	1,260	2,048	123.5	127.0	127.8	0.7	1.3	1.6	158	248	280	270
DPRK	34	35	37	20.0	22.3	22.5	0.17	0.17	0.16	0	0	0	0
ROK	572	584	551	42.9	46.8	48.3	1.33	1.21	1.14	–189	–115	–80	–80
Macao	204	224	257	0.37	0.45	0.46	54.9	54.2	55.9	37.8	16.4	16.4	10
Mongolia	7.0	7.4	9.0	2.2	2.5	2.6	0.32	0.34	0.36	32.7	–60	–90	–50
Russian Federation	11,525	11,707	12,080	148.3	145.6	145.1	7.8	8.1	8.4	1,314	1,858	2,300	400
NEA, all territories	15,981	16,693	18,577	1,498	1,627	1,656	0.08	1.27	1.12	852	967	777	–1,100
NEA, no HK and Macao	13,559	14,036	15,321	1,492	1,619	1,649	0.08	1.07	0.93	788	651	460	–1,360

Source: World Bank, “World Development Indicators”, available at <http://devdata.worldbank.org/>.

Table 18.2 Gender composition of migrant stock, Northeast Asian nations, 1990–2005

Major area, region or country	Estimated number of female migrants (thousands)			Estimated number of male migrants (thousands)			Female migrants as % of total migrants		
	1990	2000	2005	1990	2000	2005	1990	2000	2005
Eastern Asia	2,109	3,004	3,477	2,184	2,682	3,020	49.1	52.8	53.5
China	186	251	292	193	261	303	49.1	49.1	49.1
Hong Kong	1,093	1,456	1,620	1,126	1,245	1,378	49.3	53.9	54.0
Japan	436	858	1,103	441	762	946	49.7	52.9	53.8
DPRK	16.8	19.3	19.8	17.4	16.9	16.9	49.1	53.2	54.0
ROK	265	285	295	307	284	256	46.3	50.1	53.5
Macao	108	131	142	96	109	115	53.0	54.5	55.2
Mongolia	3.3	4.4	4.9	3.4	3.8	4.2	49.1	53.2	54.0
Russian Federation	6,505	6,847	6,979	5,020	5,045	5,101	56.4	57.6	57.8
NEA, all territories	8,614	9,851	10,456	7,204	7,727	8,121	54.4	56.0	56.3
NEA, no HK and Macao	7,413	8,264	8,694	5,982	6,373	6,627	55.3	56.5	56.7

Source: UN Population Division, “World Migrant Stock: The 2005 Revisions”, available at <http://esa.un.org/migration/index.asp?panel=1>.

Japan, Hong Kong, Taiwan, Singapore, China and the Philippines. By 2003 foreign workers comprised about 2 per cent of the ROK labour force. Estimates place the total number of foreign workers at 388,816 persons. Most work in low-skilled occupations, and about 35.5 per cent are presumed to be irregular workers.¹⁶

Japan also relies increasingly on migrant labour. The labour force saw the number of foreigners working legally in Japan jump from 750,000 in 1975 to 1.8 million in 2001. This last figure was supplemented by a supposed 250,000 irregular workers.¹⁷ By 2004 the number of registered foreigners living in Japan had increased to 1,973,747 persons.

Over the past 30 years China has emerged as one of the world's leading sources of labour migration outflows. However, in recent years the dynamics of migration in China have grown more complex, and it is becoming both a sending and a receiving country.¹⁸ Without question, China remains a major migrant-sending nation. In 2002 118,000 Chinese nationals took up residence overseas, up from 70,000 in 2001. The Chinese government registered a total of 20,204,600 exits in 2004.¹⁹

Refugees

Despite an increasing number of persons of concern to the UN High Commissioner for Refugees (UNHCR) around the world, the global refugee population has steadily dropped since 2001; it reached an estimated 8.4 million persons at the end of 2005, marking a 31 per cent decline over the previous five years.²⁰ The refugee population in Northeast Asia has also declined steadily. In 1996 there were a reported 542,080 refugees located in Northeast Asian nations (excluding Hong Kong and Macao SARs).²¹ China accounted for more than half of this number and Russia for just less than half.²² By 2005 the total refugee population in the region had declined to 304,577 persons. Of this number, the vast majority (98.84 per cent) lived in the People's Republic of China.²³ With this decline in refugee population, Northeast Asia's share of the global refugee population – though never significant compared to other regions – has diminished as well. In 1997 the region accounted for 4.51 per cent of global refugees; that share declined to 3.63 per cent in 2005.²⁴

China is both a refugee-sending and receiving country. Almost all official refugees entering the People's Republic of China arrive from Viet Nam. Refugees leaving the PRC mostly seek asylum in Western nations (the United States, Germany, etc.) and India. China is a signatory to the 1951 Convention and the 1967 Protocol.²⁵ As will be discussed later, the Chinese government has been reluctant to classify North Koreans in

the PRC as anything other than economic migrants.²⁶ This has made it difficult for observers to estimate their numbers, with estimates ranging from 10,000 (according to official Chinese reports) to 400,000 (according to various NGOs).²⁷ A reasonable estimate appears to be between 50,000 and 100,000 North Koreans living in China, primarily in Yanbian province bordering the DPRK.²⁸

Little information is available regarding the refugee population of the DPRK.²⁹ The country is not a party to any of the international conventions on refugees and appears to have no policies or legislation protecting the rights of refugees and asylum-seekers. Its closed regime and harsh socio-political environment make it unlikely that the DPRK would be a destination for refugees from other nations. As noted above, it is suspected that a large number of DPRK citizens have crossed into the PRC's Yanbian region since the 1990s, but the numbers of such individuals appear to have levelled off more recently. It is unclear whether their purpose is to seek out better economic opportunity or to escape the severe living conditions of the DPRK. Freedom of movement in the DPRK is highly restricted, and it is likely that any attempt to seek asylum in neighbouring China or Russia would meet with harsh punishment by the DPRK government. Nonetheless, the US Department of State reports that a few thousand North Koreans gained asylum in third countries in 2006. The DPRK does issue short-term exit visas for North Koreans with family on the Chinese side of the border and for small-scale trade with Chinese border communities. There are also reports of officials in border areas taking bribes from persons crossing into China without required permits. The law criminalizes defection and attempted defection. Individuals who cross the border with the purpose of defecting or seeking asylum in a third country are subject to a minimum of five years of "labour correction". Some defectors or asylum-seekers are subject to indefinite terms of imprisonment and forced labour. The UN special rapporteur's August 2005 report states a new policy enabled persons leaving the country for non-political reasons to return with the promise of a pardon under the penal code. There are also reports that punishments have lessened in recent years.³⁰

Japan is signatory to both the 1951 Convention and the 1967 Protocol. It receives a very small number of refugees, at a mere 145 persons in 2005, most of them from Southeast Asia and Turkey.³¹ On the whole, Japan has well-established legal and procedural frameworks for managing refugee issues. The Japanese government supports family reunion of refugees and does not detain asylum-seekers without legal status. Poor training, however, seems to have led to incidents of UNHCR-recognized refugees being detained or asylum-seekers being rejected. Japan's many

complex immigration rules often make the asylum application process unnecessarily complicated and drawn out.³²

The US State Department reports that Mongolia is not a party to the 1951 Convention or the 1967 Protocol. The Mongolian government has not established laws or rules for granting refugee status. Nevertheless, Mongolia did adhere to some bare minimum practices with regards to refugees, including non-refoulement. Asylum requests were rarely granted. The Mongolian government has embarked upon minimal cooperation with the UNHCR. No data are available on the refugee population of Mongolia, although the US State Department reported that in 2005 several hundred North Koreans entered the country from China and the government allowed them to resettle elsewhere. It also reported that the Mongolian government's concern about the potential for larger number of migrants arriving from neighbouring countries increased its opposition to the 1951 UN Convention.³³

The Republic of Korea is a signatory to both the 1951 Convention and the 1967 Protocol. Its refugee population in 2005 was minimal (69 individuals), according to one report.³⁴ A different report estimated the refugee population in South Korea at 2,400 persons as of the end of 2006.³⁵ Most asylum applicants were from China. The primary destination for refugees from the ROK was Canada.³⁶ ROK policy towards refugees is rather restrictive. Filing and receiving asylum status are complicated, although UNHCR assistance has helped improve some of the asylum procedures. The main exception to South Korea's relatively rigid stance towards refugees is the case of North Koreans. ROK law affords refugees from the DPRK citizen status upon defection from the North. South Korea also facilitates the processing of North Koreans from third countries.³⁷

The Russian Federation is party to both the 1951 Convention and the 1967 Protocol. For most of the 1990s Russia was home to large numbers of refugees, partly due to the massive upheavals following the disintegration of the Soviet Union and partly due to armed conflict in border regions of the Caucasus, primarily Chechnya. By 2005 Russia's official refugee population had declined to 1,523 persons. Much of this decrease is accounted for by naturalization of refugees.³⁸ Major refugee origin countries were former Soviet republics; Northeast Asian nations were not major sources of refugee flows to Russia.³⁹ Russia is also a significant refugee-sending nation, primarily to Western countries. According to the UNHCR, the number of Russian refugees has grown from 28,314 persons in 1999 to 102,965 in 2005.⁴⁰ Despite its accession to the conventions on refugees, Russia's handling of refugees and asylum-seekers has been problematic. Violations of the protocols include frequent refoulement of

refugees (in contradiction to the existing Law on Refugees), refusal to grant asylum and refusal to grant legal entry to the country for rejected asylum-seekers. It was hoped that the 2002 Law on Citizenship would clarify some refugee issues, especially for citizens of former Soviet republics, but the law actually introduced more difficulty into the citizenship process.⁴¹

The above survey indicates that the scale of refugee problems varies greatly from country to country. Some countries are both refugee-sending and receiving countries, while others are refugee-receiving countries. As a result, the urgency with which the countries deal with the refugee problem also varies, as does the manner in which they do. Harmonizing refugee policies among the countries of the region is therefore extremely difficult.

Human trafficking

One of the consequences of increased movement of people across borders in Northeast Asia has been a definite rise in human trafficking. All Northeast Asian nations are in some way involved in the process of the illegal transport of humans across national borders for commercial sexual exploitation and forced labour. Countries may be simultaneously any combination of senders or receivers of trafficked individuals, or transit points for further travel to third countries. Moreover, human trafficking processes in Northeast Asia are very much linked with Southeast Asian and global trafficking flows.⁴²

There are no reliable data on trafficking in the Northeast Asian region, which is to be expected for an illegal activity that is often associated with organized crime networks. Some estimates put the global flow of trafficked persons at nearly 1 million individuals. If all of Asia accounts for about one-third of this number, then Northeast Asia's share of human trafficking flows is less than 300,000.⁴³ Table 18.3 shows human trafficking linkages in Northeast Asia.

The primary characteristics of human trafficking are similar across the region. The quest for economic opportunity is one factor. Many victims of trafficking are deceived by traffickers, who lure them with promises of legitimate employment in foreign countries. In many cases, victims even pay large sums of money to their exploiters as a service fee.⁴⁴ The combination of restrictive migration policies and legal loopholes (such as Japan's now-defunct "entertainer" visa system) also facilitates the spread of trafficking.⁴⁵ Another characteristic is the increasing feminization of international migration in Asia.⁴⁶ Women migrants tend to be more

Table 18.3 Human trafficking linkages in Northeast Asia

NEA country	Sending to:	Receiving from:	Transit point
China	Japan, ROK, Russia, Singapore, Sri Lanka, Taiwan, rest of world	Mongolia, Myanmar, North Korea, Russia, Viet Nam	Yes
DPRK	China, Russia	China	—
Japan	—	China, Philippines, Russia, Taiwan, Thailand	Minor
Mongolia	China, ROK	—	—
ROK	Japan, United States, Canada, Hong Kong, Australia, New Zealand	China, Philippines, Russia, Thailand, Viet Nam	Yes
Russia	China, Germany, Japan, Mongolia, Portugal, ROK, Gulf states, Macao, Sri Lanka, Turkey	China, DPRK, Central Asia, former Soviet republics	Yes

Sources: Wickramasekera, Piyasiri (2002) *Asian Labour Migration: Issues and Challenges in an Era of Globalization*, International Migration Programme, International Labour Office No. 57, Geneva: International Labour Office; Papademetriou, Demetrious and Sarah Margon (2005) "International Migration Trends and Patterns in Asian and Oceania", in Irena Omelaniuk, ed., *World Migration 2005: Costs and Benefits of International Migration*, Geneva: International Organization for Migration; US Department of State (2005) *Trafficking in Persons Report*, Office of the Under Secretary for Global Affairs No. 11252, Washington, DC: US Department of State; US Department of State (2007) "US Department of State Publication 11407", Office of the Under Secretary for Democracy and Global Affairs and Bureau of Public Affairs, June.

vulnerable to trafficking, especially women in marginalized positions (divorced, widowed, etc.).⁴⁷

North Koreans in Northeast Asia: Refugees or economic migrants?

The status of North Korean migrants in Northeast Asia has become a topic of heated debate in the region. As noted earlier, the Chinese government is reluctant to classify North Koreans in China as anything other than economic migrants.⁴⁸ There are no reliable data, and this fact alone calls for investigation of the problem through international collaboration.⁴⁹

Because of their uncertain status in China, North Korean migrants are highly vulnerable to human rights violations.⁵⁰ Likewise, China's insistence that these North Koreans are just economic migrants means that those who are seeking refuge are usually refused the right of transit to a third country or, worse, are returned to the DPRK. The problem of North Koreans in China is exacerbated by the Chinese government's refusal to fulfil its obligations under various international conventions to which it is a signatory. Thus the government continues to deny UNHCR requests to monitor the situation in northeast China.⁵¹

In recent years, some North Koreans with the clear intention to defect have found their way to South Korean or third-country diplomatic missions in China. The ROK offers all Koreans from the DPRK full South Korean citizenship. Since the end of the Korean War an estimated 6,000 North Korean "refugees" have arrived in South Korea, including 460 North Korean defectors airlifted from Viet Nam to Seoul in 2004.⁵² As a result of several widely publicized defections, the Chinese government seems to be trying to make this method of defection nearly impossible by increasing the police guard around foreign consular offices.⁵³

Human rights problems of migrant workers in Northeast Asia

Less politically visible but of greater scale than the North Korean migrations are migrant workers in Northeast Asia. Their plight mirrors that of migrant labourers elsewhere in the world.

Participants in a regional hearing for Asia and the Pacific organized by the Global Commission on International Migration (GCIM) in May 2004 described as "benign neglect" the situation of migrant workers in many parts of Asia and the Pacific who work in deregulated sectors. Among various matters, participants discussed the need for comprehensive national frameworks to address migration issues based on appropriate legislation and structures, combined with a stronger sense of social responsibility among all stakeholders. In view of the feminization of migration in the region, the participants also discussed the need for appropriate policies to prevent the disempowerment and exploitation of women as a result their migration.⁵⁴

Participants outlined essential elements to ensure human rights protection: minimum standards based on international law; redress mechanisms in countries of origin and destination; and representation through trade unions and other ways. They also emphasized the importance of raising migrants' awareness of their rights, discussed whether irregular migrants

should be afforded the same basic rights as legal migrants and considered whether migrants should have the same rights as nationals.⁵⁵

Also helpful in the discussion of migrant workers in Northeast Asia is a 2003 International Organization for Migration report on labour migration in Asia.⁵⁶ The report points to uneven and incomplete application of legal guarantees and protections in the areas of access to employment, equal treatment in respect of remuneration and wages for performing the same work, freedom of association and the right to organize, and right to social security provisions.⁵⁷

Northeast Asian countries and international human rights law

An important measure of a state's commitment to the protection of human rights of migrants is whether it is a party to the core international human rights conventions and international treaties pertaining to migration. Table 18.4 lists these treaties and indicates the ratification status of the Northeast Asian states. Most states in the region are parties to the core international human rights treaties, with notable exceptions being China and North Korea.

As of 18 July 2007, none of the Northeast Asian states has joined the two ILO conventions related to migrant workers or the ICMW. This testifies to the general lack of commitment on the part of the regional states to legally binding rules concerning the protection of migrant workers' rights. A UNESCO-sponsored study in 2003 examined the reasons behind Asia-Pacific countries' unwillingness to sign the ICMW. The case study of seven countries (two sending countries – Bangladesh and Indonesia; five receiving countries – Japan, South Korea, Malaysia, New Zealand and Singapore) revealed two major obstacles. First, sending countries feared that ratification would result in a loss of labour markets in destination countries to their non-ratifying competitors. Second, receiving countries were reluctant to join the ICMW because of the protections the convention would give to irregular migrants and the perception that it would require the admission of migrant workers' family members.⁵⁸

Regional approach in Northeast Asia

Recognizing the central role of states in the management of cross-border movement of people, we must turn ultimately to each state for crafting

Table 18.4 International human rights treaties and states parties in Northeast Asia (as of 3 June 2005)

	ICERD	ICCPR	ICESCR	CEDAW	CAT	CRC	Trafficking Protocol
China	a		r	r	r	r	
Japan	a	r	r	r	a	r	
ROK	a	a	a	r	a	r	
DPRK		a	a	a		a	
Mongolia	r	r	r	r	a	r	
Russia	a	r	r	r	r	r	r
	Vienna Convention	Refugee Convention	Refugee Protocol	ILO C97	ILO C143	ICMW	
China	a	a	a				
Japan	r	a	a				
ROK	r	a	a				
DPRK	a						
Mongolia	a						
Russia	r	a	a				

Notes:

ICERD: UN International Convention on the Elimination of All Forms of Racial Discrimination (adopted 1965; entered into force 1969; ratified by 170 states as of 1 March 2005).

ICCPR: UN International Convention on Civil and Political Rights (adopted 1966; entered into force 1976; ratified by 154 states as of 1 March 2005).

ICESCR: UN International Covenant on Economic, Social and Cultural Rights (adopted 1966; entered into force 1976; ratified by 151 states as of 1 March 2005).

CEDAW: UN Convention on the Elimination of All Forms of Discrimination against Women (adopted 1981; not yet in force; ratified by 179 states as of 1 March 2005).

CAT: UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (adopted 1987; not yet in force; ratified by 139 states as of 1 March 2005).

Table 18.4 (cont.)

CRC: UN Convention on the Rights of the Child (adopted 1989; entered into force 1990; ratified by 192 states as of 1 March 2005).

Trafficking Protocol: Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the UN Convention against Transnational Organized Crime (adopted 2000; entered into force 2003; ratified by 87 states as of 4 September 2005).

Vienna Convention: Vienna Convention on Consular Relations (adopted 1963; entered into force 1967; ratified by 166 states as of 1 March 2005).

Refugee Convention: UN Convention Relating to the Status of Refugees (applied to refugee situations before 1951; adopted 1950; entered into force 1954; ratified by 142 states as of 1 March 2005).

Refugee Protocol: UN Protocol Relating to the Status of Refugees (applied to refugee situations after 1951; adopted 1967; entered into force 1967; ratified by 142 states as of 1 March 2005).

ILO C97: ILO Convention Concerning Migration for Employment (Convention No. 97; adopted 1949; entered into force 1952; ratified by 42 states).

ILO C143: ILO Convention Concerning Migrants in Abusive Conditions and the Promotion of Equality of Opportunity and Treatment of Migrant Workers (Convention No. 143; adopted 1975; entered into force 1978; ratified by 18 states as of 1 March 2005).

ICMW: UN International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (adopted 1990; entered into force 2003; ratified by 27 states as of 1 March 2005).

Ratification (r); accession (a)

Source: www.unhcr.org/cgi-bin/texis/vtx/refworld/rwmain?page=type&skip=0&type=MULTILATERALTREATY.

legislation, policies and other instruments in the promotion and protection of the rights of migrants. National measures must be made consistent with internationally established principles and norms. They must also represent the interests of all stakeholders: national agencies (foreign policy, labour, health, social welfare, public safety, child welfare and law enforcement); local governments; major employers; labour unions and other spokespersons for workers' interests; the legal profession; human rights NGOs; women's organizations; and the educational community (particularly in view of the impact of migration on children's education).

Although bilateral arrangements help the states concerned manage cross-border migration and reduce illegal or irregular migration, they are likely to result in uneven and unequal treatment of migrants of different nationalities. Therefore, states must be urged to develop, as much as practicable, uniform standards for foreign migrants regardless of their nationality.

Harmonization, i.e. the elimination of discrepancies, between national rules and practices can be facilitated through regional policy dialogues. Harmonization must not result in the lowering of standards towards the least common denominator, but rather encourage the emulation by states with lower standards of higher standards and the best practice in the field. A recent review of various regional consultative migration processes (RCMPs) has found that regional dialogue processes do indeed promote convergence in policy and practice in international migration, and that regionalization of dialogue through these processes is generally complementary to international efforts.⁵⁹

The 2003 issue of *World Migration* by the International Organization for Migration (IOM) reaches similar conclusions about the contributions the regional processes are making.⁶⁰ The annual report identifies four principles common to regional consultative processes (RCPs): promotion of exchange of information towards a common understanding of migration issues; protection of the fundamental human rights of migrants, including the right to non-discrimination; reinforcement of efforts to prevent and combat irregular migration, including smuggling and trafficking; and facilitation of voluntary return as a strategy to reduce irregular migration.⁶¹ The report concludes with a 10-point plan for successful cooperative approaches in migration management. These points are relevant to regional dialogue processes in Northeast Asia and are worth listing.

- Participants must take ownership of the process.
- There should be continuity, with regularly scheduled meetings.
- There should be common agreement on priorities.
- Meetings should be focused on specific issues, with clear and comprehensive objectives.

- Issues should be focused on enhancing understanding and regional co-operation in migration management.
- The process should begin with and be continuously upheld by a compilation and sharing of reliable and accurate data.
- Meetings should take place at defined administrative levels – for instance at strategic policy level, or programme implementation level, or at the technical expert level.
- Participation should be comprehensive – from all relevant ministries, as well as from relevant intergovernmental and non-governmental organizations where appropriate.
- Funding stability should be provided to ensure continuity.
- A core secretariat is essential to ensuring regularity and continuity.⁶²

Migration is not a priority issue in the various regional institutions that exist in the Asia-Pacific, including the Association of Southeast Asian Nations (ASEAN) and the Asia Pacific Economic Cooperation (APEC). In the migration field there are three major regional consultative processes in Asia: the Manila Process (established in 1996); intergovernmental Asia-Pacific Consultations (APC) on refugees, displaced persons and migrants (1996); and the 2002 Bali Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime (Bali Conference).

There is thus some experience in regional consultations in Asia regarding international migration issues, and the experience is growing. However, none of the above-mentioned processes is focused on Northeast Asia. This is largely because the most serious migration issues in the Asia-Pacific involve South and Southeast Asian migrants and their governments have been compelled to consult with each other in multilateral forums, while Northeast Asian states have preferred to deal with migration issues either unilaterally or bilaterally.

Several factors complicate the development of regional dialogue within Northeast Asia. First, the interests and concerns of the Northeast Asian governments regarding migration vary widely. Two states in the region (Japan and South Korea) see themselves mostly as receiving states; three states (China, Mongolia and North Korea) view themselves primarily as sending states; and one state (Russia) perceives itself mainly as a receiving state, at least in the post-Soviet context.

Second, Northeast Asian states have preferred bilateral consultations. This is largely due to the nature of the migration issues within the region. China and Japan are increasingly concerned about the negative consequences of illegal and irregular migration of Chinese citizens to Japan and recognize the need to manage migration from China to Japan. At the same time, they are also making efforts to expand the bilateral flow

of Chinese and Japanese citizens for tourism and other short-term purposes. It appears that Beijing and Tokyo believe they should deal with these problems unilaterally or bilaterally. Similarly, China and Russia have been consulting bilaterally over mutual visits by Chinese and Russian citizens. The presence of large numbers of Chinese in Russia and the travel by even larger numbers of Russians to China have not generated any significant consequences for other countries in Northeast Asia.

The one important migration issue in Northeast Asia that has had clearly multilateral implications is the defection of unknown numbers of North Koreans to China, South Korea, Japan and Mongolia. Because of the political sensitivity of the issue, however, the governments of these countries have opted to handle the problem quietly and through bilateral channels – Beijing with Pyongyang, Mongolia with Pyongyang, Seoul with Beijing and Tokyo with Beijing.

More generally, Northeast Asian countries have not developed the habit of multilateral dialogue that is well developed in Southeast Asia, e.g. ASEAN and the ASEAN Regional Forum (ARF). Even though some Northeast Asian countries participate in the ARF and ASEAN Plus Three processes, those forums address issues that concern either Southeast Asia primarily or the entire East Asian region.

The fact that migrants in Northeast Asia come from all around the world argues for a multilateral process that is open not only to regional countries but also to representatives of other parts of the world. Extra-regional and inter-regional migration issues should also be taken up in developing a regional cooperation scheme in Northeast Asia. Cooperation with Southeast Asian partners is particularly important because Northeast Asian states are destination and transit countries for large numbers of Southeast Asian migrant workers and trafficked persons.⁶³ Participants should also include representatives of international organizations, e.g. the UNHCR, the ILO, the IOM and the GCIM.

Conclusion

By all accounts the cross-border movement of people in Northeast Asia is bound to grow in the foreseeable future. The demographic changes in the region's countries, the labour needs of the economies of the region and the need to sustain essential social institutions in the region (such as marriage, family and social welfare) all point to increased migration throughout Northeast Asia. This means that the Northeast Asian states must develop mutually beneficial mechanisms for managing population flows across their borders.

Migration issues that require national, regional and international attention are wide-ranging. They include national legislation and policy frameworks that comprehensively address the human rights of migrants; the feminization of migration; migrant women's health and reproductive rights; migrants' children and their education; irregular migration, return and readmission; trafficking and smuggling in humans; domestic workers; refugees; asylum-seekers; law enforcement; detention; deportation; illegal employment; illegal labour recruitment; transnational organized crime groups; the sex industry and other informal sectors; work conditions and benefits; racism and xenophobia; and multiple citizenship.

As has been seen in this chapter, there is currently no institutional framework for regional cooperation in the protection and promotion of human rights of international migrants in Northeast Asia; hence the urgent need for such cooperation. But what form should institutionalization take? If the goal is to protect and promote the human rights of migrants within the region, the authors believe that "soft" institutionalization rather than "hard" institution building is what is needed. What is required are principles and norms, not a permanent organization with a fixed membership or secretariat. And indeed, as this study has shown, relevant principles, norms and even rules that should be incorporated into legislation and practice within this region already exist or are being developed at the global level or elsewhere in the world. Ideally, globally established or developing principles and norms should be adopted "as is" rather than being selectively adapted to meet the local conditions, although it is recognized that this is easier said than done.

In addition, it is proposed that both to facilitate speedy adoption of such norms and principles into legislation and practice and to ensure consistent rules, the countries of the region should engage in a regularized and routine process of dialogue that represents the interests of all stakeholders and is open to actors outside the region as well. Since the resulting system of legal and non-legal principles should ideally apply fairly and equally to migrants of all nationalities, the inclusive approach is advocated. Fortunately, as we have seen, there are some examples of this approach outside Northeast Asia from which the regional leaders can learn. Regional discussions will be helpful in developing a common language for discussion, a common understanding of the issues involved, a shared concern for the human rights and welfare of individual citizens and a sense of common goals in promoting and protecting these rights.

Finally, this chapter is concerned with the rights of individual citizens and recognizes the important role that non-governmental groups and organizations play in both institutionalizing and implementing relevant principles, norms and rules. However, the ultimate responsibility for the protection of the human rights of international migrants rests with the

national governments, and they must be empowered to carry out that responsibility. Therefore, neither the “top-down” nor the “bottom-up” approach is adequate.⁶⁴ We need a combination of both.

In conclusion, “outside-in institutionalization” and “soft” institution building will be the desirable approach to developing regional cooperation in the protection and promotion of the human rights of international migrants in Northeast Asia.

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19

Human security and Northeast Asia: Seeds germinating on hard ground

Brian L. Job and Paul M. Evans

Introduction

It should be clarified that human security and social security are the foundations for national security . . . To seek national security at the expense of human safety and social stability is to treat the symptom rather than the root of the problem.¹

Over the course of the last decade, the fundamental premise of human security, namely that priority be given to addressing the safety and well-being of civilian populations, has been increasingly accepted in national and international discourse.² But debates – philosophical and practical – continue to surround the concept. In regional terms these debates and associated tensions remain prevalent in Asia, certainly among Northeast Asian states. (For the purposes of this discussion, “Northeast Asia” refers to the regional grouping, including China, Japan, Russia, the Koreas and, if noted, Taiwan and Mongolia.³)

However, to dismiss a human security perspective as inapplicable to Northeast Asia, in light of its often-cited inhospitable regional conditions and the opposition of key regimes, is no longer appropriate. Though the term itself is not in all official vocabularies, the concept has been the subject of intensive study by academics, think-tanks and civil society NGOs and is certainly now understood and its implications considered by all Northeast Asian governments. There is not a broad acceptance of the Western, liberal-based notions of human security, but there is an evolving normative consensus on the key premises of human security and

Institutionalizing Northeast Asia: Regional steps towards global governance, Timmermann and Tsuchiyama (eds), United Nations University Press, 2008, ISBN 978-92-808-1156-8

emerging forms of policy coordination which indicate that addressing human security is gaining priority within the region.

This chapter will explore the manner in which Northeast Asian states are coming to terms with the challenges of human security. It advances through three steps. After first highlighting changes in the global human security context and their impacts in the regional context, it proceeds to explore specific features of “human security with Northeast Asian characteristics”. Based on these observations, the final section of the chapter assesses the prospects of multilateral institutionalization⁴ of human security among Northeast Asian states.

Human security: The evolving global agenda

Human security came on to the international agenda just over a decade ago as policy-makers (followed, not led, by academics) struggled to come to terms with a transformed post-Cold War environment. Since then the agenda has been shaped by a combination of critical events and the norm entrepreneurship of selected states, NGOs and individuals.

Three developments in global security are influencing the consideration of human security at the regional Asia-Pacific and subregional, Northeast Asian, levels. The first relates to a partial resolving of tensions within the human security community itself; the second and third to nuances in the debate between human security advocates and those resisting its implications.

The core assumptions for human security – that the individual is the primary referent; the well-being and safety of people is a first responsibility of the state; “non-traditional” and transnational security threats are relevant; and states themselves may threaten the security of their own or other people – posed significant challenges to Westphalian conceptions of security and sovereignty. Particularly difficult were the implications that states as perpetrators of human insecurity may be held responsible for their actions, and indeed may be possibly subject to collective intervention by other states. Not unexpectedly, there were sharp confrontations during the 1990s between the advocates of human security and those defending their traditional roles and rights in a state-centric international order. And, also not unexpectedly, the latter cohort included most developing states (including in Asia), whose historical experiences, nation-building agendas and concerns over regime security led them to be deeply suspicious of the apparent Western liberal biases and associated interventionary implications associated with notions of human security.

But these debates have evolved. First, there has been a narrowing of a key divide within the human security community between those who ad-

vocate a broad approach to the definition and scope of human security, essentially regarding it as equivalent to human well-being, and those who advocate a narrower view, focused on the protection of individuals and communities placed at risk in violent conflict. The proponents of these approaches, characterized as “freedom from want” and “freedom from fear”, took different and at times competitive paths during the 1990s.

Advocates of the former holistic approach took the 1994 UNDP *Human Development Report* as their touchstone, and found special value in the work of the Commission on Human Security and the Human Security Fund that it helped construct.⁵ The commission articulated a development-based agenda equating human security with “the vital core of human lives” and protection of “fundamental freedoms”.⁶

The “freedom from fear” proponents concentrated upon creating and mobilizing institutions to prevent, intervene in or redress the victimization of innocent populations in conflict, with specific reference to mass killings, genocide, ethnic cleansing and the breakdown of civil order in “failed” states.⁷ Their agenda was advanced through the creation of the Ottawa Convention and the International Criminal Court and its precursors, and through the significant success of the concept of “the responsibility to protect” that emerged from the report of the International Commission on Intervention and State Sovereignty (ICISS).⁸

However, in 2005 the *Human Security Report* concluded that conflicts arise from the “volatile mixture of poverty, crime, unstable and inequitable political institutions, ethnic discrimination and low state capacity and in bad neighbourhoods”.⁹ To avoid descent into such a “conflict trap” requires pursuit of economic growth as an effective, long-term strategy for promoting human security.¹⁰ Freedom from fear could thus not be addressed without attention to freedom from want, and vice versa.

This comprehensive view of threats to human security was dramatically reinforced by a series of exogenous shocks to the system, particularly to those living in Asia and Africa. Key among them were the Asian economic crisis, the civilian-targeted terrorism campaigns of 9/11 and thereafter, the spread of deadly diseases, and natural disasters including the South Asian tsunami, the Pakistani earthquake and the famines of sub-Saharan Africa. Each of these had an impact that extended beyond the destruction of lives and economic livelihoods to affect the more traditionally conceived security conditions and interests of states and their regimes.

The central point of contention in the human security logic remains the role of the state. In particular, questions remain concerning the prerogatives of the state and its responsibilities in carrying out this duty. On each of these questions debates over the last decade, while not resolving the

inherent dilemmas involved, have resulted in more nuanced understandings on all sides. Both debates have particular relevance to the Northeast Asian context.

Concerning the prerogatives of the state, human security advocates and critics agree that the provision of well-being and safety for citizen populations requires capable states with effective bureaucracies, the capacity to generate revenue, infrastructure, judiciaries and police forces. For some, however, this is expressed in the formulation that “human security requires strong states”, thus prioritizing state agendas to create and sustain order through restrictive political, social and economic policies and the targeting of designated groups.

The events and aftermath of 9/11 have added further complications. Countering terrorism has become a justification for governments defending policies that violate the rights of citizens in their own or other states. This often has served instead to foster conditions increasing these very threats; and more generally it has undercut the legitimacy of the states that may embrace other dimensions of the human security agenda.

Finally, what of the responsibility of states, both of those whose regimes through neglect or overt policies harm their own citizens and of those states (and international institutions) which are witness to extreme humanitarian emergencies arising from state failure or state complicity in genocide, mass killings and ethnic cleansing? The crises of the 1990s and into this decade focused attention on these most pointed and vexed issues on the human security agenda, on the one hand the accountability and bringing to justice of violators of human security, and on the other hand humanitarian intervention by outsiders on behalf of peoples being victimized. Both became encapsulated in the debate over “the responsibility to protect” highlighted in the ICISS report; this called for a reorientation of sovereignty (viewing it as contingent rather than absolute), and posited a moral responsibility for collective intervention in situations of state failure or mass killing, genocide or ethnic cleansing.¹¹

Despite criticisms of the undermining of sovereignty, in the last few years objections to the responsibility to protect have become muted. In part this is due to the general acceptance, including by all five permanent members of the UNSC, of the humanitarian and practical imperatives of restoring order and providing aid to people caught in failed states. But in broader terms the responsibility to protect has made substantial progress towards becoming an established norm of international conduct. Many globally representative panels and organizations consistently call on states to honour their responsibilities to protect their own people and respond collectively to address extreme humanitarian emergencies.¹² As summed up by Thomas Weiss, the responsibility to protect has served to “alter the dominant moral discourse about humanitarian action”.¹³

Human security with Northeast Asian characteristics

As a region, Asia has been the least receptive to the human security perspective. However, it is now gaining a place in national and regional forums and policy arenas. What has emerged is a “distinctive form of human security”, a selective adoption and adaptation of those aspects of the broad human security agenda that complement regional norms and conditions.¹⁴

Receptivity within the region, however, remains uneven. Central Asia and South Asia, for differing reasons, have proved most resistant, while Southeast Asian states, particularly the founding states of ASEAN, have proved the most responsive. It is in Northeast Asia that one finds the greatest variation, reflecting the distinctive combination of social, political and economic conditions within and among China, the Koreas and Japan, and in turn with regard to relations with Southeast Asia and the international community.

Within this diverse context, “human security with Northeast Asian characteristics” is evolving along the lines set out below. This discussion draws from the expanding literature on human security “with Asian characteristics”, in which the emphasis is on Southeast Asia, to highlight the attitudes and policies of Northeast Asian states. There are sharp differences. Of more interest is the emergence of certain commonalities of policy and attitude across national boundaries. The concluding section will look at the prospects for multilateral institutionalization in Northeast Asia, suggesting that while institutionalization *per se* is limited, human security has provided a catalytic normative agenda that is motivating cooperation and promoting the formation of a regional collective identity.¹⁵

Human security is most comfortable in Northeast Asia when it resonates to the ingredients of comprehensive security, needs-oriented approaches and economic advancement. Despite the fact that Chinese leadership often avoids using the term human security, its stated principle that “everything should be subject to the human’s benefits and needs” is in tune with the UNDP report’s call to improve the living conditions of peoples, the Commission on Human Security’s focus on addressing the vital core of human requirements and Southeast Asian states’ calls for “national resilience”.

The important nuance in this characterization of human security is that its primary referent object is a collective, i.e. the community, rather than the individual. China holds that “security is still a matter of the ‘nation’ not of the individual”.¹⁶ The needs of the people are not to be subordinated to individually defined rights, privileges and freedoms. “Social security” in this sense supersedes individual security. Human security for the population as a whole, in the Chinese context, “means protecting

people ... The Chinese government and people ... regard such human security issues as ones of human safety not of security.”¹⁷

Japan's position is more complex and harder to characterize. Human security is seen to encompass “all the menaces that threaten the survival, daily life and dignity of human beings and strengthens the efforts to confront those threats”.¹⁸ The community and its collective well-being remain the central referent of human security, approached through Japanese policies and institutional initiatives that have been heavily oriented towards social and economic development. On the other hand, some of the Japanese articulations of human security centre on the empowerment of the individual. Thus its 2003 Diplomatic Bluebook refers to human security as “a concept that focuses on the individuals ... and attempts to bring out the full potential of each individual”.¹⁹ This attitude underpins the human security programmes of Japan's strong civil society sector.

It is in South Korea, since Kim Dae-jung's presidency, that one finds Northeast Asia's most liberal, or “liberating”, notion of human security, understandably focused on the alleviating the humanitarian and political plight of North Korea's citizens. Again, the focus of attention appears to be the collective – that is, the prioritization of a human security approach to North Korea and the unification of the Korean people as a whole.²⁰

The second key trend in the evolving Northeast Asian context has been the “spontaneous” extension of the security spectrum.²¹ For most citizens, traditional military security threats are of far less concern on a daily basis than “non-traditional security” (NTS) threats.²² Issues related to the environment, poverty, social security, transnational criminal activity and the spread of disease have increasingly been raised to prominence on domestic and regional agendas of government leaders in Northeast Asia, including (even particularly) by the Chinese.²³ NTS threats, such as environmental pollution and human trafficking, have become mobilization vehicles for civil society NGOs, and studying the securitization of these threats has been a growth industry for academics and think-tanks in Northeast Asia.²⁴

What has transpired in practice in the Northeast Asian context reveals the dilemmas that analysts of human security have highlighted in their abstract critiques. On the one hand, the notion of NTS (and thus with it human security) can be extended almost indefinitely to any phenomenon that has an impact on human well-being. As this happens, the term loses analytical and practical significance, its blurred focus failing to distinguish among the priorities and agendas of citizenry and the state.²⁵ Alternatively, the term can become a label employed opportunistically by governments to cloak political agendas. China's rhetorical justification for its policies against dissident minority populations provides a case in point.

This highlights a third characteristic of human security in Northeast Asia. By emphasizing “non-traditional” security threats, and in particular including what Wang has referred to as “non-technical” (read “social and political”) NTS threats, the role of the state comes to the fore. As Emmers, Caballero-Anthony and Acharya warn, “NTS ... privileges threats to the state and state instruments to address them; human security treats individual and national security separately.”²⁶ Whereas the referent of security need not be the state, the modalities of response privilege the state and state/regime interests and outcomes. In effect, while the threats are “non-traditional” security phenomena and their referent is the community, the modalities of response are those of the traditional security paradigm.

The transnational fluidity of many human security threats, however defined, makes futile efforts by states to contain and control their effects within territorial boundaries. States are therefore forced to contemplate bilateral and multilateral action, a difficult business given the political overtones and implications of key human security issues and the sovereignty-conscious attitudes of Asian governments. While Northeast Asian governments increasingly acknowledge the common threats they face, they are able to achieve only limited cooperation in addressing them, due to their divergent national interests and political agendas.

Fourth, the patterns of cooperation that have emerged are the same that have prevailed in the traditional security arena.²⁷ Issues are addressed in the larger, regional multilateral institutions of the Asia-Pacific (rather than in subregional contexts) and through transregional initiatives driven by the collective efforts of the Southeast Asian states. Declarations of principle are made at the multilateral level that do not bind states to collective action, but leave open the possibilities for more narrowly defined bilateral agreements. Cooperation on issues defined on their functional rather than their political dimensions proves to be more easily agreed upon and more feasible to implement.

Recognition of the urgency of addressing NTS matters has grown over the past half-decade to become region-wide. Cooperation involving Northeast Asian countries has occurred within the context of regional institutions such as the ARF and APEC and through ASEAN-driven institutions rather than within their subregionally defined context. Thus the combination of Northeast and Southeast Asian states in ASEAN Plus Three (APT) have acknowledged in leaders’ declarations and various ministerial and official statements the need for cooperation on NTS threats since 2001.

On the other hand, efforts to combat terrorism have been fraught with political sensitivities that have frustrated significant efforts at multilateral

cooperation. Pro forma declarations condemning terrorism in the wake of 9/11 and later Southeast Asian terrorist instances have been issued automatically at numerous bilateral and multilateral meetings. But reaching consensus on the political aspects of terrorism or on extensive multilateral cooperation to combat terrorism within either the official (ARF) or unofficial (e.g. CSCAP) institutions with a “security” mandate has been nearly impossible.²⁸ Only by defining the problems and costs of terrorism in functional terms, in effect “depoliticizing” them and casting them within an economic context, has multilateral agreement on specified effective regulatory action been achieved. The primary example is APEC: leaders at their 2003 meeting agreed to common standards and collective measures to combat terrorism because it constituted a threat to maritime commerce and air traffic (and in turn to the prospects for economic growth).²⁹

An important fifth trend in coming to terms with human security has been the changing attitudes regarding collective action involving the use of force. No Northeast Asian state is fully comfortable with the interventionist aspects of the human security agenda. China and North Korea express their opposition in principle, but Japan and South Korea, for different reasons, are very nervous about any initiative that could portend intervention within Northeast Asia or its “surrounding territories”. Thus these contentious issues have been shifted to the global level, i.e. to the United Nations. Here Asian countries have sought and found “refuge within the Charter” to protect rights of sovereignty.³⁰ Asian states have colluded in resisting formal debate in the General Assembly on human security and the responsibility to protect. They have adamantly opposed any prospect for circumvention of the UNSC’s sole right to authorize the use of force.

That being said, there have been significant movements on the margins of their positions, in both normative and practical terms. This is particularly true of China, where a vigorous debate in academic, institutional and official circles on questions of humanitarian intervention, response to failed states and R2P has had an apparent impact on national policy. In practical terms, the Chinese now appear to have recognized the need for international action to alleviate the human security plight of populations in failed states or extreme humanitarian emergencies, and have quietly joined in supporting, or not opposing, UN missions in, among other locales, Somalia, Haiti and East Timor (the last only after Indonesian “consent”).³¹

Sixth, Northeast Asian leaders with a special interest in human security are beginning to emerge. Central to the advancement of the human security agenda over the last decade have been the efforts of key individuals acting as norm entrepreneurs. Prominent among them have been foreign

ministers such as Lloyd Axworthy (Canada), Gareth Evans (Australia) and Surin Pitsuwan (Thailand) and international figures including Kofi Annan. Here Japan has been particularly important. Its assumption of an active global leadership on human security, as both advocate and financier, has been spearheaded by a remarkable combination of Japanese prime ministers, foreign ministers, high officials in international institutions and widely known academics. Other Northeast Asians have played important roles as well. Kim Dae-jung, for instance, effectively transformed South Korean policies towards North Korea from their traditional deterrence and confrontation modes (in line with the United States) to one of engagement on human security terms.³²

Finally, human security has gradually gained resonance and come to serve as a mobilizing dynamic for civil societies in Northeast Asia. Japanese NGOs and think-tanks have been in the lead in this regard, in particular the National Institute for Research Advancement and the Japan Centre for International Education (JCIE)³³ – the latter under the direction of Tadashi Yamamoto, a vigorous advocate.³⁴ Through JCIE sponsorship of workshops and conferences, dissemination of publications and work by individual researchers,³⁵ it has drawn region-wide attention to the transnational impact of NTS threats and the need for multilateral co-ordination and capacity building. But there have been many other efforts involving the nurturing of epistemic communities, the creation of networks of universities and think-tanks, and the orchestration of bottom-up, grassroots campaigns by NGOs on behalf of environmental causes, human and political rights, etc.³⁶ For Japan first and South Korea more recently, the burgeoning role of civil society agents has been a natural accompaniment to the opening up of their domestic political systems. The ministries in both countries, the architects of traditional security policies, are finding that they can no longer ignore their politicians' and publics' concerns, whose priorities increasingly demand response to human security needs.³⁷

Concerning China, one senses a subtle but important shift in dynamics. The array of government-sanctioned NGOs and ministry and agency think-tanks have failed in the past to facilitate free thinking and engender bottom-up articulation of the Chinese people's concerns about their environment and well-being. Armed with access to information and communication networks, NGOs and civil society activists are raising public attention and mobilizing, especially at local levels. Beijing's leaders find themselves facing deepening popular discontent over conditions of life and intensified criticism over their non-transparent and inept responses to human security threats such as SARS. They are being forced to alter their mind-sets and to respond to these bottom-up demands in order to maintain regime stability.

Northeast Asia: Prospects for regionalization of human security

Human security has thus entered the reality of Northeast Asia. Norms of human security have made inroads in the established mind-sets of governments. Threats to human security, particularly those seen as “non-traditional”, have assumed prominence in government agendas and been the catalyst for cooperation in regional multilateral institutional contexts and, to a lesser extent, among Northeast Asian states themselves. It is important not to overstate the impact of these developments. Northeast Asia is not Southeast Asia. That being said, a cautious optimism regarding the prospects for multilateral institutionalization within Northeast Asia appears warranted, subject to the following considerations.

There remains first and foremost only a nascent sense of a Northeast Asian regional identity – the mutual recognition of a commonality of interests, values and collective understandings requisite to foster regionalism and associated institutionalization.³⁸ Guan Lee, with reference to the difficulties in engineering cooperation on environmental matters – presumably an area where functional, “depoliticized” institutions could take hold – is forced to conclude “that the broader identity relations among the countries in Northeast Asia are perhaps still the most important factors [negatively] affecting the formation of environmental security complexes in the region”.³⁹

In the face of burgeoning economic interaction among Northeast Asian states, outside analysts may tend to discount the impact of political leaders’ nationalistic rhetoric and gestures. However, such a view is shortsighted; the tensions and hostile atmospherics, while perhaps not detrimental to day-to-day commerce, arguably inhibit positive movement towards building a foundational, regional, ideational consensus.⁴⁰

The effect, in simplified terms, is that there is a lack of “political space” within Northeast Asia for the rapid development of inclusive multilateral institutions on economic and political/security dimensions. Rozman and others have despaired over the persistent failure of Northeast Asian states during the 1990s to realize their mutual economic interests through institutional collaboration.⁴¹ In response to the crises posed by North Korea’s nuclear weapons development, the United States and Northeast Asian partners have attempted, with and without DPRK participation, to promote both deterrent and cooperative solutions. However, the collapse of KEDO and associated agreed framework arrangements and the slow and intermittent pace of the Six-Party Talks do not bode well for the prospects of creating any overarching regional institutional architecture.⁴² The question then is whether or not recognition of common human secu-

rity concerns provides a sufficient and distinctive basis for Northeast Asian institutionalization, and more generally if such cooperation could serve as a starting point for institutionalization of broader scope. There is, as pointed out in the prior section, evidence to provide a positive answer to the first query, i.e. cooperation on non-traditional security matters, especially associated with issues concerning the environment, maritime resources, human trafficking, drugs and terrorism. He Xiangqi somewhat optimistically posits that a multilateral regional NTS cooperative network has taken shape, featuring a combination of bilateral cooperation mainly on operational matters and multilateral coordination in forming regional strategies.⁴³

While Schreurs, like others, is less sanguine about how effective bilateral efforts can be in addressing regional problems, she shares He's view that the move to the multilateral is facilitated by bilateral cooperation and that environmental cooperation efforts serve as "latent regimes" for broader institutionalization on human security.⁴⁴

Given the narrow parameters of their "political space", for the foreseeable future it will continue to be easier for Northeast Asian states to engage within the context of regional institutions, especially APT and APEC, and possibly the ARF. In these larger institutional contexts (including also global ones), Northeast Asian players are not compelled to vie for leadership; they do not have to deal directly with each other; they are more comfortable with the norms of soft institutionalism and sensitivity to sovereignty that prevail. In effect, one looks to an "inside-out" process of institutionalization, i.e. through interaction within larger contexts, Northeast Asian states, realizing the specificity of their human security threats and the need for targeted, collaborative responses, will be drawn towards region-specific institutionalization.

Both the dilemmas and, in different ways, the prospects of human security motivating Northeast Asian multilateral institutionalism come to the fore in the two persistent historical crisis points in the region: the Taiwan Straits and the Korean peninsula. And, while each of these has been dominated by traditional military security logics and policies, the human security implications of both are increasingly difficult to ignore.

Considering first Taiwan: for the Taiwanese government an "overwhelming focus on military and defence security agendas" has obscured any significant attention to the human security perspective.⁴⁵ For the Taiwanese population, however, human security priorities have come to the fore – on the one hand through NTS threats, e.g. the spread of disease and transnational criminal activities, and on the other hand with political freedoms and human rights. The latter obviously strike at the crux of the long-running unification controversy with the PRC, and indeed account for much of its aversion to the freedom-from-fear aspects

of the human security agenda. Beijing's prioritization of its sovereignty goals regarding Taiwan, in essence a preoccupation with traditional security concerns of sovereignty and territoriality, demonstrates the incompatibility of such an approach when confronting transnational threats to human security. By refusing to allow Taiwan's membership (other than in APEC) or participation in regional and global institutions, China jeopardizes itself, Taiwan and the international system as a whole. But under the radar of public cross-Straits wrangling, tentative and informal efforts at functional cooperation are being quietly engineered and, to the extent that they can avoid the limelight, do portend possibilities for future inclusive institutionalization on "non-technical" human security matters.

It is North Korea that poses the greatest human security conundrum. Its existence highlights a lacunae in the debates and prescriptions of human security, namely the dilemma of confronting a "strong" state that perpetrates gross violations of human security against its own people. The responsibility to protect calls for action against regimes that undertake campaigns of mass killing or ethnic cleansing, or in circumstances when civil order has disintegrated. But neither applies to North Korea, albeit that its people live in the most extreme circumstances of human insecurity.⁴⁶ Further confounding the situation has been the Kim Jong-il regime's instrumental manipulation of the human security imperative of responding to the plight of the North Korean people through humanitarian assistance. The proponents of human security (understandably) did not comprehend the possibility that a regime would hold its population hostage to the regime's security interests, effectively bargaining lives and livelihood for gains or concessions on traditional security and political dimensions.

There is no obvious solution. The collective sense of urgency associated with addressing the traditional security threats posed by North Korea's nuclear programmes has prompted a decade-long series of regional multilateral efforts. While having served to avert conflict, and indeed having engineered a complex bilateral-multilateral framework in response to the first nuclear crisis, all of these efforts have been frustrated in their goal of creating a mutually acceptable resolution for the divided peninsula. With the exception of the four-party talks and the more recently constituted Six-Party Talks, North Korea has not been a participant, nor have they led to any regularized or formal institutionalization.⁴⁷ While it is accepted that North Korea poses a regional, indeed global, hazard and that a multilateral approach is the only viable avenue towards its alleviation, efforts to date, such as the agreed framework and tentative proposals through the Six-Party Talks, have remained limited to the traditional, military aspects of the situation. Humanitarian assistance has of

course been delivered, but through collaboration at the bilateral (e.g. ROK-DPRK) and global (e.g. WFP) levels, and by non-state actors (NGOs) rather than through regional, i.e. Northeast Asian, institutional efforts.⁴⁸

The limitations of such a skewed division of labour are becoming increasingly apparent as the human security crises of North Korea have spill-over effects on neighbouring states and beyond. Illustrative of this is the problem of North Korean citizens seeking to flee their country. In this case China, concerned over protection of its sovereignty and territoriality and not wanting to engage the politically sensitive human rights issues and international obligations raised by acknowledging the border-crossers as refugees, brands them as illegal migrants and applies traditional security policies of enforcement and return. This response pattern serves only to heighten the human insecurity of those involved, promoting a backwash of illegal trafficking, corruption and dissent within China and enhancing repression and retribution against North Korean citizens – for whom flight is itself a human security remedy.

In its larger context the North Korean problem points to the non-viability of attempting to separate traditional and non-traditional security threats; to the requirements of implementing multidimensional, multi-lateral institutional responses; and to the necessity of a long-range vision of human security that provides the people of North Korea with both freedom from want and freedom from fear.

Conclusion

The human security agenda is advancing in Northeast Asia. Multilateral institutionalization to address human security demands will continue to be driven by events, functional needs and ideas.⁴⁹ As to the first, the occurrence of exogenous shocks to the system is unpredictable. Traumatic events such as the Asian economic crisis, the outbreak of infectious disease and natural disasters have provided the impetus to significant national human security initiatives and to (oft belated) orchestration of multilateral response programmes and, it is hoped, greater capacities of preparedness and prevention for the future. In Northeast Asia itself, there is little reason to be optimistic about the ability of states to fashion a regional or collaborative response to humanitarian emergencies and non-traditional security threats (such as SARS).

Thus, while Northeast Asian states may appreciate that there are benefits to be achieved through subregional multilateral collaboration, to date much of what has been accomplished has been channelled through

region-wide, ASEAN-driven institutional mechanisms. Only gradually are the specific concerns of Northeast Asian states as defined by geography and economic interest motivating the formation of epistemic communities and regional institutional regimes.

Two additional points deserve mention. First, analysts attentive to the dynamics of economic liberalism argue that deepening interdependence, regional integration and the opening of Asian economies, coupled with the impact of new information and communication technologies, provide a forceful momentum towards regionalism, the formation of regional identities and multilateral institutionalism.⁵⁰ Accordingly, these analysts tend to discount as ephemeral the disquieting voices of nationalist rhetoric among Northeast Asian states and the current US administration's penchant for unilateralist actions, military instruments and reliance on *ad hoc* coalitions of the willing in lieu of any formal institutionalization.

Second, the current tendency of Northeast Asian states to characterize a multitude of human security threats as "non-traditional" seeks to depoliticize them and reinforce state-centric priorities in responding to them. However, this logic cannot be sustained in the long run. Increasingly, it will not be possible to ignore their direct or indirect political and social implications. Thus, for example, the Chinese government's responses to the SARS crisis, deemed to be inadequate by its population, have led to substantial pressures from civil society for greater transparency, more responsible governmental officials and improved state services. In line with the quotation that began this chapter, Wang Yizhou perceptively points out concerning what he terms "social non-traditional security issues":

Without serious attitude or reasonable institutional arrangement[s], minor conflicts [can arise] and become major ones and spread ... China's non-traditional security studies will likely become one of the driving forces for promoting social advancement.⁵¹

With the increasing democratization of Asian societies, the impact of civil societies exerting their bottom-up demands on governments will bring new modes of both national and multilateral response to human security concerns. Scholars are just beginning to explore what they term these "intermestic" dynamics of human security.⁵²

Finally, the principles of human security have shown remarkable resilience and have begun to define the attitudes of societies and states in Asia about the referents and agents of security. Asia, and especially Northeast Asia, is a dynamic environment. The normative aspirations and implications of human security have captured the imaginations of Asia's civil societies. Asian states are being to appreciate that their sovereignty entails responsibilities to provide for and protect their popula-

tions. For Northeast Asia the imperatives of human security may provide a logic for multilateral institutionalism that transcends traditional security dilemmas and eventually may lay the foundation for their resolution.

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Notes

1. Wang, Yizhou (2006) "China Facing Non-Traditional Security: A Report on Capacity Building", in Ralph Emmers, Mely Caballero-Anthony and Amitav Acharya, eds, *Studying Non-Traditional Security in Asia: Trends and Issues*, Singapore: Marshall Cavendish Academic, pp. 58–81, at p. 66.
2. The prominent benchmarks in this regard are High Level Panel on Threats, Challenges, and Change (2005) "A More Secure World: Our Shared Responsibility", Report of the High Level Panel on Threats, Challenges, and Change, New York: United Nations; and the UN Secretary-General's response: Annan, Kofi (2005) "In Larger Freedom: Towards Development, Security, and Human Rights for All", New York: UN General Assembly. Most recently the UN Security Council reaffirmed the responsibility to protect as a principle in its resolution SC/8710, 28 April 2006.
3. This definition goes along with the one provided in the introduction. For varying definitions see the other authors in this volume.
4. On institutionalization see Yamamoto in this volume.
5. UN Development Programme (1994) *Human Development Report*, New York and Oxford: Oxford University Press. See www.humansecurity-chs.org/ and <http://ochaonline.un.org/webpage.asp?Page=1503>.
6. Commission on Human Security (2003) "Human Security Now: Protecting and Empowering People", Final Report of the Commission on Human Security, available at www.humansecurity-chs.org/, pp. 4 and 8.
7. The "freedom from fear" approach and its associated agenda were mobilized by a committed set of "middle powers" led by Canada, Australia and Scandinavian countries, and joined in Asia by Thailand.
8. International Commission on Intervention and State Sovereignty (2003) *The Responsibility to Protect*, available at www.iciss.ca/report-en.asp.
9. Human Security Centre (2005) *The Human Security Report*, Vancouver: Human Security Centre, University of British Columbia, available at www.humansecurityreport.info/, p. 7.

10. See Collier, Paul, V.L. Elliott, Håvard Hegre, Anke Hoeffler, Marta Reynal-Querol and Nicholas Sambanis (2003) *Breaking the Conflict Trap: Civil War and Development Policy*, Washington, DC: World Bank.
11. International Commission on Intervention and State Sovereignty, note 8 above.
12. See note 3 above. In addition, European, African and Latin American regional institutions have all reaffirmed these norms.
13. Weiss, Thomas G. (2004) "The Humanitarian Impulse", in David Malone, ed., *The UN Security Council from the Cold War to the 21st Century*, Boulder, CO: Lynne Rienner, pp. 37–54.
14. Evans, Paul (2004) "Human Security and East Asia: In the Beginning", *Journal of East Asian Studies* 4, pp. 263–284.
15. For a more detailed discussion on regional identity see Oshimura in this volume.
16. Chu, Shulong (2002) "China and Human Security", North Pacific Policy Papers No. 8, Vancouver: PCAPS, Institute of Asian Research, University of British Columbia, available at www.iar.ubc.ca/programs/PCAPS/pubs/nppp8_final.pdf, p. 9.
17. Quoted in *ibid.*; also Wang, note 1 above.
18. Prime Minister Obuchi in 1998, as quoted in Fukushima, Kiki (2004) "Human Security: Comparing Japanese and Canadian Government Thinking and Practice", Canadian Consortium on Human Security Visiting Fellow Paper, Vancouver: Centre of International Relations, University of British Columbia, p. 13.
19. *Ibid.*, p. 20.
20. Hyun, In-Taek, Kim Sung-Han and Guan Lee (2006) "Bringing Politics Back In: Globalization, Pluralism, and Securitization in East Asia", in Ralph Emmers, Mely Caballero-Anthony and Amitav Acharya, eds, *Studying Non-Traditional Security in Asia: Trends and Issues*, Singapore: Marshall Cavendish Academic, pp. 108–128, at p. 116.
21. He, Xiangqi (2005) "Cooperating for Common Security: China's Approach to Non-Traditional Security Issues", Centre of Asian Studies, University of Hong Kong, available at www.rsis-ntsasia.org/publications/PDF/He%20Xiangqi.pdf, p. 3.
22. The exceptions of course concern the Korean peninsula and the Taiwan Straits; even with these, while the levels of tension have been high, there have been very few direct conflict casualties. Indeed, over the last few decades Northeast Asia's experience of deadly conflict (inter- and intra-state) has been minimal, in comparison to Southeast and South Asia. See Human Security Centre, note 9 above.
23. China has become quite comfortable with the notion of non-traditional security; its 2002 Sixteenth National Congress officially recognized and defined the term. See He, note 21 above.
24. For the report of a large, multi-institute, trans-Asian series of studies on non-traditional security, funded through the Ford Foundation, see Emmers, Ralph, Mely Caballero-Anthony and Amitav Acharya, eds (2006) *Studying Non-Traditional Security in Asia: Trends and Issues*, Singapore: Marshall Cavendish Academic. For a UNESCO-sponsored review of human security in East Asia, see Lee, Shin-wha (2004) *Promoting Human Security: Ethical, Normative and Educational Frameworks in East Asia*, Seoul: Korean National Commission for UNESCO, available at <http://kubib.unesco.or.kr/eng/default.html>.
25. This position is forcefully articulated by Mack, Andrew (2004) "Human Security: A Signifier of Shared Values", *Security Dialogue* 35(3), pp. 366–367.
26. Wang, note 1 above; Emmers, Caballero-Anthony and Acharya, note 24 above, p. xiv.
27. See, for instance, Acharya, Amitav (2003) "Regional Institutions and Asian Security Order: Norms, Power and Prospects for Peaceful Change", in M. Alagappa, ed., *Asian Security Order: Instrumental and Normative Features*, Stanford, CA: Stanford University Press, pp. 210–240.

28. CSCAP, through a working group, did come forward with a memorandum on the definition of terrorism, its first point noting that there was no consensus on a definition. See Council for Security Cooperation in the Asia-Pacific (2005) "Memorandum on Enhancing Efforts to Address the Factors Driving International Terrorism", 5 December, Jakarta, available at www.vuw.ac.nz/css/Mem%20Terrorism.pdf.
29. Chu, note 16 above, p. 3.
30. Ibid., p. x.
31. See Carlson, Allen (2004) "Helping to Keep the Peace (Albeit Reluctantly): China's Recent Stance on Sovereignty and Multilateral Intervention", *Pacific Affairs* 77, pp. 9–27. See also Bates, Gill and James Reilly (2000) "Sovereignty, Intervention, and Peacekeeping: The View from Beijing", *Survival* 42, pp. 41–60. Such acceptance and approval, however, remain very much a pragmatic matter for China. Thus it has stymied selected UN peace management operations based on their host states' stances *vis-à-vis* the Taiwan Straits; and it has resisted effective action by the United Nations concerning Darfur, apparently based on its strategic energy interests in Sudan.
32. From South Asia Amartya Sen, Nobel Laureate on economics, and Ramesh Thakur, then vice rector of UNU Tokyo, were the two Asian representatives on the ICISS and influential in co-authoring the "responsibility to protect" report.
33. See www.nira.go.jp/ and www.jcie.or.jp/.
34. Yamamoto, Tadashi (2001) "Human Security: What It Means and What It Entails", in Mely Caballero-Anthony and Mohamed Jawhar Hassan, eds, *The Asia Pacific in the New Millennium: Political and Security Challenges*, Kuala Lumpur: ISIS Malaysia, pp. 573–582.
35. Of note among these would be Akiko Fukushima (NIRA) and Yoshihide Soeya (Keio University). See Soeya, Yoshihide (2005) "Japanese Security Policy in Transition: The Rise of International and Human Security", *Asia-Pacific Review* 12(1), pp. 103–116.
36. An initial survey of the growth of civil societies across Asia is reported in Yamamoto, Tadashi (1996) *Emerging Civil Society in the Asia Pacific Community*, Tokyo: JCIE. More recent impressions can be found in the chapters by de Prado, Ohta and Lee in this volume.
37. Particularly instructive in this regard is the *Human Security Report's* accounting of how the views of citizens regarding their security concerns are at variance with the apparent security priorities of their governments. See Human Security Centre, note 9 above, pp. 47–49. Similar inferences could be drawn from a comparison of the reports by indigenous security analysts in the annual *Asia Pacific Security Outlook* volumes of their countries' populations' concerns with the security and defence policies and expenditures of their governments. See, for instance, Baker, Richard W. and Charles E. Morrison, eds (2005) *Asia Pacific Security Outlook 2005*, Tokyo: JCIE.
38. For a discussion on regional identity see Oshimura in this volume.
39. Lee, Guan (2007) "A Regional Environmental Security Approach to Environmental Security in Northeast Asia", in In-Taek Hyun and Miranda A. Schreurs, eds, *The Environmental Dimension of Asian Security: Conflict and Cooperation over Energy, Resources, and Pollution*, Washington, DC: US Institute of Peace.
40. A more optimistic point of view is taken by those placing greater emphasis (and hope) on liberal economic drivers of regionalism and regionalization. See Pempel, T. J., ed. (2005) *Remapping East Asia: The Construction of a Region*, Ithaca, NY: Cornell University Press.
41. See Rozman, Gilbert (1998) "Flawed Regionalism: Reconceptualizing Northeast Asia in the 1990s", *Pacific Review* 11, pp. 1–27; see also Rozman, Gilbert (2004) *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization*, Cambridge: Cambridge University Press; and his chapter in this volume.

42. On the Six-Party Talks, see Kikuchi and Takagi in this volume.
43. He, note 21 above, p. 33.
44. Schreurs, Miranda A. (2007) "Conclusion: East Asia's Environmental Challenges and Their Implications for Security and Regional Cooperation", in In-Taek Hyun and Miranda Schreurs, eds, *The Environmental Dimension of Asian Security: Conflict and Cooperation over Energy, Resources, and Pollution*, Washington, DC: US Institute of Peace; on energy conflict and cooperation see Harris and on environmental issues see Ohta, both in this volume.
45. Lee, Chyungly (2004) "Human Security: Implications for Taiwan's International Roles", Canadian Consortium on Human Security Research Paper, Vancouver: Centre of International Relations, University of British Columbia, available at www.humansecurity.info/sites/cchs/files/pdfs/Research/chyunglylee_researchpaper_final.pdf, p. 5. Although, as Lee notes, the Taiwanese government has sought to cast its foreign assistance programme in human security overtones, it has very much been an instrument in Taipei's efforts to gain recognition from select countries and within humanitarian organizations.
46. Erich Weingartner advances the argument that the North Korean population does not suffer from threats of physical violence from civil conflict, terrorism, transnational crime, etc., and thus "freedom from fear seems curiously inapplicable to the context of North Korea". This is a difficult claim, given knowledge of the regime's systematic repression and retaliation. However, it does highlight in the extreme the paradox presented to the responsibility-to-protect position by strong states that maintain "order" within their territories. See Weingartner, Erich (2004) "Perceptions of Human Security: Assessing Threat and Hope in the Democratic People's Republic of Korea", Canadian Consortium on Human Security Fellowship Research Paper, Vancouver: Centre of International Relations, University of British Columbia, p. x.
47. For some time the unofficial security dialogue of the CSCAP Working Group on the North Pacific was the only regularly constituted institutional mechanism that included all members of Northeast Asia. (It continues under the revised format of the Multilateralism in Northeast Asia Study Group.) The Northeast Asia Cooperation Dialogue (NEACD) "Track I.5" forum that includes both official and selected unofficial participants currently mirrors the membership of the Six-Party Talks and has intermittently since 1993 engaged North Korean participation. See www.cscap.org and www.wiredforpeace.org/.
48. See Flake, Gordon and Scott Snyder, eds (2003) *Paved With Good Intentions: The NGO Experience in North Korea*, Westport, CT: Praeger Publishers.
49. This threefold characterization represents a modification of the events-driven, politics-driven, ideas-driven model of securitization set out in Hyun, Kim and Guan, note 20 above, pp. 116–119.
50. Evans, note 14 above, p. 279; Pempel, T. J. (2005) "Introduction: Emerging Webs of Regional Connectedness", in Pempel, note 40 above, pp. 1–27; Rozman, Gilbert (2004) "Conclusion: Lessons for Constructing Regionalism", in Rozman, note 41 above, pp. 351–379.
51. Wang, note 1 above, pp. 66–67.
52. Hyun, Kim and Guan, note 20 above, pp. 108–128.

Conclusion: Challenges and potentials for institutionalization in Northeast Asia

Jitsuo Tsuchiyama

Conceptual perspectives

More than a decade ago, Richard Betts predicted that East Asia “is becoming less stable as an area of great power interaction”.¹ Several years after Aaron Friedberg wrote his widely read article entitled “Ripe for Rivalry”,² he asked in a similar vein: “Is Asia, like Europe before it, destined to endure an interval of inter-state rivalry and, perhaps, war?”³ Sharing their concern, Zbigniew Brzezinski commented: “In some respects, today’s Asia eerily recalls Europe prior to 1914. As a rising power, China is reminiscent of imperial Germany ... today’s China, though increasingly pragmatic about the American role in the Pacific, is neuralgic about Japan, patronizing toward India, and dismissive of Russia.” Brzezinski concluded that “Asia is thus at once a rising economic success, a social volcano, and political hazard.”⁴

Whether or not these observations are accurate descriptions of the actual current situation of East Asian affairs, some international relations specialists suggest implementing a containment policy *vis-à-vis* China aimed at binding China’s behaviour, and also argue in favour of pre-emptive actions to prevent North Korea’s potential use of weapons of mass destruction (WMDs). In contrast to those perspectives, another group of international relations specialists recommend the development of multilateral frameworks in the region. They believe that particularly Northeast Asia lacks restraining cooperative networks of regional

security and politics comparable to those that can be observed in present-day Europe.

Given that most international relations concepts and policies are drawn from European experiences, the European bias in institution-building debates is not surprising. Nonetheless, regional institution building has not remained a purely European phenomenon.

Within such a context, liberal theorists believe that international institutions are capable of exercising control over states, while realists consider them also useful for enhancing state interests. International institutions have thus been regarded as potential sources of leverage for states as well as areas for the exercise of states' influence.

Robert Keohane and Stanley Hoffmann, for instance, point out that the principles and norms institutionalized in international frameworks offset asymmetries of power.⁵ To the extent that states take decisions based on institutions' principles and rules, institutions can affect the way that states define their interest and their behaviour.

Within this context, "International institutions can serve as instruments to balance against or replace other institutions."⁶ With regard to North-east Asia, China could, for instance, use the Shanghai Cooperation Organization (SCO) or an East Asian Community (EAC) for future crisis management and conflict resolution in East Asia, whereas the United States would most probably prefer US-led security institutions, such as its bilateral security arrangements with Japan and South Korea.

International institutions can also serve to guide domestic policies. For example, Eastern European governments aiming at joining the European Union undertook enormous efforts to make their domestic, economic and environmental legislations comply with the requirements and guidelines of the European Community.⁷ Similarly, human rights norms had to be adjusted – which illustrates, again, that in this process of regionalization and globalization nations have to adjust their national legislation to international norms and standards.⁸ Thus "power" and "institution" are not two separate concepts, but international institutions themselves are, in some senses, a source of power.

Based on these developments and considerations, it was decided in this book to move away from the mere ideas of institutionalism framed by the competitive paradigm of realism and liberalism; rather, the book would concentrate on the analysis and discussion of regional institutionalism and its future potentials in a comprehensive (as far as was possible) array of political topic areas. The large international group of authors in this book, who could also (but shall not) be allocated to either of the classical camps of liberals and realists, demonstrate clearly that not only liberal institution theorists but also classic and/or moderate realists are

paying careful attention to the functions and potentials of international institutions.

The findings

The project's first objective was to analyse the current situation and political options for regional institution building in Northeast Asia. Secondly, it tried to assess the overall usefulness of the concept of institutionalism and regional institutionalization in grasping the particular challenges of a region that has been considered to be the least institutionalized in the world.

Probably the most significant finding of the preceding chapters, therefore, is that institutions do exist in this region, and that they play a much larger role than commonly believed. It therefore may be a bit too pessimistic to say that institutionalization in Northeast Asia is a "misconceived query" (Yamamoto).

Still, several of the authors have expressed doubt about the usefulness of the concept for solving the specific issues in the region, especially in the field of security – while assuming, however, that such institutions reflect and increase both regional and state interest and security (see especially the chapters by Berger, Takagi, Aoi, Lee, Kikuchi and Tsuchiyama).

Since several contributors to this book seem hesitant to use liberal institution theory for their analyses of particular political issues in Northeast Asia, we should ask why they feel the need for such caution.

To begin with, even if we admit that regionalism is emerging in Northeast Asia (as especially the chapters by Higgott and Timmermann, He, Rozman, Iida, Pempel, Weiss, Harris, Evans and Job, Ohta, Akaha and Etkin, and de Prado suggest), the "region-ness" is still low in Northeast Asia (Yamamoto). Most forms of institutionalization analysed are outside-in, not inside-out processes (as Aoi mentions in her analysis of the Proliferation Security Initiative).

Second, the power relationships among the countries concerned are ambiguous and unpredictable, because of their different sources of strength and the ongoing rapid economic, political and military transformation.

Third, predicting future relations among the leading countries in the region is a particular challenge, because there has never been any kind of regional order or society cultivated among them. Also, the US future commitment to the region is not certain, while Russia's economic situation makes it difficult to predict its future involvement in the economic and political development of Northeast Asia.

China has its own various domestic problems. To China and other regional neighbours, it is also not clear in which direction Japan's foreign policy is headed. For Japan, the central question is whether it will keep its "dependent diplomatic posture" or whether it will become a "normal" country.

Furthermore (as Rozman and Berger discuss), there have been historical problems between Japan, China and the two Koreas, because Japan has not yet come to terms with its neighbours over the interpretation and depiction of Second World War history. As Berger argues, the genuine security community in Asia is likely to remain a "distant dream" if the leaders in the region do not tackle such issues seriously.

A final reason that several authors are cautious about the opportunities for institutionalization in Northeast Asia concerns Korea being still divided, with North Korea having launched a tactic of brinkmanship in order to preserve its domestic regime.

In spite of such challenges, Higgott and Timmermann observe in their analysis that traditional power-politics approaches are becoming less relevant, with more diffuse networked understandings of power becoming increasingly important. The institutional approach is currently relevant to analyse cooperation in the economic domain, especially in the areas of finance and trade. For instance, Pempel points out in his chapter that Asia is becoming more deeply institutionalized and more closed, particularly after the Asian financial crisis of 1997–1998. Yet, as Pempel suggests, it remains to be seen whether intra-Asian institutionalization in finance and trade can spill over into the more problematic issue areas, such as diplomacy and security.

The chapters by Iida, Weiss and Harris are searching for a way to build and manage institutions in the non-security fields: trade and investment, and the energy market. To find an alternative to power politics, Job and Evans provide an approach that could transcend the traditional realist school of thought by assessing a possibility of institutionalization of human security among Northeast Asian countries. In analysing institution building in the region, some other contributors (including Aoi, de Prado and Ohta) shed light on the role of epistemic communities in the topics they discuss. The emergence of the networks among think-tanks and experts in this region is expected to develop a regional identity in the long run. Oshimura suggests that a regional identity is a vital precondition for successfully promoting institutionalization.

Another finding is related to the possibilities of linkages among the institutions in different fields. Kikuchi argues that the success of the six-party talks will depend on whether the leaders in the region can interconnect existing regional institutions such as KEDO and the US-DPRK

agreed framework and other related global institutions like the NPT, and constitute a multilayered *de facto* security network. Since KEDO and the agreed framework are nested within the NPT regime, they can serve, according to Kikuchi, as local institutions to make the NPT work in the Korean peninsula. It thus appears that institutional linkages over the Korean problem can be a test case for a much wider institutional linkage.

Institutionalization and US foreign policy

The enthusiasm for international multilateral institutions among academics and practitioners has dropped, to some extent, over the past few years for several reasons. The changes in US foreign policy under the Bush Jr administration have been notable among the causes of this development, because US policies are essential for any kind of effort towards institutionalization in Northeast Asia.

Consequently, recent debates have rather been focusing on the question of whether or not the United States is an “empire”. However, identifying the United States as an empire *per se* does not explain what rationale underlies US foreign policy. To begin with, the US share of material resources has not changed much during the past two decades, in spite of the end of the Cold War. What has changed, however (and especially after President George W. Bush took office), is the overall US foreign policy orientation, which has tilted from multilateral institutionalism towards unilateralism. In contrast to the now-prevailing negative image of the American “empire”, most societies and international actors had formerly accepted American dominance as long as the United States continued to be what Niall Ferguson calls a “liberal empire”.⁹ In many thematic areas, the United States has committed itself to international institutions that not only enhance US security and prosperity but also provide generally beneficial public goods – necessary for the security and prosperity of all – to the rest of world.

Some international relations experts, such as Kenneth N. Waltz, emphasize that the United States has been the preponderant power since the end of the Second World War, and claim that US domination of the world has not changed even after 11 September.¹⁰ Similarly, Michael Mastanduno writes that the persistence of unipolarity depends on the US capability to maintain a US-centred international order.¹¹ The United States has maintained its primacy in world affairs not only because it has materially dominated, but also because it has used power through international institutions in which it can play a significant role. Therefore, if the United States tries to achieve what it wants without

paying careful attention to other states' responses, it will face trouble in spite of its material superiority. In such cases, the United States has to pay a heavy price for the instability caused by US preponderance.

One can try to explain this paradoxical problem from a different viewpoint. If hegemony can be defined as "a situation in which one state is powerful enough to maintain the essential rules governing inter-state relations, and willing to do so",¹² a hegemon must have not only asymmetrical power relations but also the ability to obtain other states' compliance. Unlike an imperial state, a hegemonic state cannot enforce rules without consent from the secondary states – in other words, material predominance alone does not guarantee effective leadership in the international system. Therefore, as Keohane points out, a hegemon has to "invest resources in institutions in order to ensure that its preferred rules will guide the behavior of other countries".¹³ Just as a government requires public consent to implement domestic policies, international leadership necessitates cooperation of other states in order to make formulas and rules that define international institutions.

This has fundamental implications for regional institutionalization processes in Northeast Asia, where the United States plays a major role in and for security politics and thus strives to pursue its particular political interests through different means and institutions. When we look at the US foreign policy of the George W. Bush administration with Keohane's definition of hegemony in mind, one may hesitate to describe US behaviour as "hegemonic". To most of us, the foreign policy of the Bush administration appears to be more "imperial" and to have power-preponderance incentives to project American interests abroad.

During the Viet Nam War, US foreign policy was also criticized by foreign observers as imperial. Nonetheless, it is not always the case that US hegemony has been resisted by secondary states; on the contrary, it has been accepted, or even welcomed, by foreign powers in many cases. In the past, states were tolerant of US claims of special prerogatives, or even voluntarily accepted US superiority, because they needed strong US leadership to protect their safety and prosperity. For those countries, the United States is an "empire by invitation". However, again, they complied with US demands mainly through international institutional frameworks.

Regardless of the differences between realists and liberalists, a number of international relations specialists have a positive view of US primacy. The realist Robert Gilpin, for example, attaches great importance to the post-Second World War US primacy as a precondition for maintaining the international security order.¹⁴ Taking a broader view of hegemony, Keohane, a liberal theorist, writes that US foreign policy after the Second World War has greatly contributed to international stability by pro-

viding and maintaining an international currency system, an open trading system and an oil-supplying system.¹⁵ The United States has succeeded in managing those systems that not only enabled it to enhance American national interest, but also allowed other states to gain benefits from complying with the norms and rules of international institutions that the United States took the initiative to formulate. Though those institutions may not be collective goods in the strict sense, most of us can agree with Keohane when he suggests that US foreign policy has generally contributed to international peace and prosperity.

However, this does not mean that international institutions may not create an asymmetrical distribution of benefits. In fact, these institutions often do serve the dominant powers' interests, and the United States has been a prime beneficiary. The US dominance in the post-Second World War era has mostly revolved around international institutions through which the United States has exercised power. The compliance of the secondary states and/or the absence of their resistance to the international order do not mean an absence of US power in the region.¹⁶

G. John Ikenberry goes a step further, and asks why the international order made American power acceptable to other states during and after the Cold War. His answer is that the United States, after the Second World War, succeeded in legitimating order by restraining its coercive use of force and making international commitments. Since the weaker states have a fear of abandonment or domination by the stronger states, the leading state must reassure the weaker states that it will not exploit its advantages and will abide by its international commitments.¹⁷

By contrast, what Michael Barnett and Raymond Duvall call "compulsory power"¹⁸ – direct control by one power over another power – is always expensive because, in the words of Margaret Levi, its use precipitates resentments that can "fuel the flames of opposition".¹⁹ As long as a hegemonic power refrains from exercising compulsory power or the coercive use of force and keeps its commitments, the asymmetries in power are rendered tolerable for the weaker states. A stable international order is one in which a majority willingly comply with institutional norms and rules. To use Ikenberry's words, stable international orders are those that have "low returns to power and high returns to institutions".

Nonetheless, the degree of scepticism and resentment exceeded the usual level of tolerance after the George W. Bush administration shifted its foreign policy orientations from multilateralism to unilateralism, from deterrence to pre-emption and from international security to homeland defence. Foreign resistance to the United States will increase further if the current US foreign policy emphasis remains unchanged. Foreign countries' resentment arises not out of the fact that the United States

is a sole superpower, but from the fact that US foreign policy behaviour appears to be based primarily on American domestic concerns and interests.

If the Bush administration continues to pursue pre-emptive and unilateral foreign policies, some states may adopt “soft-balancing” measures that use international institutions and diplomatic frameworks to evade, modify or resist US foreign policies. According to Robert Pape, for example, “soft balancing against the United States has begun”, and he writes that “At bottom, the world’s major powers are reacting to concerns over U.S. intentions.” For Pape, “Serious opposition to U.S. military policies is only likely to increase if the United States continues along its present course of aggressive unilateralism.”²⁰

Due to the major powers’ negative response and attitude to the United States, US credibility among them has declined; this is weakening the strength of international institutions, including the US-based institutions in Northeast Asia. Despite (or because of) the unipolarity and globalization of the world, “Washington is in no position to impose Pax Americana”.²¹ Yet in spite of these problems in US foreign policy and the difficulties the region is facing, the contributors to this book consider institutionalization in Northeast Asia vital for the stability and affluence of the region.

What next?

The steps to be taken in this complex and multifaceted process have been outlined by the authors and naturally rest on their particular expertise. While their suggestions may vary in details, depending on their focus of analysis, all agree that institutionalization in Northeast Asia is desirable and even necessary for making the region stable and affluent in the years to come. Building new (and strengthening existing) institutions in the region is regarded as indispensable to the security and prosperity of Northeast Asia. In sum, efforts may entail what some other international relations specialists have called the “Europeanization” of this region.

It is doubtful if a Northeast Asian economic and security community will emerge in the near future. It is clear, however, that this future image would need to take into consideration the importance of the US role. In fact, US involvement in institution building and management in Northeast Asia will be essential for its success and sustainability. In this sense, expanding and interlinking existing multilateral institutions and managing US-led bilateral relationships should be an inclusive and mutually interdependent process.

The overall, and most important, result of this project, undertaken in a close cooperation between the United Nations University and Aoyama Gakuin University in Tokyo, has been to realize that institutionalization processes have started in a region that has long been regarded as “immune” to any kind of institutionalization effort. Higgott and Timmermann were therefore right when they argued at the very beginning of this book that it is not a question of whether institutionalization will take place in Northeast Asia, but rather what form it will take and what the drivers will be. Such forms and drivers are, and will be, quite different depending on the particular policy field.

The same seems to apply to this book. The editors consider themselves lucky to have assembled such an international group of distinguished experts from different regions of the world. Looking at Northeast Asia from inside and outside the region, they have covered a wide and comprehensive array of issues, ranging from regional identity to security, economy, energy, environment, human rights, human security and the role of epistemic communities.

In conclusion, the result of their concerted efforts is more than simply the sum of the 19 compiled chapters. Their contributions reflect the complexity of this challenging topic, and also give a vivid example of the options that exist in international cooperation when facing such challenges together.

These authors, with their various and multiple policy recommendations, have provided much food for thought on how to help ongoing, but still fragile, processes of institutionalization in Northeast Asia gain in strength and move further and faster. The editors hope that this project has also contributed to expanding the network among the researchers and education institutes involved. We would be happy if the book serves as a stimulating platform for further exchange and research on the potential and options for institution building in Northeast Asia.

Notes

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5. Keohane, Robert O. and Stanley Hoffmann (1993) “Conclusion: Structure, Strategy, and International Roles”, in Robert O. Keohane, Joseph S. Nye and Stanley Hoffmann,

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6. Ibid., p. 398.
 7. Ibid., p. 400.
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 19. Quoted in Ikenberry, note 17 above, p. 54.
 20. Pape, Robert A. (2005) "Soft Balancing Against the United States", *International Security* 30 (Summer), pp. 7–45, especially pp. 44–45.
 21. Thakur, Ramesh (2006) "Asia-Pacific Challenges for Diplomacy", revised paper of keynote lecture delivered at Diplomatic Update 2006, "Diplomacy in the Asia-Pacific: Changes and Challenges", Asia-Pacific College of Diplomacy, Australian National University, Canberra, 12–14 November, unpublished, p. 12.

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“f” refers to figures; “n” to notes.

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