

## Working Paper

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# From Globalization to Fragmentation? The Erosion of Confidence in the Asia-Pacific

## Draft Paper

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The Asia-Pacific region has been singled out many times over the past several years as the most dynamic region in the world economy, with many hundreds of millions brought out of absolute poverty, and as a relatively stable and peaceful part of the world with no incidence of inter-state war since 1979.<sup>1</sup> Despite these positive outcomes, governmental abuse of domestic populations has been prevalent, and these sources of violence should never be discounted or ignored.<sup>2</sup> Moreover, levels of economic inequality remain inordinately high in a number of the regional states. Nevertheless, compared with other regions of the world, the Asia-Pacific has not experienced major inter-state war for forty years, a state of affairs that has significantly contributed to the progress of the region's societies and economies.

This paper reviews factors that have been identified as helping to generate a relatively peaceful outcome for the Asia-Pacific over the last four decades before examining the extent to which those mechanisms are still in place or weakening at a time of strategic transition. It concludes that a number of those crucial elements no longer work in ways that mirror their operation in an earlier era, with an attendant rise in prospects for a darker

<sup>1</sup> 'Relatively' peaceful as Alex J. Bellamy once aptly put it, compared with "both its own history and to other regions of the world." *East Asia's Other Miracle* (Oxford: Oxford University Press, 2017), p. 1, note 1. The year 1979 is chosen as the benchmark because the Sino-Vietnamese war, involving disputed but high numbers of casualties, probably in their tens of thousands, occurred that year.

<sup>2</sup> Serious forms of abuse have occurred in a range of states: the Tiananmen crackdown in China in 1989, and the mass incarceration of Muslim Uighurs in the contemporary era; the bloodshed associated with Indonesia's occupation of East Timor until the territory's move towards full independence in 2002; the formal accusations of genocide perpetrated by the government of Myanmar against the Rohingya minority; and the official finding that North Korea's security forces have committed "unparalleled" and "widespread, systematic abuses" of the human rights of its citizens, to name but four among a number of such instances.

future for the region. There are great uncertainties about how best to maintain Asian security order in the next five to ten years.

## **Processes, Decisions, and Structures Generating Peace and Stability**

Several factors have contributed in the recent past to relative peace and socio-economic progress in the Asia-Pacific region, most of which relate to the processes of globalization and regionalization. In what follows, these will be outlined in telegraphic form.

First, as two major analysts of these questions have concluded, the consolidation of Asian states over the post 1945 era has contributed to the globalization of the state-based international system. Not only have these states increased their capacities to respond to regional shocks, but they have also strengthened their attachment to the goals of national and regional stability, and have largely integrated into global society.<sup>3</sup> In Muthiah Alagappa's view, writing in 2003, at that point most Asian states had moved past the point where they feared for their survival and therefore could look to operate on the basis of norm or rule-governed interaction.

Second, most states in the region have struck what might be termed a state-society bargain: the understanding that the legitimacy of the governing regime is highly dependent on 'performance legitimacy' associated with reasonably high levels of economic growth. That implies a perceived reciprocal relationship between economic development and regime and state security that is not necessarily typical in other world regions. It also encourages a normative commitment to maintaining levels of stability in domestic and regional relations high enough to encourage regional trade and investment. Etel Solingen's important comparative study of the Middle East and post-colonial East Asia demonstrated how the latter's privileging of the civilian state-led economy over the pursuit of military power contributed to a steady decline in inter-state tension in East Asia compared with a persistent resort to armed conflict in the former region.<sup>4</sup>

Third, many of these Asia-Pacific states are also trading or developmental states that have become firmly integrated into the global and regional economies. Much of the export trade has been in the form of networked trade, which makes use of the revolution in communications and transportation to break the value chain into various components. It is understood that were this networked production chain to be damaged through actual conflict or through active or deliberate 'decoupling', the consequences would be serious indeed. Though possibilities for some adjustment over time to such shocks are available, there would be a short-to-medium term loss of access to export markets as well as loss of access to inputs that are crucial to global competitiveness. As John Ravenhill has argued, countries depend on these inter-linkages for "critical inputs into their products;" as well as for "access to distribution and marketing channels and to brand names." He goes on: "Not only is this a world in which the costs of territorial conquest far outweigh any conceivable

<sup>3</sup> See in particular, Muthiah Alagappa (ed.) *Asian Security Order: Instrumental and Normative Features*, Stanford University Press, 2003; and more recently, Bellamy's *East Asia's Other Miracle*.

<sup>4</sup> Etel Solingen, "Pax Asiatika versus Belli Levantina: the Foundations of War and Peace in East Asia and the Middle East," *American Political Science Review* 101, (4), 2007. See also Rosemary Foot and Evelyn Goh. "The International Relations of East Asia: a New Research Prospectus," *International Studies Review*, 21: 3, 2019.

gains, but the potential costs of severing links with the global economy have also never been greater.”<sup>5</sup>

Fourth, the PRC has itself become deeply embedded in these production chains. From 1978 and the start of ‘Reform and Opening,’ China became supportive of a ‘development first agenda,’ and at least while Deng Xiaoping’s associated maxim of ‘*taoguang yanghui*’ was dominant in the country’s vision of regional order, this started to suggest to Beijing’s neighbours that it was becoming more closely aligned with their normative perspectives. It was becoming a part of the region and not an object of suspicion largely isolated from the region.

This 1978 successful turn towards ‘Reform and Opening’ under paramount leader Deng was later coupled with a reassurance strategy designed to show that, even as China’s strength grew, the PRC supported the regional norm of non-interference in internal affairs, the non-use of force for settling issues in dispute (e.g. via signature of ASEAN’s Treaty of Amity and Cooperation), consensus decision-making (see its early role in the ARF), as well as the value of the process-driven regional multilateral institutions. These steps were markedly helpful in defusing (though not removing) the uncertainty that China’s growing material power was beginning to generate. Its argument that its material advancements represented neither a threat to neighbouring states nor to regional order was broadly acknowledged. And while it was less able to convince Japan of its benign intentions, nevertheless, Japan, plus other US alliance partners as well as those states in close alignment with the United States, could remain watchful but not alarmed. Moreover, they believed that overall they could rely on the American military presence and commitment to their future security via the bilateral alliance structure that remained in place.

Fifth, apart from that bilateral US-led ‘hub and spokes’ security architecture, regional states were willing to embrace other mechanisms, and ones that promoted the norm of inclusiveness. The PRC was encouraged to enter multilateral bodies such as the ARF, APEC, ADMM+, among other such institutions. This helped to induce Beijing’s own reassurance strategy, and additionally encouraged US multilateral engagement. The inclusion of major states within these organizations provided opportunities for non-confrontational dialogue, and an adjunct role for security structures that went beyond the US-led bilateral alliances.

Finally, Beijing’s ‘Reform and Opening’ policy also depended for its success on the US-China normalization of ties. Successful normalization in 1979 sent major signals to other states that aided a sense of optimism in the region about the prospects for maintaining stability despite regional transition. For example, normalization showed that despite ideological differences, states could find a basis for coexistence, that Beijing’s economy, while remaining state-led, could become flexible enough to generate economic interdependence, and that the PRC had accepted there was a singular global economic order. China and the United States would move on to be enveloped into global production chains and both sides perceived a benefit to be had from that interlinkage. Bilateral economic ties also strengthened. Even as late as 2017, a US-China Business Council study, for example, sug-

<sup>5</sup> John Ravenhill, “Production Networks in Asia,” *The Oxford Handbook of the International Relations of Asia*, (eds) Saadia M. Pekkanen, John Ravenhill, and Rosemary Foot (New York: Oxford University Press, 2014). See also Ravenhill’s “Economics and Security in the Asia-Pacific Region,” *The Pacific Review*, 26:1, 2013.

gested a continuing productive future for the US-China economic relationship, with the expectation that US service and goods' exports to China would rise from US\$165 billion in 2015, to about US\$525 billion in 2030.<sup>6</sup>

Contentious issues did, of course, regularly arise between the United States and China; but in the early 21<sup>st</sup> century both sides noted both areas of competition as well as areas of cooperation. They regularly drew attention to issues where actions could be viewed as complementary (e.g. over proposals to end conflict in Afghanistan, counter-terrorist policies, the North Korean nuclear programme, the Iran nuclear agreement, climate change, dealing with health pandemics, and so on).<sup>7</sup> The two states also agreed to engage in strategic dialogues where the two parties could discuss 'big picture' issues. Above all, they appeared to accept that they could rely on economic interdependence to help smooth over the more troubling areas in the relationship.

## Fragmentation?

This picture outlining elements of Asia-Pacific regional order presented so far is in many respects stylized and glosses over some important weaknesses in the operation of factors that have helped to stabilize Asia-Pacific regional order over time: for example, it neglects contemplation of the role of nationalist sentiment. Nevertheless, it is an approach that helps to point up where the significant changes have come in any reappraisal of the Asia-Pacific security order.

Returning to the factors considered so far, state consolidation continues much as before, with many of those states that were fragile in the past continuing in similar vein. However, state power, when viewed primarily as an external phenomenon rather than in terms of internal cohesion places the PRC in a particularly notable regional position. Though most regional states have advanced economically and militarily over the past ten years or so, China has outstripped the pace of that advancement. Beijing became the largest exporter in 2009, the second largest economy in the world in 2010, the largest trading nation in 2013, and in 2015 produced about a quarter of the world's manufacturers. China's defence budget is the second largest in the world and the country has become the world's third largest exporter of weaponry. Eric Heginbotham and Richard J. Samuels estimate that in real terms, its defence budget has grown some 724 per cent between 1996 and 2018.<sup>8</sup> Naval modernization has been a marked feature of the 21<sup>st</sup> century budgets and includes programmes for "anti-ship ballistic missiles, anti-ship cruise missiles, land-attack cruise missiles, surface-to-air missiles, mines, manned aircraft, unmanned aircraft, submarines, and aircraft carriers."<sup>9</sup> The Navy has 133 warships over 1,500 tons and is moving away from having a mainly frigate-based navy to one built around destroyers. Beijing now completes an average of two-and-a-half destroyers on an annual basis compared with one destroyer every two years between 2005 and 2011. Similarly, rapid increases in production rates have affected China's fighter aircraft inventory, the rate of increase between 2004

<sup>6</sup> "Understanding the US-China Trade Relationship," The US-China Business Council, January 10, 2017, <https://www.uschina.org/reports>.

<sup>7</sup> See for example the Obama-Xi statement in Washington September 2015 for an outline of areas of agreement.

<sup>8</sup> Heginbotham E. and Samuels, R.J. "Active Denial: Redesigning Japan's Response to China's Military Challenge." *International Security* 42(4), 2018: 128-169, at p. 132.

<sup>9</sup> Jakobson, L. and Medcalf, R. (2015) *The perception gap: Reading China's maritime strategic objectives in Indo-Pacific Asia*. Sydney: Lowy Institute Report, p. 9.

and 2010 standing at 40 fighter aircraft per year, accelerating to 60 per year between 2011 and 2017.<sup>10</sup> Paramilitary coastguard vessels have also increased dramatically in size and number and have been brought into play in support of China's sovereignty claims in the South and East China seas. This leaves intact the non-use of force norm for settling issues in dispute, but weakens the focus on negotiated consensus and replaces it with coercive diplomacy.

Asia-Pacific states have continued to deepen various forms of interdependence with Beijing. Many have tightened their economic bonds, with China emerging as their primary trading and investment partner. Many have signed Memoranda of Understandings indicating interest and often involvement in China's Belt and Road Initiative. Regional institutions continue their process-oriented approach, and new institutions may come on stream with a prospect that the Regional Comprehensive Economic Partnership trade agreement will be signed by 2020. China and ASEAN also are engaged in negotiations on the South China Sea having agreed a single text for those negotiations with the aim of reaching a Code of Conduct. China and Southeast Asian states engage in regular defence exchanges, joint military exercises at sea and on the ground, and have signed an agreement establishing communication hot lines. China-Japan relations though still tense, are being managed with Tokyo even starting to make positive, if conditional, moves towards involvement in the BRI. The key difference is that where once China was being invited to participate in mutual creation of regional institutions, it is now more obviously in a position to dominate that construction process and appears far more willing to take on that leading role, as shown in its creation of the AIIB and BRI, and taking on of the leadership role in RCEP negotiations.

Much as before, a number of states wish to retain a significant role for the United States in the region: for many, the US presence represents a valuable insurance policy at a time of strategic uncertainty, it acts as a deterrent force, and an actor able to contribute towards building the material and defence capacity of Asia-Pacific states. However, there are now more obvious attempts to explore the extent to which these states can rely on the United States in the event of conflict with China over competing sovereignty claims, or other issues in dispute with Beijing. Moreover, China's military acquisitions have served to complicate the Asian strategic environment for the United States rendering it less able to respond as straightforwardly as it once did (e.g., as it did in the 1995-6 Taiwan Straits crisis.) It is now commonplace to hear or read that the China-US relationship is the most important bilateral relationship in the world, an implied equivalence that would have seemed fanciful perhaps as little as ten years ago.<sup>11</sup>

## Major Sources of Disquiet

Thus, while some of the major factors that have aided the Asia-Pacific's enviable advancement remain broadly in place, there have been other developments that have generated a sense of unease. As already hinted at in this section, two among these are worth contemplating in greater detail: the first relates to the advent of the Trump and Xi presidencies and the approaches and ambitions of these two leaders; and the second relates to the de-

<sup>10</sup> Heginbotham and Samuels, "Active Denial," pp. 133-4.

<sup>11</sup> It is still fanciful for some of course. See for example, Michael Beckley, *Unrivaled: Why America Will Remain the World's Sole Superpower* (Ithaca, NY: Cornell University Press, 2018.)

terioration in Sino-American relations such that the soothing effect of economic interdependence no longer operates in the way that it once did, thus threatening to disrupt the region in ways not experienced since the 1970s.

The Trump presidency for example, has brought into being a direct attack on dominant norms in the Asia-Pacific such as diplomacy, multilateralism, and the maintenance of policy-making autonomy. Most states of this region have not wanted to be forced into a choice in terms of alignments, and may well be forced to change that preferred position.<sup>12</sup> In terms of America's deterrence function, President Trump in particular offers little in the way of reassurance given the constant reference to an "America First" approach. It is apparent that he makes little or no distinction between allies and non-allies, since all are viewed as potential competitors mainly in the economic arena. This ideological perspective was summed up pithily by one of Trump's former directors of the National Economic Council, Gary Cohn, and then National Security Adviser, H.R. McMaster. Writing in the *Wall Street Journal* in May 2017, and with the aim of explaining the "Trump doctrine", they noted with some relish that the world is "an arena where nations, non-governmental actors, and businesses engage and compete for advantage." They went on: "Rather than deny this elemental nature of international affairs, we endorse it." Trump has argued that the US has, for decades, been cheated by its allies in Asia (as well as in Europe) and that the free-riding on the US as a security and economic actor – or 'world policeman' – has to stop. The credibility of US security commitments has therefore been severely tested, raising the question directly of how regional states can best protect the norms they cherish: economic advancement, inclusiveness, multilateralism, and strategic and policy autonomy.

On the China side, President Xi Jinping has been outspoken about China's regional and global ambitions, deriving from the material success of China's political-economic model. The reassurance policies of an earlier period have been overshadowed. Instead, Xi emphasizes the country's commitment to the idea of the "great revival," "renewal," or "rejuvenation" of the Chinese nation. For Xi, China's rejuvenation means a return to China's glorious past and its leading role in world affairs. As Xi told the 19<sup>th</sup> Party Congress, China "has stood up, grown rich, and is becoming strong". Arguing that China's path could serve as a successful model for other developing countries to follow, Xi stated during that speech that China could offer "Chinese wisdom and a Chinese approach to solving the problems facing mankind".<sup>13</sup> The foundational norm of state sovereignty and non-interference in internal affairs, where once it could be projected as a protective shield for the region's weaker states – as well as for China itself – in some respects has been made into a weapon or source of threat. Beijing's determination to protect its designated 'core interests' especially with regard to the sovereignty disputes in which it is engaged on sea and land, has been stated on many occasions. As State Councillor Yang Jiechi put it in September 2013, for example: "President Xi has stressed that while firmly committed to peaceful development, we definitely must not forsake our legitimate interests or compromise our core national interests". He went on: "No country should expect us to swallow the bitter fruit that

<sup>12</sup> Jonathan Stromseth, "Don't Make Us Choose: Southeast Asia in the Throes of US-China Rivalry," Washington, DC: Brookings Institution, Report, October 2019.

<sup>13</sup> Xi Jinping, (2017) "Secure a decisive victory in building a moderately prosperous society in all respects and strive for the great success of socialism with Chinese characteristics for a new era", speech delivered at the 19<sup>th</sup> National Congress of the Communist Party of China, 18 October at [http://www.xinhuanet.com/english/download/Xi\\_Jinping's\\_report\\_at\\_19th\\_CPC\\_National\\_Congress.pdf](http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf).

undermines our sovereignty, security and development interests.”<sup>14</sup> It is this formulation that helps to explain China’s intense efforts to delegitimize the judgment of the UNCLOS arbitral tribunal ruling given in July 2016 on the Philippines’ claims in the South China Sea.

Thus, as this sketch of the world views promoted during the Trump and Xi eras suggests there are sources of significant change leading regional governments to consider the best means of adjusting to a changing strategic reality. This sense of unease is compounded by one other significant development of the contemporary era: namely, the steep deterioration in China-US relations. Although this relationship began to deteriorate before the advent of the Trump presidency, nevertheless it is clear that his administration has accelerated the speed of that deterioration. Economic interdependence between the two economies is no longer working in the same way, and that derives mainly from the strong linkages that have come to be established between economics and security, especially in the United States.<sup>15</sup> This feature of the relationship has brought Trump’s desire to dominate rather than negotiate directly up against Xi’s more ambitious path for China.

The main issue is development in technologies that have both high commercial and military value. Until approximately 2015, the economic-security nexus favoured greater rather than lesser economic interdependence between these two countries, based on the argument that the US could remain ahead, and US businesses and society would benefit from the two-way trade and investment. A significant change in perspective came with the growing perception that China might actually be moving faster than predicted, and probably through illicit means: cyber-theft; Chinese requirement that US firms hand over their intellectual property (IP); and failures of protection for IP in China because of weak intellectual property laws, all contributed to this.

The result has been a growing sense in the United States that China’s strengths in these new technologies, and determination to adopt a more forward role in global governance, will allow China to set global standards in these areas and constrain US strategic choices. Beijing, on the other hand, is determined to develop a leading role in technological innovation and has put the funding behind it in an attempt to ensure that outcome. Indeed, there is also a general US perception that Xi has been changing the path of China’s domestic economic reform: for example, disrupting the trend towards greater market reforms, putting the Party above the state, strengthening the role of SOEs in the economy, and pursuing ‘Made in China 2025’ - an industrial policy designed to enhance China’s independent capacity to produce critical advanced technologies. This adds an important ideological dimension to US-China rivalry which had largely eroded in the earlier periods of this relationship after its normalization. Decoupling of the two economies, while difficult to bring into effect, has been raised as a prospect in both countries. Inevitably, regional states fear becoming embroiled in the spillovers that come from these changes and that the policies the two sides have adopted to date are contributing to a slowing of the regional and global economies, thus undermining the strength of yet another of the region’s foundational norms.

<sup>14</sup> Yang Jiechi, (2013) ‘Implementing the Chinese Dream,’ *The National Interest*, 10 September. At <http://nationalinterest.org/commentary/implementing-the-chinese-dream-9026/>, accessed 14 Aug. 2018.

<sup>15</sup> Rosemary Foot and Amy King, “Assessing the deterioration in China-US relations: US governmental perspectives on the economic-security nexus,” *China International Strategy Review*, 1: 1, June 2019.

## Conclusion

This deterioration in Sino-American relations is not likely to be halted any time soon. It has attracted bipartisan support and has been made worse by US entry into the election season. Moreover, it is already spilling over to other issue areas of major significance to Asia-Pacific states including the South China Sea, the Diaoyu-Senkaku dispute, the North Korean nuclear weapons programme, as well as US relations with Taiwan, at least for other members of the Trump administration if not for Trump himself. Prime Minister Lee Hsien Loong in his speech at the opening of the Shangri-La Dialogue in 2019 summed up his sense of the times as follows:

“Our world is at a turning point. Globalisation is under siege. Tensions between the US and China are growing. Like everyone else, we in Singapore are anxious. We wonder what the future holds, and how countries can collectively find a way forward to maintain peace and prosperity in the world.”

Prime Minister Lee put his faith in three factors in order to try and stem “growing hostility and instability”: state agency and rationality; multilateral institutions as part of the “regional cooperative architecture,” including, in support of the inclusiveness norm, pressing China and a future US administration to join the CPTPP, and ASEAN member states to remain united; as well as “hope” that the two sides will find a “constructive way forward” that can somehow balance competition with cooperation. More quietly, the Singaporean government recently renewed a key defence pact with the United States, extending US use of Singapore’s air and naval bases for another 15 years.<sup>16</sup>

Should we conclude that the more things change at the strategic level, the more things stay the same in policy terms for many Asia-Pacific states? What is plain is the “hope” among regional states that a post-Trump era will see the return to a US role that more closely resembles what it has offered the region in the past, and a Chinese realization that effective management of its region requires not dominance but the building of legitimate authority. In the meantime, we should assume that states are anticipating something much less benign than this.

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<sup>16</sup> “PM Lee, Trump renew key defence pact on US use of Singapore air, naval bases,” *Straits Times*, 24 September 2019, at <https://www.straitstimes.com/world/pm-lee-trump-renew-key-defence-pact-on-us-use-of-singapore-air-naval-bases>.