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Sources of peace in East Asia: interdependence, institutions, and middle powers

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ABSTRACT

For forty years, the East Asian regional order has delivered widespread peace and prosperity. That order faces possible upending by an economically and militarily more powerful China and a decreasingly robust and engaged United States. While accepting the possibility that such structural shifts could upend the regional order, this paper contends that three powerful counterweights are working to counter disruptive conflicts and to foster peaceful change, namely strong and rising economic interdependence, expanding institutionalization, and active preservation efforts by number of other Asian states, particularly the region's middle powers. This article analyzes the contribution of these three forces to creating the existing order and to their roles in its continuation.

KEYWORDS: East Asia; peace; liberal order; China; middle powers

The evolving order in East Asia suggests a jarring 180-degree volte-face from that which prevailed in 2000. As this century began, regional peace and prosperity reigned. The region was enjoying collective economic prosperity, burgeoning regional interdependence, peaceful accommodations among previously hostile states, the virtual elimination of battlefield deaths, and a number of crisscrossing and diverse multilateral institutions. Only a few states remained outliers to the regional economic success story, none of whom were strong enough to upend the dominant order. Such a sanguine combination would have astonished any foreign policy specialist or political leader familiar with East Asia's pervasive brittleness in the years immediately following World War II.

If the early 2000s found policymakers and analysts harmonizing to the reassuring lyrics of *Kumbaya*, in the past several years, their now strident

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voices have projected off-key renditions of *We're on the Eve of Destruction*. Trade tensions have escalated. Competitive weaponizing of national wealth has dislodged the prior focus on collective prosperity. Eclipsing China's peaceful rise has been its purported strategic and geoeconomic assertiveness, often propounded by its supporters as 'Wolf Warrior Diplomacy.' North Korea has bolstered its nuclear and missile arsenals. Long latent historical memories have resurfaced, often reaching a fevered pitch. Regional institutions that once promised the collective socialization of members and the harmonization of differences seem feckless in quelling zero sum competition between self-interested nation-states (Yeo, 2020a).

Such anxiety amplification is not without cause. Whatever peace prevailed in East Asia was far less than that of a true security community. In T.V. Paul's scalar distinction between minimal and maximal degrees of peace (Paul, et al., 2021 and Paul's paper in this issue), East Asia was surely closer to the less comprehensive poll. Instead, it enjoys what Miles Kahler deftly labelled 'the peace of the prudent.' (Kahler, 2011: 19). Such thin roots leave East Asian peace vulnerable to the shifts in the tectonic plates undergirding the regional order. These movements are unleashing formidable pressures for the realignment of many once solid pillars of the liberal order, originally put in place by the U.S. and its allies in the aftermath of World War II and subsequently embraced by most Asian states as conducive to their peace and prosperity. Accommodating these new pressures without military conflicts will pose a formidable challenge to the existing order.

Before surrendering to teleological pessimism about the region's current trajectory and unwelcome future, however, it is wise to examine the conditions that underpinned roughly three decades of sustained peace and prosperity (~1980-2010) in the Asia-Pacific. This paper will contend that today's tensions remain counterbalanced by forces that have been bolstering regional tranquility and peaceful changes since the early 1980 and that still remain intact, namely interdependent trade and investment, multilateral institutions, and a number of middle powers determined to sustain the order from which they have so richly benefitted.

Since at least Adam Smith, liberal analysts have extolled the pacifying virtues of international trade. One of their core assumptions is that zero sum national conflicts, including wars and military insecurity, are deleterious to international trade and investment since sustained and increasing interstate economic exchanges incubate vested domestic interest groups that will lobby their governments to avoid international battles (Oneal, Russett, & Berbaum, 2003; Copeland, 1996). In place of states pursuing *relative* gains against one another, interdependent trade and investment foster *absolute* gains for all participants. Zero-sum competition yields to positive-sum cooperation.

Multilateral institutions can also contribute to a reduction in conflict-inducing tensions. When powerful states bind themselves to institutional rules of behavior the exercise of raw power is constrained. As Philip Lipsky (2017: 266–289) has demonstrated, multilateral institutions incentivize countries to cooperate with one another by reducing transaction costs, clarifying rules and norms, and providing common information. Such bodies, furthermore, regularize interactions among their members in service of solving problems intractable to them individually (e.g. Fukuyama, 2020). Institutions, finally, can facilitate peaceful power transitions by providing venues through which countries can increase their influence and status without resorting to military coercion and threatening peace.¹

In addition to the peaceful contributions forged by international economic interdependence and multilateral institutions, middle-sized powers, cognizant of the limitations of their raw coercive capabilities, are normally predisposed to avoid being dragged into damaging conflicts among major powers. Better to work individually and cooperate with one another to utilize what influence they can muster to blunt or buffer tensions between contending great powers. These incentives increase to the extent that they have crosscutting entanglements with potentially competitive major powers.

This paper attempts to sort out the connections among contemporary pressures for change in the East Asian order, on the one hand, and efforts aimed at preserving a regional order of peace and prosperity on the other. It begins with a cursory summary of the core components of the global liberal order and its East Asian manifestations. I follow this with a brief discussion of the ways in which, as the Cold War wound down in East Asia, that order began delivering hefty benefits of tranquility and interdependence to most regimes across the region, despite their wide diversity in political systems and levels of economic development. A third section assesses the most ominous challenges now facing that order. A fourth section analyzes the ongoing economic interdependence and institutional pervasiveness that remain in place, along with the key steps being taken by several middle powers, most notably Japan, South Korea, and as Teo's contribution to this issue makes clear, Australia and Indonesia as well, to accommodate demands for change in ways that preserve the core elements of regional peace and prosperity. A brief conclusion follows.

The global liberal order and its East Asian manifestations

The global liberal order took root in the early years following World War II. A major goal of that order was the promotion of worldwide peace by fostering widespread prosperity and economic interdependence. In the thinking of its early architects, the two world wars and the Great Depression had

been products of rampant economic nationalism and competing ‘beggar thy neighbor’ trade blocs, which, in turn, impeded global prosperity and triggered devastating conflicts (Maier, 1977). More conducive to peace would be an order that instead was multidimensional, layered, and rules-based, and one that promoted freer trade and investment. These postwar architects thus created an extensive network of institutions to underpin their vision. Among the most prominent were the UN, the North Atlantic Treaty Organization (NATO), the Organization for European Economic Cooperation (OEEC) – later the Organization for Economic Cooperation and Development (OECD)–the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT)–later the World Trade Organization (WTO) (Funabashi & Ikenberry, 2020: 1-2). The order was ‘... characterized by multilayered institutions and alliances, open and penetrated domestic orders, and reciprocal and largely legitimate mechanisms for dispute resolution and joint decision making.’ (Ikenberry, 2007: 210), 2011)

Pivotal to the success of this order was the hegemonic United States with its overwhelming combination of hard and soft power. Collective security would promote peace by protecting America’s friends and allies against border invasions; however, a deeper and more long lasting peace required that economic development become widespread and that obstacles to international economic transactions be minimized. To be sure, the order was less than truly global since it excluded the USSR and its communist allies while many former colonial states maneuvered to achieve Cold War neutrality. Moreover, US support for global cooperation pivoted on the ability of Washington to define the order’s central norms, rules, and institutions in ways that favored its own domestic interests. As a result, US centrality meant that the entire order was vulnerable to the vicissitudes of US domestic politics (Hicken, Jones, & Menon, 2021: 4)

Nonetheless, the order was extensive and left an indelible stamp on East Asia which was an integral component of this US-dominated order. A latticework of hub and spoke alliances structured security relations and, with a few conspicuous exceptions, provided a stable external environment for America’s friends within the region (Yahuda, 1996, Section 1: 1-83).² Over time, US aid, investment, and open domestic market benefited an increasing number of countries throughout East Asia with the result that most embraced its core tenets and, as they enjoyed its fruits, became anxious to prevent its demise.

The US ultimately ‘won’ its Cold War with the USSR when the latter collapsed in 1991. Sharp-edged bipolarity had been winding down even earlier in East Asia, however. With the loss of the war in Indochina and the military pullback of the Guam Doctrine, the US retreated from its prior efforts to

reshape East Asia through military force. Meanwhile, China pivoted in a new economic direction, thereby blunting the sharp edges of regional bipolarity. Four decades marked by bipolar surrogate conflicts and two hostile economic blocs gave way to more fluid arrangements as a number of countries, led by lesser powers such as Japan, Korea, Singapore, and Taiwan, no longer needed to camouflage their economic choices as congruent with the ideological dictates of 'capitalism' or 'communism.' Freer to explore alternative paths to development they pursued diverse economic paradigms that delivered robust economic development.

An explosion of cross-border investment and rises in intra-regional trade followed, propelled by improved communication and transportation links, the ability of companies to modularize corporate functions, and regional economic asymmetries. Political and business leaders who once confined their economic focus to domestic conditions while obsessing about military security began reaping national benefits by embracing this regional economic interdependence. Stimulating that interdependence was the flood of outgoing FDI from capital and technology rich countries such as Japan, Korea, and Taiwan and their sophisticated firms. The cumulative result was a nexus of ever more complex production networks, investment corridors, growth triangles, and export processing zones that blurred national borders by engendering ever more dense networks of economic interdependence and intraregional trade and investment. The green shoots of economic development that began in Northeast Asia quickly spread to include Singapore and Hong Kong, later engulfing China and a number of Southeast Asian countries, resulting in widespread prosperity, known popularly as 'the East Asian economic miracle.'(World Bank, 1993)

As national economies deepened their interconnections, governments began engaging one another through a plethora of regional institutions and expanding free trade pacts (Oneal et al., 2003). The Association of Southeast Asian Nations (ASEAN), Japan, Australia and Korea led the way, fostering the Asian Development Bank (ADB), the Asia-Pacific Economic Cooperation (APEC) forum, the ASEAN Regional Forum (ARF), the ASEAN plus Three (APT), the Chiang Mai Initiative Multilateralization (CMIM), the East Asia Summit (EAS), and other building blocks of a more extensive regional institutional architecture. Numerous governments simultaneously created multilateral bodies less comprehensive in membership and more restricted in ambition targeting specific cross-border problems such as immigration, environmental pollution, drug smuggling, piracy, and pandemics. In Kai He's terminology (this issue), the bulk of these are inclusive institutions. This widening institutional landscape enveloped most East Asian states within the regional and global liberal order (Pempel, 2005, 2006, 2010; Calder & Ye, 2010).

Economic dynamism and increasing regional multilateralism went hand in hand with improved diplomatic relations among many countries and a consequent reduction in fears of military clashes. These, in turn, contributed to denser and less bifurcated political interactions. Indonesia and Singapore normalized relations with China in 1990, and South Korea did the same in 1992. China settled land disputes with 14 of its neighbors (Fravel, 2008), while ASEAN expanded its membership from six to 10 by integrating as members four continental countries that had often been hostile to some of the original six. ASEAN's members achieved a modicum of collective security through the Treaty of Amity and Cooperation (TAC) in Southeast Asia as well. Japan and Korea improved their bilateral ties with the historical visit to Japan of President Kim Dae-jung in October 1998, their joint hosting of the 2002 World Cup, and an explosion in their bilateral cultural exchanges. Even the North Korean nuclear challenge was forestalled as a result of a sequence of successive agreements reached through the institutional mechanism of the Six Party Talks.

China contributed to the improving regional climate by joining the World Trade Organization (WTO) while embracing a level of liberalization and foreign direct investment that transformed the PRC into the number one trading partner of most other countries in East Asia. All the while, China's policymakers, aware that their country's external dependence and its limited tangible assets made it at best a middle power, telegraphed the singular contention that the country's rise would be peaceful. Deng Xiaoping's message that China should hide its abilities and bide its time drove official policy-making and spawned, among other things, over a decade of what Kurlantzick (2007) called its national 'charm offensive.' Through it all, China played a selective game with WTO rules while remaining an authoritarian regime with a ruling communist party that retained overweening domestic power, leaving it at best what a RAND study called a 'conditional supporter' of the postwar international order (Mazarr, Heath, & Cevallos, 2018: 8).

During this period, while numerous of its bases and bilateral alliances remained intact, the US reduced its total military assets in the region, largely content with the positive direction the region was taking. Since most countries in East Asia were reaping substantial benefits, a positive cycle of growth and stability prevailed with few demands for fundamental changes to the evolving order. Furthermore, East Asian regional relations largely escaped the wrenching challenges and adjustments posed to the broader global order by 9/11 and the rise of radical Islam or by territorial aggrandizement on the scale of Russia's takeover of Crimea. Nonetheless, cross border frictions by no means vanished. Corporate competition was high and national governments typically aligned with the interests of

companies headquartered within their borders. Residual sectoral protection measures continued. The US focus on East Asia ebbed and flowed with shifts in its domestic politics. Consequently, the region remained far short of being maximally peaceful, nor a true 'security community' in which war was truly unthinkable (Alagappa, 2003; Acharya, 2014). Yet for most East Asian countries, the prioritization of prosperity fostered a diminished reliance on military prowess as a key instrument of foreign policy, ushering in at least a temporary but pervasive peace (e.g. Tonnesson, 2015). Until the Global Financial Crisis (2008–09), the overriding image of the regional order was unmistakably peace and prosperity.

Challenges to the regional order

Three main transformations began to challenge the region's stable power balance and positive climate: 1) the economic and military strengthening of China; 2) the beefed up missile and nuclear capabilities of the DPRK; and 3) the economic weakening and expanded xenophobia of the US. Changes and adjustments are inevitable in any complex order but rarely do such changes threaten to upend the order completely. These three challenges, in contrast, pack sufficient energy to challenge the core architecture of the order itself.

An increasing portion of current analyses of the changing order in East Asia hinge on the presumption that bilateral China–US competition will be the overriding driver of the future regional order (e.g. Allison, 2017; Mearsheimer, 2010; Tellis, 2019). At the forefront of such arguments are the evolving military, territorial and economic competition between the two, their rivalry over advanced technology, and their rapidly shifting economic and military weights. Marked most dramatically by the 2008–2009 Global Financial Crisis (GFC), faith in the economic strength of the United States, along with the unproblematic benefits of 'free markets' and the liberalization of trade and investment, long touted by the US, suffered a devastating blow. Doubts about such economic pillars of the existing order pose a powerful challenge to its continuity.

Meanwhile, China, particularly since Xi Jinping became Secretary General of the CCP in 2012, has deviated dramatically from the long-honored admonition of Deng Xiaoping that China should maintain a low profile in foreign affairs, concentrating instead on extending its domestic economic development. The GFC convinced many Chinese policymakers and analysts that the long era of American hegemony was on the wane and that China's moment for enhanced boldness had arrived (Chen & Wang, 2011; Schweller & Pu, 2011; Swaine, 2021). Premier Xi engineered expanded military budgets and revanchist maritime challenges to competing sovereignty claims in

the ECS and SCS (Holmes & Yoshihara, 2012; Kane, 2016), along with tightened domestic restrictions, crackdowns on democratic forces in Hong Kong and escalating challenges to Taiwan. Chinese pressures for changes to the security status quo were particularly effective insofar as they moved forward in miniscule increments, often in so-called grey zones, and rarely challenged the regional order head on.

Economically, the Chinese regime also became more conspicuous in its selective refusal to adhere to promises made upon accession to the World Trade Organization in 2001, distortions which the WTO was particularly ineffective in disciplining. Chinese policymakers reversed moves toward market-led reforms and privatization, instead boosting official investments in the largest state-owned enterprises (SOEs) and systematically erecting barricades against penetration of critical sectors by foreign firms. They also advanced industrial policies designed to ensure domestic dominance over the technology and manufacture of a multitude of high-tech products from electric cars to spacecraft (for details, see *inter alia*, Wang, Chen, Guo, Yu, & Zhou, 2016; Johnston, 2019).³ In the words of Nicholas Lardy (2019), ‘the state struck back.’

In addition, decades of accumulated economic strength allowed the Chinese government to expand its regional financial reach through combinations of foreign aid and infrastructure development projects most conspicuously through its new Belt and Road Initiative (BRI) and its fledgling Asian Infrastructure Investment Bank (AIIB). Economic prowess, furthermore, empowered China to take advantage of its outsized weight in bilateral trade with partners such as South Korea and Taiwan, weaponizing its wealth in the service of its geopolitical goals (Hirschmann, 1945).⁴ In combination, such actions led many to conclude that China, as a brawny rising power, would no longer remain content to tweak the rules of the existing order at the margins, but was mounting a frontal challenge to its core economic and security presumptions (Allison, 2015; Nathan & Scobell, 2012).

A second danger to the regional order has emerged from North Korea. Following the collapse of the Six Party Talks in 2007 and the ascent to power of Kim Jong-un, the regime has carried out a sequence of ever-more-successful nuclear and missile tests, as well as maritime assaults in the West Sea. Three summit meetings between Kim and Donald Trump heightened the regime’s global image and legitimacy while doing nothing to constrain its ominous military advances. As recently as October, 2020, with a massive parade showcasing its range of long-range missiles and other modernized military hardware, the regime telegraphed its potential to disrupt East Asia’s relative calm. A rapid-fire sequence of missile tests in early 2022 followed. The probability remains low that North Korea would actually initiate any major military conflict since doing so would certainly

result in the regime's quick destruction. Nevertheless, the DPRK remains firmly implanted outside the norms and linkages of the regional order; its oscillating saber rattling triggers a recurrent security dilemma for neighbors; it retains the ability for ad hoc security disruptions; and its expanding and unchecked nuclear and missile capabilities risk unleashing a region wide arms race that could spawn new nuclear programs (Chun, Cronin, Lee, & Snyder, 2021).

The third big jolt to the global liberal order came with the presidency of Donald Trump, the first president to challenge the value of US alliances, the benefits of multilateral institutions, and globalized trade, all abrupt deviations from the entrenched global order originally orchestrated by and for the US. His administration advanced a full-throated agenda of economic nationalism, white nativism, and a multiagency assault against the global liberal order and multilateral institutions from which both East Asia and the US had benefited for decades (Pempel, 2017).

Particularly irksome to Trump were bilateral trade deficits. Propounding the contention that 'Trade wars are good and easy to win,' he imposed a sequence of unilateral tariffs that, despite claims that these were targeting China, fell on allies and adversaries alike. In addition to their devastating impact on globalized trade and supply chains, these actions also detoured from prior American neo-liberal presumptions that China's 2001 accession to WTO membership and its rapid overall economic growth would prove to be a net positive, not only for China, but for the US and its allies, as well (Zoellick, 2005; Pempel, 2019). The Trump administration talked openly of 'decoupling' the US economy from that of China.

Equally problematic in Trump's view were multilateral institutions where America was 'getting a bad deal.' He thus pulled the US out of a bevy of such institutions, including the Trans-Pacific Partnership (TPP). Designed as a free trade agreement among twelve countries in the Asia-Pacific, the TPP sought to connect 40 percent of world trade through high quality standards along with reduce tariff and non-tariff barriers. It sought to extend the liberal economic latticework while anchoring the US more deeply in the region and simultaneously setting standards for membership that ideally would incentivize China to disentangle many of most problematic domestic violations of the liberal order. TPP thus represented a quintessential defense of the global liberal order and America's primacy within it. Indeed, Secretary of Defense Ashton Carter in an April 6, 2015 speech equated U.S. participation in TPP as the equivalent of adding another aircraft carrier to the US arsenal (U.S. Department of Defense, 2015). Trump's summary withdrawal delivered a major blow to that vision and to the regional order.

Without a doubt, such developments have caused huge disruptions to the region, reigniting fears that, as Aaron Friedberg once predicted, the

region is again 'ripe for rivalry.' (Friedberg, 1993) A serious complication woven into this mixture of new challenges is the way in which each presents a different combination of security and economic pressures for regional members. Many in the region, for example, view China as presenting a hard security challenge even as its robust economy, while not always congruent with the liberal dimensions of the regional order, remains a powerful magnet for most economies in the region. North Korea, in contrast, presents a strong security threat while remaining all but irrelevant on the economic axis of the regional order. The US, finally, has long been a security stalwart of the regional order and, despite Trump's disparaging of many key allies, military-to-military relations between the US and its security partners remain fundamentally intact. In contrast, American economic influence regionally was on the wane before Trump came into office and his unilateral approach to trade and his blows to globalization and regionalism have simply further dimmed America's economic significance. The US situation, as noted, is subject to wide swings dependent on domestic political shifts, so the impact of the Trump actions could theoretically shift back with a Biden administration, but that is far from certain. While the Biden administration sought to mend many fences across the region, the Biden agenda gave far greater priority to domestic issues, rather than foreign policy (and the botched American exit from Afghanistan tarnished his administration's credentials as a loyal ally even further. Meanwhile, Trump has taken full control of the Republican Party and led it in pushing for an even harder line against China and a rejection of multilateralism abroad while creating major impediments to democratic elections at home, all in service of the reelection of Trump in 2024. Hence, East Asia continues to confront three big changes to different facets of its regional order, complicating the normal processes of accommodation and adjustment but the preservation of the order as a whole. Continuations of a regional order based on peace and peaceful change is thus facing formidable headwinds.

Meeting challenges and accommodating changes

Can the existing East Asian order accommodate such challenges peacefully? The answer is far from simple. However, it is vital to recall that prioritizing the 'peaceful accommodation' of demands for change is by no means an unvarnished good. Short-term accommodation can bring disastrous long-term consequences as hindsight has shown regarding Neville Chamberlain's 1938 appeasement of Hitler in the service of 'peace for our time.' Similarly, American and European forbearance of Russia's 2014 'peaceful' takeover of Crimea enhanced the power and escalated the demands of a state completely hostile

to the liberal order. Without a doubt, one must distinguish between accommodating legitimate demands for change and the appeasement of aggression.

As one considers the issues of peaceful accommodation of changes in East Asia, it is well to remember that the task going forward is less about *creating* an order of peace and prosperity and more about *sustaining* a peace and prosperity that already exists. The management inherent in maintenance is far less problematic than that required for construction of a comprehensive architecture from scratch. The forces that contributed to, and sustained, the peaceful and prosperous regional order in East Asia not only continue to function but to flourish. Collectively they retain considerable leverage to constrict the challenges presented by recent developments in China, North Korea, and the United States. The core question about the regional order going forward is whether or not intraregional economic interdependence, multilateral institutions, and middle power endeavors can constrict, modulate and accommodate the ongoing challenges now faced by that order.

Certainly, if China, the DPRK, and the US pose economic and security challenges to the existing order, other countries across the region have not been passive in their pushbacks. Japan and South Korea, while not strong enough to structure the order around themselves, both rank among the ten richest democracies in the world. As such they play significant roles in sustaining that order. Having benefitted greatly from their enmeshment in that order, neither is anxious to see it upended. As is clear from many of their recent actions, individually and collectively, both are capable of putting heavy thumbs on the scale of the prevailing order and easing tensions within it.

Both have, for example, actively contributed to regional infrastructure assistance, demand for which is extensive throughout East Asia. One study by the ADB estimated such needs at an astounding \$22.5 trillion for 2030 (Asian Development Bank, 2017). The unquestioned clamoring of many countries in the region for infrastructure assistance spurred China, through its BRI and its AIIB, to flex its regional economic prowess in ways that would win favor region wide.

China, however, was hardly alone in its response to regional infrastructure demands. Japan began a regular dialogue with the Central Asian republics as early as 2004 and articulated early versions of what morphed into the 'Free and Open Indo-Pacific' soon after. An explicit focus on massive infrastructure investment came in 2015, two years after China announced the BRI, with Japan's own 'Partnership for Quality Infrastructure (PQI).' Its pillars were an expansion and speed-up of infrastructure-related assistance through the Japan International Cooperation Agency (JICA) in conjunction with the ADB. The original target of providing \$110 billion was

raised to \$200 billion in 2016. Japan's venture sought to offset the appeal of quick but low quality China-led projects and Japan followed up by enrolling international support behind the principles of quality infrastructure investment through a number of fora like G-7 and G-20. Then in September 2019, Japan and the EU concluded a bilateral 'Partnership on Sustainable Connectivity and Quality Infrastructure.' (Pascha, 2020).

In South Korea, the Moon administration announced a 'New Southern Policy' for connecting Northeast and Southeast Asia with physical and digital infrastructure as well as broader societal linkages. Both trade and people-to-people exchanges between South Korea and ASEAN subsequently skyrocketed to unprecedented levels. ASEAN has become South Korea's second largest trading partner and second largest overseas construction market after the Middle East (Yeo, 2020b).

In the area of economic interdependence and free trade, after initial anxieties that the absence of the U.S. would mean the death of TPP, (e.g. East Asia Forum, 2017; Hawke, 2017) the eleven remaining members demonstrated that they had significant powers of their own. Japan, New Zealand, and Australia led negotiations for a second best countermeasure. A restructured Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) went into effect on December 30, 2018 with expectations that some non-negotiating countries, potentially including Taiwan and even China, would welcome the opportunity to join.

Likewise, ASEAN, with Indonesia in the lead, advanced the fifteen country Regional Cooperation and Economic Partnership (RCEP), signed in November 2020. Though not as comprehensive as CPTPP, RCEP created the largest free trade agreement in the world and marked the first such FTA linking three erstwhile competitors—Japan, Korea, and China. RCEP will operate under terms more congruent with the liberal trading order than might have been preferred by its largest member, China.

Additionally, Japan, Korea, Singapore and Vietnam have all forged trade pacts with the EU and negotiations for an analogous EU-Indonesia agreement are ongoing. Furthermore, the ROK entered into a bilateral FTA with China in 2015 that counterbalanced its bilateral FTA with the US (KORUS). All of these recent multilateral and bilateral trade pacts reduce regulatory barriers to trade and incentivize countries and companies to engage and/or integrate through a deeper and more rules-based set of trade arrangements. All are congruent with the region's interdependent economic order and serve as evidence of powerful pushbacks against U.S. and Chinese threats to regional economic integration, multilateralism and intra-state cooperation. All also go forward despite any DPRK nuclear and conventional military challenges.

At the same time, such FTAs, while integrative for the participating members and knitting East Asian economies into a closer interdependence, weaken the multilateral trade system rather than strengthening it. Large segments of the global economy remain outside these arrangements because they do not include WTO's 'most favored nation' (MFN) provisions. Therefore, these emerging arrangements present a huge challenge to American companies that now face substantially higher tariff and MFN barriers across East Asia than many of their corporate rivals. The recent trade pacts thus provide a strong incentive for the US to reengage with a now more interconnected region, one whose new connections were heavily driven by middle power initiatives. These moves should equally incentivize the Biden administration to back away from demands for a 'decoupling' from China and to engage with it on areas of common purpose, of which there are many.⁵ Doing so will be difficult in the face of collective Washington efforts toward one-upmanship in being 'tough on China.' It will also require the US to bulk up its technological and economic competitiveness domestically. Only then will it be able to reenergize its economic significance across East Asia. If it relies only on military toughness, it risks having a one-dimensional face in the region, thereby presenting Asian countries with the Hobson's choice of pursuing their security interests or their economic interests.

Some of Asia's middle powers are preparing to enhance their military strength as a balance to their economic activities. Thus, as China has become more militarily assertive and US commitments to remain an active balancer have become questionable, Japan and South Korea have actively resisted security bifurcation and threats to the regional order. For at least the last decade, Japan has been expanding the sophistication, reach, and role of its Self-Defense Forces. Equally, in 2012, Japan reversed earlier declines in its military budget and began boosting its defense budget annually. Also enhanced has been Japanese military cooperation with several countries in Southeast Asia. Most recently and prominently, it has led the US, Australia and India in advancing the agenda of a Free and Open Indo-Pacific (FOIP), and its explicit four country cooperation through the Quad. In all these ways, Japan has sought to push back against China's maritime expansions; however, Japan continues to remain a major investor and trading partner of China and has cooperated with the AIIB through the ADB on a variety of infrastructure projects. The FOIP has become a concept that has also been embraced by the EU (Camroux, 2020). The Biden administration was quick to build on FOIP activities and held a four party summit among its leaders in March 2019.

Under the Moon administration, meanwhile, South Korea has been active in efforts to engage North Korea economically. The progressive government

of Moon Jae-in came to power in 2017 intent on such engagement, combining talk of grand economic projects to tie the two Koreans together with offers to restore the smaller scale joint ventures closed down by Korean conservative administrations. The Moon government carried out a sequence of summits with North Korea's leader and was also instrumental in arranging the first Trump-Kim meeting in Singapore. Whether one fully agrees with the wisdom of Moon's approach, there is little doubt but that the efforts seek to enhance peace within the existing regional order, and perhaps to bring North Korea tip-toeing into that order.

By way of conclusion

The analysis above showed that, despite rising pressures toward competitive nationalism and enhanced security tensions, there remain strong countervailing pressures. Compelling forces continue to press for the maintenance and enhancement of the regional liberal order as the most viable guarantor of continued peace and prosperity. Most notably, economic interdependence, multilateral institutions, and active middle power diplomacy continue to reinforce that order. As well, the Biden administration holds out the promise of revitalizing US engagement in, and commitment to, retention of East Asian peace and prosperity. Yet, the risks of conflict, particularly grey area conflicts and military boundary testing, have hardly been eliminated.

At the same time, as Oneal et al. demonstrated with powerful dyadic analysis: 'The pacific benefits of democracy, economic interdependence, and international organizations are all the more apparent if they are compared to the effects of alliances and a preponderance of power—the elements stressed in realist theories of international politics. Surprisingly, alliances do not reduce the likelihood of interstate disputesConsequently, policymakers should incorporate the Kantian elements in their strategy for peace.'(Oneal et al. 2003: 388)

Two further points deserve mention. First, while structures are important, agency remains critical. Leaders across the region have strong incentives, and often the resources, to avoid costly conflicts and to foster mutual prosperity. Efforts by individual states to enhance their power at the expense of neighbors will hardly vanish, but there are strong incentives for them to moderate such efforts in the face of economic interdependence, multilateral institutions, and middle power opposition. Managing demands for change will necessitate diligent diplomacy and peace and prosperity will be the primary casualties if diplomacy fails.

Second, the role of the US still remains critical, and most states within the region would prefer a vigorous US presence if only as a security counterweight to China and the DPRK. It is far too early to know how

successfully the Biden presidency will be in reversing the worst of the Trumpian damage and returning the US to its position playing a constructive role in the region. The security and economic incentives spurring US engagement in East Asia remain high and a reinvigorated US focus on its core strengths, including research and development, advanced technologies and advancement of globalization, holds the promise that the current extremes of US-China rivalry can be tempered and that claims of the US as a waning giant, capable of being ignored in the shaping of the Asia-Pacific order, will prove fallacious.

Disclosure statement

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Notes

1. Immanuel Kant argues for the importance of three factors in promoting peace: economic interdependence, institutions, and democracy. Democracy has hardly been pervasive across East Asia during the periods analyzed here. Instead, multiple authoritarian or only partly democratic and free regimes have been influential. Would more democracies have deepened the level of peace and facilitated peaceful changes? Perhaps, but that is a speculative counterfactual. I therefore do not treat it as a critical driver of the East Asia's regional peace in the period examined.
2. A useful overview of this period is Yahuda (1996), section 1, 1–83. Of course, the US also contributed immensely to a host of conflicts in the region from the Korean War to the wars in Southeast Asia.
3. Two 2015 national programs are indicative of that thrust: “Made in China, 2025” and “Internet Plus.” For details see, *inter alia*, Wübbeke et al. (2016); Wang et al. (2016); Johnston (2019).
4. How asymmetrical trade offers the more powerful trade partner the opportunity to weaponize trade for geopolitical ends was detailed in Hirschmann (1945).
5. The two economies individually and their links to global supply chains along with a half trillion in annual trade make talk of such decoupling sheer folly. In 2019, despite economic and trade frictions that resulted in a 15 percent drop in bilateral trade from 2018, the volume of trade in goods between China and the US still reached \$541.2 billion. For a serious analysis of the perils of such actions, see for example, Henry Farrell and Abraham Newman, “The Folly of Decoupling from China: It Isn’t Just Perilous—It’s Impossible,” *Foreign Affairs*, June 3, 2020 <https://www.foreignaffairs.com/articles/china/2020-06-03/foolly-decoupling-china>. See also, Joseph Nye, “Cold War with China is Avoidable,” *Wall Street Journal*, December 30, 2020.

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