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Time to Get Serious about Regional Institution-Building in Asia

BY KUNIKO ASHIZAWA

For many “Asia hands” in Washington, November was the busiest month of the year, peaking with President Obama’s visit to the region and including a week of summitry at the Asia-Pacific Economic Cooperation (APEC) summit in Beijing and the East Asian Summit (EAS) in Naypyitaw, Myanmar. Before and during those summits, experts discussed who would meet whom in “bilats,” whether a beleaguered President Obama would be able to convince Asians about the U.S. “rebalance” to their region, how well Chinese President Xi Jinping, the host of the APEC meetings, would project China as a responsible global power, and what concrete achievements would arise from several senior-level bilateral meetings. Conspicuously absent in those discussions was a sober analysis about the role of regional institutions that served as the stage for high-profile diplomacy. What primary functions should regional institutions assume in a region with still growing economies, yet increased volatility in political and security relations? How could these different groupings work more coherently—or maybe consolidate themselves—to help shape an emerging regional order that will ensure peace and stability in Asia?

Kuniko Ashizawa, Adjunct Professor in the School of International Service at American University, explains that “Strong and inclusive regional institutions are key to a stable Asia, which Washington, in the face of multiple challenges across the globe, now desperately needs.”

So far, regional institutions in Asia are institutionally weak and underdeveloped. They have been neither effectual in solving real problems nor capable of changing, or shaping, the behavior of member states, hence proving to be, in the eyes of many, mere “talk-shops.” Accordingly, the role of regional institutions has been, especially in the thinking of Washington and its allies, reduced to a relatively inconsequential, or supplementary, element of the so-called emerging regional architecture, characterized as a web of different bilateral, trilateral or minilateral, and multilateral frameworks. To be sure, foreign policymakers and experts on both sides of the Pacific have become more attentive to possible functions that regional institutions play in managing intra-regional affairs, especially in some issue areas where bilateral mechanisms are not sufficient or desirable measures. Yet, their attentions to regional institution-building are still limited and intermittent, often driven by diplomatic schedules and short-term policy needs for multilateral venues. Further, there has been a tendency in the U.S. approach to look at the matter of regional institutions primarily through the lens of U.S.-Southeast Asian relations. The U.S. has not paid enough attention to the question of broader Asian institution-building. Although it may have worked reasonably well over the past two decades, such a limited approach toward regional institution-building now needs to be reconsidered. In particular, two developments call for a new approach:

First, new institutions are starting to emerge that could undermine regional cohesion. China’s flashy \$50-billion initiative for an Asian Infrastructure Investment Bank (AIIB)—apparently intended to rival the US and Japan-led Asian Development Bank (ADB)—which most Southeast Asian countries and South Asian countries have already joined, is

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the most obvious case. Beijing’s decision earlier this year to give a major boost to the Conference of Interaction and Confidence Building Measures in Asia (CICA), which brings together South Korea and three Southeast Asian countries with Central, South, and West Asian countries, is another case. Japan, an earlier proponent for post-Cold War regional institution-building, has been increasingly busy upgrading its ties with ASEAN and forging trilateral and other minilateral groupings. The U.S.-backed Trans-Pacific Partnership (TPP), which does not include China, can also be viewed as part of this overall trend. In this sense, the politics of regional institution-building in Asia has entered into a new phase, where regional institutions themselves become sources of competition and confrontation, departing from the hitherto insignificant, yet harmless, “talk shop” mantle.

Second, although subtler, there have been qualitative changes in regional institution-building. These changes are more positive. In 2010, thirteen East Asian countries—ten members of the Association of Southeast Asian Nations (ASEAN) and China, Japan, and South Korea—set up a multilateral reserve pooling arrangement totaling \$240 billion, named the Chiang Mai Initiative Multilateralization (CMIM), to help with managing regional financial crises. Significantly, the CMIM introduced, for the first time for Asian regional institutions, a weighted voting procedure for lending decisions. In another example, ASEAN finally enacted in 2008 the ASEAN Charter, the first legally binding agreement among its members. Furthermore, the majority of regional and sub-regional institutions are now equipped with formal secretariats, with the latest one, the Trilateral Cooperation Secretariat, set up in 2011 in Seoul to facilitate consultative mechanisms between China, Japan, and South Korea. These developments suggest that regional institutions in Asia have begun to adopt some formalized and institutionalized—hence, more effective—mechanisms for regional management and decision-making.

What approach should the U.S. and its Asian allies take toward regional institution-building, given these new developments? First, the new approach should center around a straightforward principle that regional institutions should not cause, or aggravate, divisions among Asian countries. This requires more calculated thinking and foresight so as to discourage possibly divisive regional institutions from being launched in the first place. For instance, if the U.S. and Japan had given China a larger share and voice within ADB management (as Beijing had requested), the current AIIB predicament might have been avoided.

The new approach also needs to gradually consolidate various regional frameworks into more coherent and substantive regional mechanisms. Although this is a daunting task, the above-noted developments toward more institutionalized arrangements offer a reason to get started. Strong regional institutions with effective multilateral procedures will make it difficult for any single powerful country to dominate decision-making, which will be one way to address China’s growing ambition for regional dominance. In this regard, the U.S. and its allies should urgently conclude the TPP negotiation, so as to make the agreement the default template to be expanded into a more inclusive region-wide free trade agreement, be it East Asian or Asia-Pacific, both of which China has been conspicuously promoting.

For the U.S., which has been often reactive and at times opportunistic toward Asian institutions, engaging more proactively in regional institution-building contributes to its “Asia rebalance” strategy. Strong and inclusive regional institutions are key to a stable Asia, which Washington, in the face of multiple challenges across the globe, now desperately needs. It is time to get serious about regional institution-building.

Dr. Kuniko Ashizawa is an Adjunct Professor in the School of International Service at American University. She is author of *Japan, the U.S. and Regional Institution-Building in the New Asia: When Identity Matters*. She can be contacted at ashizawa@american.edu.

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APB Series Editor: Dr. Satu Limaye
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