

Asia's International Order

How the most dynamic region will influence the shape of world affairs

Henrik Schmiegelow | **While Europeans and Americans worry about the decline of the Western-dominated international order, Asia is testing its influence in global affairs. Functional integration and regional community-building are steadily moving forward in the region. Asia is building pillars to support a future international order.**

Americans and Europeans tend to discuss the decline of the international order as if it were a domestic issue of the Western value community. Asia, however, is beginning to show the world that the shape of the international order is not a matter for the West alone to determine and that the West does not have a monopoly on values. At the multilateral level, the West already knows that it often depends on Asian involvement, particularly that of China, India, and Japan. Sometimes, it even feels hard pressed by Asian multilateralism. The West's greatest challenge, however, is reacting to functional integration and regional community-building in Asia, processes that constitute an ever more attractive organizational model for half of the world's population and the most dynamic part of the global economy. To the extent that Western elites are aware of these processes at all, they doubt that anything can come of them. Political realists consider functional integration unrealistic as such, no less so in Asia than in Europe. European idealists perceive Asia as molded by balance-of-power politics, cultural diversity, and nationalism, and therefore do not consider the region capable of applying the European model. Both realists and idealists in the Western value community will have to prepare themselves for an uncomfortable refutation of their assumptions by Asia's strategic pragmatism, a pragmatism ethically grounded in a core of transcultural values similar to those of the West.



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Asia's Multilateral Weight

The more unilaterally the Bush administration has acted, the more China has championed multilateralism. Scarcely had Robert Kagan's *Dangerous Nation* been published than China replaced its motto of "peaceful rise" with "peaceful development."¹ After the strategy of regime change led to overreach in Iraq, Washington was only too glad to leave the management of the North Korea crisis to Beijing. China assumed the lead in the six-party negotiations, endorsed the principle of nonproliferation, and exerted discrete bilateral diplomatic pressure on Kim Jong Il; in November 2006 it also voted for sanctions in the UN Security Council for the first time—and against a communist country for which it has been the "protective power" since the Korean War.

China's surge into the vacuum created by Western neglect of Africa initially seemed to be nothing more than a strategy to secure raw materials. Since then, however, Beijing has developed a more political approach to Africa. It has provided a contingent of troops for the UN mission to secure elections in the Congo. It has distanced itself from Zimbabwean President Robert Mugabe. It has appointed a special representative for Africa whose task is to

Asia has reached an advanced stage of functional integration.

induce Khartoum to accept UN peacekeeping troops in Darfur. As Americans and Europeans at the World Bank wrestled over the resignation of Paul Wolfowitz, China hosted the 2007 Annual Conference of the African Development Bank in Shanghai and offered \$20 billion in commercial credit and infrastructure projects in Africa. Nigeria's President Obasanjo summed up the situation: "China has something we need"²—namely the possibility for Africa to choose between Asia and the West when it comes to credit terms and partners for developing raw materials.

India serenely sees its international role as that of the world's largest democracy with an economy considered by Western enterprises as "the next China." Japan can boast a national economy second in size only to that of the United States and sees its role as a G-8 member, the second largest contributor to the UN budget, and a country with a growing willingness to engage in international security policy. As obvious candidates for permanent seats on the UN Security Council, both countries joined Brazil and Germany to advocate long overdue UN reform. Shortly before the 2007 G-8 summit in Heiligendamm, declarations by Japan and China ultimately helped sway President Bush to agree to a climate policy pursued within the framework of the United Nations.

Functional Integration

If the (American) founding fathers of European integration theory could see the strength of economic ties in Asia today, they would classify it as an advanced stage of functional integration. The promotion of peace and prosperity between former enemy nation states through the mutually advantageous

1) <http://www.china.org.cn/english/features/book/152684.htm>.

2) Interview with the *Frankfurter Allgemeine Zeitung*, 18 May 2007, p. 5.

exchange of goods, information, services, and capital is well underway. By 1997, intraregional trade in Asia accounted for 51 percent of the region's foreign trade, surpassing NAFTA's 45 percent and approaching the European Union's 62 percent. Japan led the "flying geese" pattern of East and Southeast Asian industrial development, becoming the largest trading partner, the most important source of foreign direct investment, and the most valuable provider of technology transfer for all the national economies in the region. In the last six years, China has become the second driving force of intraregional integration. Among the members of ASEAN, the flow data of trade and investment from China overtook Japan's, though Japan's stock data of cumulative direct investment have remained unsurpassed since the 1950s. In 2007, China surpassed the United States as Japan's largest trading partner for the first time.

"The harbinger of the end of the dollar and of American hegemony"?

By now, Asia's integration has also reached the financial sector, again under the informal leadership of Japan. Reminiscent of Europe's experience of spillover leading to greater integration was the way in which the 1997 Asian crisis led to the "Chiang-Mai initiative" of ASEAN + 3 in 2000, which was proposed by Japan. Participating states pledged to avoid future liquidity impasses by agreeing to a network of bilateral swap agreements. In May 2007 in Kyoto they agreed to integrate these bilateral agreements in a common system encompassing the entire region of ASEAN + 3. Potential Indian membership in the system was discussed during Prime Minister Abe's visit to India in August 2007.

Asian-Pacific central banks and ASEAN + 3 finance ministers are working to divert some of the huge flow of Asian savings into Asian long-term investment and away from US treasury bills or bonds. The central banks set up the first Asian bond fund in 2003 and a second one in 2004. The finance ministers took the Asian bond market initiative to promote a crossborder bond market by establishing mechanisms for clearing and settlement. At a joint meeting of the Asian Development Bank (ADB) and ASEAN + 3 in Hyderabad, India, in 2006, these efforts gained influential support from India's Prime Minister Manmohan Singh, who, as a professional economist, called for "savings and surpluses generated in our region [to] find investment avenues within our region." Clyde Prestovitz found these words "stunning" and "the harbinger of the end of the dollar and of American hegemony."³ But the prime minister's statement was of course nothing other than an appeal to the old American idea of functional integration.

For years, Japanese economists have been thinking about currency integration in Asia. ADB President Haruhiko Kuroda requested that one of the bank's departments prepare the conceptual foundations for such a process. The result was the 2006 proposal for an Asian Currency Unit (ACU) as a unit of account modeled on the preliminary phase of the European monetary union. Robert

3) As quoted in the *International Herald Tribune*, 6 May, 2006, p. 1.

Mundell, the most influential American economist in this field, is convinced that Asia needs a common currency and that such a project is realistic. The only question is which currency will “anchor” the common Asian currency: the Chinese yuan, the Japanese yen, or a basket of these or other leading currencies?

Speaking before the Japanese parliament in April 2007, China’s prime minister, Wen Jiabao, stressed the interdependence of the Chinese and Japanese economies. Both sides are seeking functional solutions as they attempt to overcome explosive rivalries such as Chinese-Japanese competition over oil and gas resources. In an address to the Academy of the Communist Party of China, the general secretary of the Japanese governing party, the Liberal Democratic Party, proposed to emulate the pattern of the European Coal and Steel Community, though adding to it some “Asian wisdom.”

Regional Community-Building

The fact that Asia has as little desire as Europe to confine itself to economic integration became clear at the 2005 East Asian summit in Kuala Lumpur in December 2005. As the sponsor of an East Asian Community (EAC) bridging the rivalries between China and Japan, ASEAN has adopted a role that is accepted by both countries. This is surprising only at first glance. The political

The familiarity of balance-of-power strategies does not mean that functional integration lacks prospects.

dynamics of the European Community, for example, tended to enable the Benelux countries to convert disagreement between Germany and France into gains in integration. At the time of the Kuala Lumpur summit, relations between China and Japan were still marked by the dictum “Zhenleng, Jingre” (cold politics, hot economics).⁴ So cool were political

relations that President Hu Jintao refused bilateral talks with Prime Minister Junichiro Koizumi. The ASEAN heads of government thus prepared the summit in meetings with each of the two countries separately and in a joint gathering in the context of ASEAN + 3. But the decisive political trump they played was the invitation of the third Asian great power—India—as well as Australia and New Zealand. This dramatic western and southern expansion of the EAC concept had the double advantage of putting ASEAN at the geographical center of the EAC and of neutralizing the effects of Chinese-Japanese rivalry.

Balance of Power

Balance-of-power strategies and rivalries between great powers are familiar patterns in both Asian and European history. On neither continent, though, do these historical patterns provide reason to assume that functional integration and regional community-building are without prospect. On the contrary, the attractiveness of integration stems from devastating historical experience with realpolitik. Europeans should beware of misconceptions that Asians are incapable of learning from experience.

4) Coined by China’s Prime Minister Wen Jiabao in his conversation with Hiroshi Okuda, then President of Japan’s Industry Federation, Keidanren, and subsequently adopted by Japanese media as “Seirei Keinetsu.”

This is not to say that people should close their eyes to reality. A whiff of balance of power indisputably did waft through the Kuala Lumpur summit. Japan did welcome India as a counterweight to China. ASEAN does need to realize that Japan and India are in turn viewed by Washington as counterweights to China at the global level. Therefore, Asia's "big three" will not always be able to act as "good Asians" as implied by the EAC. But in this respect, too, the EAC does not differ fundamentally from the European Union. France and Great Britain likewise maintain some global ambition for which they do not always seek EU approval.

Cultural Diversity

Many Europeans believe that Asia, lacking a common culture like the Judeo-Christian one, cannot follow Europe's example. American political scientist Samuel Huntington sees Asia at the nexus of clashing civilizations, in the cross-fire of Buddhism, Christianity, Confucianism, Hinduism, and Islam. Such views overlook more than 1500 years of transnational diffusion of major religions, philosophies, and literatures in Asia, including the ancient spread of Buddhism from India to East and Southeast Asia; the simultaneous reception

of Chinese writing and Confucianism in Korea, Japan, and Vietnam; the medieval expansion of Islam from Arabia to southern and southeastern Asia; and modern Christianity's missions in the Philippines, Indonesia, and Korea. Leading

Asian and European statesmen share an awareness that the world's major religions have a transcultural ethical core around which a common peace policy can be oriented. Of course, the obvious diversity of member-state cultures necessarily makes the EAC a secular project. But this, again, is a characteristic the European Union, after much discussion, has chosen for itself as well.

A common peace policy can be oriented around a transcultural ethical core.

Nationalism

Between 2001 and 2006, Western observers skeptical of Asian integration found it easy to forecast its foundering because of the antagonism between Japan and China. For five years, China responded to Koizumi's visits to the Yasukuni shrine by refusing to engage in summit diplomacy with Japan. The fact was overlooked that Koizumi is himself by no means a nationalist and indeed argued for Asia's functional integration in a widely noted speech in Singapore in January 2002.

Meanwhile, Beijing has disarmed skeptics. Even before Shinzo Abe, grandson of Nobusuke Kishi and hence member of a political family associated with Japanese nationalism, was elected as Japan's prime minister in September 2006, he received discrete Chinese signals of willingness to defrost the political part of the relationship that is economically so hot. His first official visit was not to President George W. Bush but rather to President Hu Jintao. It "broke the ice" in Beijing's words. The subsequent visit by premier Wen Jiabao to Japan "melted" it.⁵ Both sides weighed the costs of nationalist antagonism against the gains of functional integration.

5) Wen Jiabao in his speech to the Japanese Parliament in April 2007.

Asia's Strategic Pragmatism

Whereas the Western community of values continues to vacillate between idealism and realism, and fears for “its own” international order, Asia, with strategic pragmatism, is building the pillars to support a future international order. This pragmatism should not be mistaken for lack of principle. Its ethical grounding stems from a transcultural core of norms common to Asia and the West.⁶ India and Japan see themselves as champions of democracy. China sees itself confronted by enormous social responsibilities as it makes the transformation from a planned to a market economy. ASEAN is using its decades of experience with functional integration and regional community-building to keep rivalries between Asia's great powers under control. As exemplified by exchanges between Chinese and Indian leaders at a symposium organized by the New York Asia Society in Mumbai in March 2006, Asia's discourse on recipes for economic policy, development strategies, legal reform, and democratic opening tends to maintain the forms of Asian politeness. This does distinguish it from the prevailing style of Western politics. But the substance of that discourse contains material for shaping international structures. The West should pay attention.

6) See Hans Küng, *A Global Ethic for Global Politics and Economics* (London: SCM Press, 1997).