

# MULTILATERALISM IN A CHANGING WORLD ORDER



Konrad  
Adenauer  
Stiftung

Editors  
Christian Echle  
Patrick Rueppel  
Megha Sarmah  
Yeo Lay Hwee

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Editors: Christian Echle, Patrick Rueppel, Megha Sarmah, Yeo Lay Hwee

Konrad-Adenauer-Stiftung

36 Bukit Pasoh Road

Singapore 089848

Tel: (65) 6603-6160

Tel: (65) 6227-8343

Email: [Politics.Singapore@kas.de](mailto:Politics.Singapore@kas.de)

Website: [www.kas.de/singapore](http://www.kas.de/singapore)

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# Foreword

I thank my good friend, Dr Yeo Lay Hwee, for inviting me to contribute a foreword to this important and timely book. My foreword is written from an Asian perspective. I wish to make three points.

## **MOVING FROM MIGHT IS RIGHT TO RULE OF LAW**

*First*, let us look at the world in the past 100 years, from 1918 to 2018. In the past 100 years, we have progressed from a world in which might is right to a world governed, although imperfectly, by the rule of law. We have moved away from a world where mighty nations acted alone to a world in which countries, big and small, cooperate in order to achieve their common objectives. We have moved from unilateralism and bilateralism towards multilateralism. We do not have a world government and never will. But, we have a system of multilateral institutions or international organisations, spanning every field of human endeavour. We cannot imagine life without them.

## **MULTILATERAL COOPERATION BENEFITS NATIONS BIG AND SMALL**

*Second*, I want to make the point that multilateralism serves the national interests of all countries. Let me cite some examples. We cannot live without our mobile phones and the internet. Most of us are not aware that we have an international organisation called the International Telecommunications Union (ITU) which makes this possible. The world economy would collapse without international trade and international trade would not exist without the shipping industry and, to a lesser extent, the aviation industry. The International Maritime Organisation (IMO) and the International Civil Aviation Organisation (ICAO) are critical to those industries.

Free trade benefits all countries. Free trade has enabled millions of people, in Asia, to work their way out of poverty and to join the world economy. The World Trade Organisation (WTO) plays an indispensable role in promoting free trade, in adopting a set of agreed rules to govern trade and in providing a compulsory system of dispute settlement.

Take another example. There is currently a dispute over whether chemical weapons were used in Syria and, if so, by whom. The various parties to the dispute have turned to an international organisation, the Organisation for the Prohibition of Chemical Weapon (OPCW), for help. OPCW is both impartial and expert in this domain. It is trusted by all parties. I think I have demonstrated the point that the civilisation we enjoy is the result of international cooperation through multilateralism.

I want to make the additional point that the global challenges we face, whether it is global warming and climate change or terrorism or the spread of pandemics or cybercrimes and cyber-attacks, cannot be solved unilaterally or bilaterally. They can only be solved by international cooperation and multilateralism.

### **ASIA AND EUROPE MUST WORK TO DEFEND MULTILATERALISM**

*Third*, Asia is on the rise. In the not too distant future, four of the world's top five economies could be Asian, namely, China, Japan, India and ASEAN. Asia's spectacular progress in the last 30 to 40 years was made possible by a combination of hard work and a conducive external environment. That external environment includes open economies, free trade, globalisation, the rule of law and multilateralism. Multilateralism is of strategic importance to Asia's security and prosperity. Asia's leaders and Europe's leaders must have the courage to stand together to defend multilateralism.

Tommy Koh

Ambassador-at-Large, Ministry of Foreign Affairs

Professor of Law, National University of Singapore

# Preface

The global community faces challenges that are more complex than ever. Climate change, terrorism, the rise of artificial intelligence—in none of these areas will it be possible to find answers and solutions as a single nation state. At the same time, we seem to be witnessing a comeback of “nation first” and unilateral decision-making.

The current narrative is that the hegemon, the United States (US), is in a state of decline, while the new great power of China is rising and the old American arch enemy Russia is re-emerging on the world stage after almost 30 years of living in the shadow. The world is in turmoil, traditional patterns of international cooperation are being questioned, the big powers are guided by self-interest and no single force can control them—neither the United Nations Security Council nor other countries. States are falling back to a time when they argued from a position of strength, used force to impose their will and ignored the mutual benefits of collaborative actions within the international community. For many observers, especially in the non-Western world, the liberal world order which has shaped the international system for years is not serving its purpose anymore, and the election of Donald Trump as the US President and guardian of this system is the final symbol of this demise.

Is this really the case? How much of this narrative withstands a reality check? Are we really living at this critical junction of time when the world will be dominated by a new superpower, or is our international system just evolving and morphing? Without a doubt, changes are taking place and many of the existing multilateral mechanisms are being questioned regarding their efficiency and whether they are still timely. It is also no secret that these multilateral tools will need to be reformed in order for them to stay relevant, yet change is inevitable and often only reflects processes that are happening elsewhere anyway.

In this book, experts from Europe, Asia and North America will shed light on the current developments in the international order. The papers analyse patterns and different forms of multilateralism. We look at key countries influencing the world order and put these states as well as their behaviour into context. The experts also discuss whether the world actually sees a change within multilateralism, transitioning from a global stage to a more efficient regional or thematic definition of multilateral collaboration. Finally, we will examine “multilateralism at work” between Europe and Asia in selected

policy fields that are by now traditional examples of transnational challenges requiring multilateral solutions—migration, climate change, security, and economics.

Singapore's Ambassador-at-Large Tommy Koh, who has vast experience in multilateral cooperation in different areas and in several regions of the world, sets the tone for this publication in his foreword: This book aims to contribute to the ongoing debate on the future of multilateralism and provide pragmatic insights beyond the at times heated discussion and dark scenarios.

Christian Echle  
Director, Regional Programme Political Dialogue Asia  
Konrad-Adenauer-Stiftung

# **“Principled Multilateralism” versus “Diminished Multilateralism:” Some General Reflections**

*Jürgen Rüland*

## **INTRODUCTION**

For the majority of international relations (IR) scholars and diplomats, multilateralism—often also used synonymously with global governance—is a concept that carries an essentially positive connotation. It signals that at a time when nation states are increasingly confronted with a plethora of cross-border problems such as climate change, irregular migration, transnational organized crime, international terrorism, pandemics, piracy, and food and energy shortages, governments have become acutely aware that they lack the capacities to master these “pathologies of globalization” on their own. Multilateralism thus entails the message that interdependence must be managed collectively. Yet multilateralism also denotes the fact that international cooperation and national sovereignty do not exclude each other. This is imperative for most states of the Global South, which achieved national independence only a few decades ago and are only reluctantly, if at all, prepared to sacrifice sovereignty for the sake of international cooperation. Multilateralism is hence a decidedly intergovernmental concept, closely aligned with the United Nations (UN) Charter’s sovereignty norm. While sovereign equality, self-reliance and non-interference are part and parcel of the concept of multilateralism, the concept, apart from inter-state cooperation, also heralds other virtues that governments are keen to project in their quest of building a positive international image. Multilateralism is often equated with the notion of political activism and responsiveness to the problems that haunt humanity. Countries engaging in multilateralism are thus actors that portray themselves as caring members of the international community; members that value the spirit of solidarity,

relegate national egotisms to the backseat, provide public goods, and hence cultivate the role conception of a “good global citizen.”<sup>1</sup> Yet, despite this widely positive connotation, multilateral cooperation is currently in a state of crisis. How IR scholarship theorized this seeming decline of multilateralism, why multilateralism contracted in the last 15 or 20 years and how this affected forms of multilateral cooperation will be discussed in this article.

## THEORIZING MULTILATERALISM

With the end of the Cold War, research on multilateralism received a boost. Studies on multilateralism—and global governance—mushroomed in the late 1980s and early 1990s. This interest in multilateralism went hand in hand with a paradigm shift in IR scholarship. The collapse of the Soviet Union seemed to pave the way for a more peaceful world. With the anticipated “peace dividend” many scholars believed that global problems such as endemic poverty and glaring wealth disparities could henceforth be tackled much more effectively than hitherto. In their view, the key to a more liveable world was intensified international cooperation that was no longer conditioned by super power rivalries.

Subsequently, at least in the West, which dominates IR theorizing despite more recent attempts to develop non-Western or global IR theories,<sup>2</sup> mainstream realist approaches lost their appeal among IR scholars. Liberal and neo-institutionalist approaches increasingly replaced them. While realism emphasized power and anarchy as the constitutive elements of international order, liberal and neo-institutionalist approaches posited that cooperation, and as a corollary, welfare and peace are attainable despite anarchy.<sup>3</sup> Although Francis Fukuyama’s bold prediction of “the end of history” sparked controversy,<sup>4</sup> many contemporaries—including many in the IR com-

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<sup>1</sup> P. Nguiragool and J. Rüländ, *ASEAN and its Cohesion as an Actor in International Forums—Reality, Potential and Constraints* (Cambridge: Cambridge University Press, 2015).

<sup>2</sup> A. B. Tickner, “Seeing IR Differently: Notes from the Third World,” *Millennium* 32(2) (2003): 295-324; P. Bilgin, “Thinking Past Western IR,” *Third World Quarterly* 29(1) (2008): 5-23; A. Acharya, “Global International Relations (IR) and Regional Worlds,” *International Studies Quarterly* 58(4) (2014): 647-659.

<sup>3</sup> R. O. Keohane and J. S. Nye, *Power and Interdependence: World Politics in Transition*, 2nd ed. (Boston: Little, Brown, 1989).

<sup>4</sup> F. Fukuyama, *The End of History and the Last Man* (New York: Free Press, 1992).

munity—nevertheless took the book's message for granted. With Fukuyama they believed that the demise of the Soviet Union, the eastern bloc and its brand of socialism had ushered in the ultimate triumph of liberalism. Hence, inadvertently or not, they transferred the tenets of liberalism to the domain of international politics. This entailed an essentially optimistic worldview, in which the belief prevailed that international politics can be civilized.<sup>5</sup> "Civilian powers"<sup>6</sup> and "normative powers"<sup>7</sup> were accorded a leadership role in a process in which inter-state politics would be gradually transformed into a domain which through legalization, contractualization and constitutionalization increasingly resembles domestic politics. In such a context military power would become obsolete and political decision-making inevitably tilt to institutions and become "rule-based." That "institutions do matter"<sup>8</sup> henceforth became a firmly established belief. Institutions were regarded as superior to conventional diplomacy as they create channels for communication, increase information and transparency, improve actor predictability, limit free-riding, reduce transaction costs and provide normative standards for right and wrong. Moreover, in an international order guided by liberal norms, states are no longer regarded as the main actors in international relations. International organizations, and transnational and private actors have also become important players.<sup>9</sup> Transnational civil society networks, for instance, were regarded as crucial norm entrepreneurs in the process of diffusing liberal-cosmopolitan norms and values to world regions which have so far evaded them.<sup>10</sup>

Liberal scholarship also addressed the vexing problem of the democratization of international organizations which were seen as producing decisions that are increasingly distant from the electorally legitimated national bodies

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<sup>5</sup> D. Senghaas, *Konfliktformationen im internationalen System* (Frankfurt: Suhrkamp, 1988).

<sup>6</sup> H. W. Maull, "Germany and Japan. The New Civilian Power," *Foreign Affairs* 69(5) (1990/1991): 91-106.

<sup>7</sup> I. Manners, "Normative Power Europe: A Contradiction in Terms?" *Journal of Common Market Studies* 40(2) (2002): 235-258.

<sup>8</sup> J. G. March and J. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York and London: The Free Press, 1989).

<sup>9</sup> E. O. Czempiel, *Weltpolitik im Umbruch. Das internationale System nach dem Ende des Ost-West-Konflikts* (München: Beck'sche Reihe, 1992).

<sup>10</sup> M. Finnemore and K. Sikkink, "International Norm Dynamics and Political Change," *International Organization* 52(4) (1998): 887-917; T. Risse, S. C. Ropp and K. Sikkink, eds. *Norms and Domestic Change* (New York: Cambridge University Press, 1999).

of policy-making such as parliaments.<sup>11</sup> Hence, in the typical Western-centric perspective, proposals for democratic reforms of international relations and global governance focused on the parliamentarization of international fora and the creation of space for civil society participation.<sup>12</sup> Yet for non-Western countries this was a subordinate concern. For them, the priority was an urgent reform of the institutional asymmetries of the prevailing executive multilateralism and a more level playing field through greater equality in organizations such as the UN and the Bretton Woods institutions including the General Agreement on Tariffs and Trade (GATT)—later the World Trade Organization (WTO)—, the International Monetary Fund (IMF) and the World Bank. For former Indonesian President Suharto it would have been “a denial of the basic tenets of democracy if its values were to be strictly observed within nations while they are being ignored among nations.”<sup>13</sup> That liberals ignored this view and that Western powers did little tangible to rebalance global institutional asymmetries were blatant blunders which had dire consequences for the multilateral order in the years to come.

The constructivist approaches emerging in the 1990s markedly differ in their epistemological premises from liberal theorizing, but inadvertently adopted the latter’s ontological assumptions. Constructivism, too, relegated power as an analytical category to the backseat, and also envisaged a world order in which cooperative relationships grow due to deepening identities and shared norms transcending the nation state. In sum, legalization, contractualization, constitutionalization and new cooperative identities were seen as the glue for a more coherent global order, giving rise to what has become known as “principled multilateralism.” Gerard Ruggie’s famous definition succinctly summarized what “principled multilateralism” means. For Ruggie multilateralism

is an institutional form which coordinates relations among three or more states on the basis of generalized principles of conduct—that is, prin-

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<sup>11</sup> R. O. Keohane, S. Macedo and A. Moravcsik, “Democracy-Enhancing Multilateralism” (New York: Institute for International Law and Justice, International Law and Justice Working Papers, 2007).

<sup>12</sup> E. O. Czempel, *Die Reform der UNO. Möglichkeiten und Missverständnisse* (München: Beck’sche Reihe, 1994); F. O. Hampson and P. Heinbecker, “The ‘New’ Multilateralism of the Twenty-First Century,” *Global Governance* 17(3) (2011): 299-310.

<sup>13</sup> UNGA, A/47/PV.10, p. 21. For a similar comment, see Hampson and Heinbecker, “‘New’ Multilateralism,” 302.

ciples which specify appropriate conduct for a class of actions, without regard to the particularistic interests of the parties or the strategic exigencies that may exist in any specific occurrence.<sup>14</sup>

This definition stressed the need for universally acknowledged and, in coincidence with the logic of appropriateness, legitimate and hence principled behavioural standards to be followed by states and other actors in international relations. Such behaviour is clearly dissociated from unprincipled realpolitik and political pragmatism, as the definition explicitly qualifies “particularistic interests” and “strategic exigencies” as obstacles to a cooperative international order.

## **THE DECLINE OF “PRINCIPLED MULTILATERALISM”**

Initially, the post-Cold War optimism regarding a fundamental cultural change in international relations seemed to be warranted. In the 1980s and 1990s, the number of international institutions grew exponentially. Regional organizations mushroomed, giving rise to a second wave of region building (after a first one in the 1950s and 1960s) which in the literature became known as “new regionalism.”<sup>15</sup> Existing regional organizations such as the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) deepened or enlarged. The growth of regionalism also facilitated the emergence of new layers in an increasingly vertically and horizontally differentiated multi-layered global governance system. Cases in point are the formation of interregional fora such as the Asia-Europe Meeting (ASEM), the Asia-Pacific Economic Cooperation (APEC), the Forum for East Asia-Latin America Cooperation (FEALAC) and the Indian Ocean Rim Organization (IORA). Another layer included sub-regional cooperation such as the Euroregions, growth tri- and quadrangles in Asia, and trans-border schemes in Africa and

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<sup>14</sup> J. G. Ruggie, “Multilateralism: The Anatomy of an Institution,” *International Organization* 46(3) (1992): 561-598.

<sup>15</sup> L. Fawcett and A. Hurrell, eds. *Regionalism in World Politics: Regional Organization and Regional Order* (Oxford: Oxford University Press, 1995).

North America. These layers developed a plethora of subsidiary institutions, which spurred the institutional densification of international politics.<sup>16</sup>

Even more promising for a multilateral global future was that international organizations appeared to have gained in strength after the end of the Cold War. The UN were no longer paralyzed by super power vetoes and made great progress in their foremost task, the maintenance of world peace. While UN peace missions increased from twelve before 1989 to seventy-two in 2017, UN Secretary General Boutros-Ghali's "Agenda for Peace" (1992) and the Brahimi Report of 2000 advanced peace keeping conceptually and technically. Moreover, with the conclusion of the Uruguay Round and the formation of the World Trade Organization (1995) and the Kyoto Protocol (1997) international cooperation also progressed in other pivotal policy areas.

Unfortunately, however, the transformation of international relations towards a more cooperative and peaceful order was not sustainable. In the second half of the 1990s, indications multiplied that the legalization and institutionalization of the international order did not only stagnate, but even recede. The victory of the Republicans in the 1994 United States (US) congressional elections markedly weakened the Clinton administration's "assertive multilateralism" and after the 9/11 terrorist attacks US President Bush pursued a foreign policy agenda that firmly stood on the ideational fundament of political realism.<sup>17</sup> Already in his election campaign, Bush did not conceal his disdain for international organizations. Soon after assuming office, he refused to sign the statute of the International Criminal Court, rejected the Kyoto Protocol and withdrew from the (bilateral) Anti-Ballistic Missile Treaty.

Developments outside the US also weakened multilateral institutions.<sup>18</sup> One was the rapid rise of revisionist powers, most of which were deeply dissatisfied with a world order based on liberal-cosmopolitan norms. Revisionist

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<sup>16</sup> J. Rüländ, "Balancers, Multilateral Utilities or Identity Builders? International Relations and the Study of Interregionalism," *Journal of European Public Policy* 17(8) (2010): 1268-1280; J. Rüländ, "Interregionalism and International Relations: Reanimating an Obsolescent Research Agenda?" in *Intersecting Interregionalism. Regions, Global Governance and the EU*, eds. F. Baert, T. Scaramagli and F. Söderbaum (Heidelberg: Springer, 2014), 15-36.

<sup>17</sup> J. Rüländ, "Conclusion and Perspectives: U.S. Policy Toward the Global South After September 11, 2001," in *U.S. Foreign Policy Toward the Third World. A Post-Cold War Assessment*, eds. J. Rüländ, T. Hanf and E. Manske (Armonk, N.Y.: M.E. Sharpe), 231-254.

<sup>18</sup> The following two sections draw on J. Rüländ, "The Rise of 'Diminished Multilateralism': East Asian and European Forum Shopping in Global Governance," *Asia Europe Journal* 9(2-4) (2012).

frontrunners were the BRICS states consisting of Brazil, Russia, India, China and South Africa. Most of them had liberalized their economy, which triggered rapid economic growth. This growth made them, albeit to varying degrees, winners of globalization and markedly augmented their material resources of power. The BRICS countries viewed an international order designed by liberal-cosmopolitan norms as a Western ploy to cement dominance in international institutions at a time when the global power distribution was changing in favour of non-Western powers and tilting from unipolarity to multipolarity. In particular, albeit again to varying degrees, they rejected norms with behind-the-border effects such as liberal democracy and individual civic and political human rights, which they regarded as legitimizing sanctions and interventions when states fail to comply with these norms.

BRICS states and many other countries in the Global South regarded the existing institutional order as illegitimate, because it had been created largely without their participation and hence deprives them of legitimate rights, denies them recognition as major powers and impedes their continued rise. Revisionist powers thus fervently rejected as a myth the argument of Western status quo powers that the institutions created and dominated by them produce positive sum games. They argued that status quo powers resort to a relative gains orientation whenever they suspect that the benefits they obtain from the existing political order are jeopardized by presumed challengers. The liberal narrative deprives them of the chances to level the international order's asymmetries, creating a relationship which is shaped by “structural power” and perpetuates their dependency. The objective of revisionists is thus the creation of an institutional order which is more amenable to their aspirations and in which their role as “rule takers” is transformed to one of “rule challengers” and ultimately “rule makers.”

More concretely, revisionist powers criticized that important international organizations such as the UN and the Bretton Woods institutions were discriminatory in terms of access or membership, decision-making rules and normative underpinnings.<sup>19</sup> A few examples to illustrate this may suffice. In the UN Security Council, the Permanent Five (P5) have veto power. While Russia and China are among the P5, other aspiring southern powers such as India, Brazil, South Africa, Indonesia and Nigeria are not represented in the club. In the IMF, voting rights are tied to financial contributions and in the

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<sup>19</sup> For a very recent statement in this respect, see former Indian diplomat K.C. Singh in *The Hindu*, 2 December 2016. See also the US Council of Foreign Relations, 17 March 2015.

WTO it is Western-dominated unilateralism which was considered as discriminating by many revisionist powers and southern countries. Also, in the G7/8, the globe's major body coordinating monetary and financial policies, BRICS states were not represented. While at least in the IMF and the WTO and with the formation of the G20 in 2008 some of these inequities have in the meantime been mitigated, many southern countries regard this as a case of too little and too late and a marginalization of small countries.<sup>20</sup>

In the new millennium, US unilateralism, the increasing economic and rhetorical clout of newly emerging powers in combination with glaring institutional inequities, the growing complexity of policy matters and the increasing diversity of member interests have facilitated major changes in institutional politics. From the late 1990s onwards, many international organizations faced gridlock. Examples are the WTO, the nuclear non-proliferation regime and the climate change negotiations. While the severity and number of cross-border problems was constantly rising, multilateral meetings no longer produced agreements to tackle them. Instead of negotiating effective policies to manage cross-border problems, global institutions became arenas for power struggles. At stake were the rules for membership and decision-making as well as the norms guiding international cooperation. In other words, the tenets of political realism (re-)entered institutions. Solutions for policy issues were markedly aggravated where the contending actors had major disagreements over the rules of the game. The results are long-winded negotiations, often lasting years, a phenomenon which also undermines the "output legitimacy"<sup>21</sup> of multilateral fora.

## **FROM "PRINCIPLED MULTILATERALISM" TO "DIMINISHED MULTILATERALISM"**

International relations scholars responded to these changes. Barnett and Duvall, for instance, warned that "institutions are not the antidotes of power."<sup>22</sup> The critique of a global governance concept in which power had no place triggered theoretical realignments. While conceding that due to

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<sup>20</sup> See, for instance, the critique of the Global Governance Group (3G) members.

<sup>21</sup> F. Scharpf, *Regieren in Europa: effektiv und demokratisch?* (Frankfurt a.M.: Campus Verlag, 1999).

<sup>22</sup> M. Barnett and R. Duvall, "Power in International Politics," *International Organization* 59(1) (2005): 39-77.

the absolute dominance of the United States in the military domain, power or military balancing would be futile,<sup>23</sup> new concepts sought to capture the fact that political decision-making in international relations is increasingly taking place in institutions, but that institutions have also been hijacked for power contests. This ambiguity of institutions is expressed by concepts such as "soft balancing" or "hedging."<sup>24</sup> Both concepts refer to the fact that international actors use institutions to balance power disequilibria elsewhere. Novel approaches such as "institutionalist realism"<sup>25</sup> and Thomas Pedersen's "ideational-institutionalist realism" thus seek to respond to these changes of multilateral politics. Pedersen's concept of "cooperative hegemony," for instance, theorizes the behaviour of old and new great powers to maintain or to establish zones of influence by institutional politics.<sup>26</sup>

With the structural changes described in the previous sections, the new millennium witnessed a progressive erosion of "principled multilateralism." The latter was increasingly replaced by what Keohane and Morse regard as "contested multilateralism"<sup>27</sup> or what I have called elsewhere "diminished multilateralism."<sup>28</sup> Multilateral politics do not entirely disappear, but are hollowed out by institutional power struggles between status quo and revisionist powers. This "diminished multilateralism" can be characterized by the following six major trends.

"Diminished multilateralism" is, first, characterized by the fact that international actors increasingly bypass multilateral institutions. Cases in point are the US-led interventions in Kosovo (1999) and Iraq (2003). When Russia and China vetoed a UN-mandated mission in the Security Council, the US

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<sup>23</sup> R. A. Pape, "Soft Balancing against the United States," *International Security* 30(1) (2005): 7-45.

<sup>24</sup> E. Goh, "Understanding Hedging in Asia-Pacific Security," PacNet 43, 31 August 2006, available at <http://www.stratad.net/downloads/PacNet%2043.pdf>, accessed 6 February 2011; C. C. Kuik, "The Essence of Hedging: Malaysia and Singapore's Response to a Rising China," *Contemporary Southeast Asia* 30(2) (2008): 159-185.

<sup>25</sup> K. He, "Does ASEAN Matter? International Relations Theories, Institutional Realism, and ASEAN," *Asian Security* 2(3) (2006): 189-214; K. He and H. Feng, "If not Soft Balancing, then what? Reconsidering Soft Balancing and U.S. Policy toward China," *Security Studies* 17(2) (2008): 363-395.

<sup>26</sup> T. Pedersen, "Cooperative Hegemony: Power, Ideas and Institutions in Regional Integration," *Review of International Studies* 28(4) (2002): 677-696.

<sup>27</sup> J. C. Morse and R. O. Keohane, "Contested Multilateralism," *Review of International Organizations* 9 (2014): 385-412.

<sup>28</sup> Rüländ, "Rise of 'Diminished Multilateralism'," 255-270.

resorted to unilateral action and intervened without a UN mandate. However, such interventions—though represented as a form of collective security under the condition of a paralyzed UN Security Council—constitute only nominally a form of multilateralism. They do not comply with at least two major features of principled multilateralism. They do not rest on “generalized principles of conduct” and they may be manifestations of the particularistic interests of major powers and “strategic exigencies that may exist in any specific occurrence.”<sup>29</sup> Another form of bypassing international institutions is the resurgence of bilateralism in the form of “strategic partnerships” and free-trade bilateralism—a pragmatic response to the stasis of paralyzed multilateral fora.

A second characteristic is the shallowness of institutions, their contingency and flexibility and the advance of “low-intensity” cooperation. When institutional behaviour is conditioned by frequently changing power disequilibria, the incentive for governments to invest in the governance costs associated with sustainable international institution-building is low. In the absence of “thick institutions” based on “hard law,” governments confine themselves to non-binding and, hence, non-enforceable agreements guided by the lowest common denominator. This frequently results in declaratory and symbolic policies and an erosion of cooperative substance. Revisionist powers, in particular, have an interest in flexible and contingent institutions because they enhance their opportunities for limiting the power asymmetries emanating from the institutional and structural power of status quo powers.

Closely related to the contingency of multilateral fora is, third, a progressive loss of functional specificity which facilitates the emergence of broadband or multi-purpose forums. Rather than working towards binding agreements, multilateral meetings become loose platforms for policy coordination or even only the contingent exchange of views on a great variety of issues. This process is aided by the unprecedented way globalization increases the number and interdependence of policy issues. Their indivisibility necessitates a broader view on many of the currently debated global problems, but at the same time also tremendously increases the tactical choices for status quo as well as revisionist powers to pursue their objectives by creating a plethora of issue linkages. Fora such as the G7, APEC and the WTO are cases in point.

“Diminished multilateralism” has, fourth, as already stated, increasingly become a device for “soft balancing” and “hedging.” Where new power

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<sup>29</sup> Ruggie, “Multilateralism,” 571.

disequilibria emerge, international actors tend to establish new institutions, or recycle or restructure existing ones. The cascade of interregional fora formed in the late 1980s and 1990s—APEC, ASEM, the Transatlantic Agenda, IORA, FEALAC and others—illustrate such institutional balancing moves.

In many cases, the formation of a new institution occurs, fifth, without concern for “nesting”<sup>30</sup> and “subsidiarity.”<sup>31</sup> This rampant institution building has a three-fold effect. It produces institutional redundancy which spurs further erosion of the legitimacy of international institutions and facilitates processes of “forum shopping.”

Sixth, and last, an immediate consequence of this unbridled institution building is “forum shopping.” The latter is a strategy by which actors “pick and choose among the mechanisms that best fit their individual political agenda.”<sup>32</sup> The formation of new development banks by the BRICS states, the Asian Infrastructure and Investment Bank (AIIB) launched by China or the Japanese idea of an Asian Monetary Fund (AMF) are among a plethora of examples. Institution building without “nesting” and forum shopping may facilitate a progressive fragmentation of the international institutional architecture, which is competitive<sup>33</sup> and not the result of social differentiation and an institutional division of labor.<sup>34</sup>

## CONCLUSION

The article has shown that post-Cold War principled multilateralism was short-lived and subsided in the late 1990s. Several reasons enabled this

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<sup>30</sup> V. K. Aggarwal, “Analyzing Institutional Transformation in the Asia-Pacific,” in *Asia Pacific Crossroads: Regime Creation and the Future of APEC*, eds. V. K. Aggarwal and C. E. Morrison (New York: St. Martin’s Press, 1998), 23-64.

<sup>31</sup> G. Segal, “Thinking Strategically about ASEM: The Subsidiarity Question,” *The Pacific Review* 10(1) (1997): 124-134.

<sup>32</sup> S. Forman and D. Segaar, “New Coalition for Global Governance: the Changing Dynamics of Multilateralism,” *Global Governance* 12 (2006): 205-225.

<sup>33</sup> F. Biermann, P. Pattberg, H. Van Asselt and F. Zelli, “The Fragmentation of Global Governance Architectures: A Framework of Analysis,” *Global Environmental Politics* 9(4) (2009): 14-40.

<sup>34</sup> M. Zürn and B. Faude, “On Fragmentation, Differentiation, and Coordination,” *Global Environmental Politics* 13(3) (2013): 119-130; T. Gehring and B. Faude, “A Theory of Emerging Order Within Institutional Complexes: How Composition among Regulatory International Institutions Leads to Institutional Adaptation and Division of Labor,” *Review of International Organizations* 9 (2014): 471-498.

trajectory: The rise of Republicans in the US Congress, the subsequent replacement of “assertive multilateralism” by “assertive unilateralism” under the Bush administration, the failure to reform international institutions in line with a shifting distribution of global power and the rise of new revisionist powers resenting the existing international two-class institutional order. As revisionist powers work towards major changes of this order, institutions became arenas for power struggles. As a corollary, institutional problem-solving capacities declined, thus reducing the cooperative substance of institutions. In the process, multilateralism underwent profound changes, giving rise to what in the article has been called “diminished multilateralism.” Properties of the latter are the bypassing of multilateral institutions, shallow institutions and low-intensity cooperation, the emergence of broadband institutions, institutional redundancy and forum shopping.

This “diminished multilateralism” and the ambiguity of institutions will last. Yet even this version of “thin” multilateralism is currently increasingly jeopardized by the global rise of myopic right-wing populists. The forceful emergence of a generation of politicians who think in parochial nationalist dimensions, in terms of zero sum games and beggar-thy-neighbour categories is a serious danger for the future of multilateralism. Their simplistic slogans and incompetence in the wake of ever more complex global problems, their notorious distortion of facts and blatant lies, often neo-fascist rhetoric and racist attitudes do not bode well for multilateral policies which seek to manage interdependent diversity and hence depend on trust and what Keohane had once termed “diffuse reciprocity.”<sup>35</sup>

**Dr. Jürgen Rüländ** is professor of political science in the Department of Political Science at the University of Freiburg, Germany. He is the speaker of the university's Southeast Asia research programme and author of *The Indonesian Way: ASEAN, Europeanization and Foreign Policy Debates in a New Democracy* (Stanford: Stanford University Press, 2018) and *ASEAN and its Cohesion as an Actor in International Forums: Reality, Potential and Constraints* (Cambridge: Cambridge University Press, 2015, together with Paruedee Nguitragoon).

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<sup>35</sup> R. O. Keohane, “Reciprocity in International Relations,” *International Organization* 40(1) (1986): 1-27.

# **Whither Multilateralism? The Growing Importance of Regional International Societies in an Emerging Multipolar Era**

*Robert W. Murray*

Multilateralism has been among the most important characteristics of international politics since the end of the Second World War, and regimes increased in both number and importance in the wake of the Cold War as a hallmark of the supposed post-Cold War “liberal era”. The purposes of multilateral organizations range from collective defence and security, to trade and economic cooperation, and can be formalized in an institutional structure, or be purely normative in character. The unipolar moment of American hegemony that defined the post-Cold War era allowed for an expansion of multilateralism and the global international society that existed for nearly twenty years. This new world order saw states actively engaged in issues at the global level that previously had difficulty reaching global political and normative agendas, such as climate change, human rights and security, and free trade. Complementing the normative foundations of global international society was the creation of a series of regional international societies that, in many cases, saw the expansion and implementation of state integration and cooperation. Recent events at the global level, including the election of President Trump, the outcome of the Brexit referendum in the United Kingdom (UK), and the ongoing emergence of regional powers such as Russia and China, have all served to foster notions about whether states will retreat into independent, isolationist strategies and away from the multilateralism that has long been a key variable in facilitating cooperation between states. This paper argues that, while states, especially emerging powers, may retreat from the global multilateral regime, they will continue to use regional international societies to advance their normative and

political agendas. In doing so, multilateralism in the emerging multipolar era will evolve and may be strengthened at the regional level.

## **THE CURRENT STATUS OF THE MULTILATERAL SYSTEM**

Despite fears to the contrary, the global multilateral system is not in retreat and, in some ways, has been reinforced by recent threats that have emerged as a result of populist movements and leaders, and other challenges to multilateralism. It is also important to note that challenges and skepticism about multilateralism, even from Western states, is not a new phenomenon. From the outset of the post-WWII multilateral regime, certain states expressed hesitation about imbedding themselves too far into a regime that could potentially affect their independence and sovereignty. Often overlooked in discussions about multilateralism is the fact that, despite regimes and institutions taking on liberal characteristics, multilateralism is a strategic choice made by self-interested states about how to advance their interests and influence world order. Further, the structure of the international system at a given point in history will impact if and how states use multilateralism as a strategy, what kind of order states strive to create and negotiate, and what norms will be focused on by those states that make up multilateral arrangements and institutions. Ultimately, multilateralism is a means through which states pursue their interests, and whether or not a state will partake in intensive or weak multilateralism can shift depending on strategic preferences. This idea can be summarized as follows:

1. Multilateralism is a chosen [state] strategy...States do not choose strategies lightly and the proliferation of multilateralism in the [international] system is a clear indication that states have identified the strategy as producing payoffs.
2. The strategy of multilateralism can change...Strategies are meant to evolve as the defined interests of a state change over time.<sup>1</sup>

From the outset, even liberal Western states expressed scepticism about certain aspects of the global multilateral regime, focused mainly on the United Nations (UN) given the role the UN plays and its size and scope. For

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<sup>1</sup> Robert W. Murray, "Realist Multilateralism: Cooperation in the Emerging Multipolar System," in *Seeking Order in Anarchy*, ed. Robert W. Murray (Edmonton: University of Alberta Press, 2016), 99.

instance, Charles de Gaulle in referring to the UN as “*le machin*” fiercely denounced UN Secretary-General Dag Hammarskjöld and refused to fund the peacekeeping operations in the Congo, contributing to the UN’s most serious financial crisis. The crux of de Gaulle’s opposition to the mission and more, his inflammatory comments about the UN, had more to do with protecting France’s national interests and the general desire to make France great than it did with the UN.<sup>2</sup> Also noteworthy from this example is that, even in the face of fierce opposition to multilateral institutions such as the UN, de Gaulle’s criticisms did not seriously hinder the development of the UN, or any other multilateral institution. In fact, the scope of the UN expanded considerably during this time.<sup>3</sup>

Even throughout the tense years of the Cold War, multilateralism expanded in both size and scope, and in the immediate aftermath of the Cold War, multilateralism became a cornerstone of the post-Cold War international society that emerged. According to Tom Keating:

Drawing initially from the view that western liberal values prevailed in the Cold War, and operating under the security blanket of American unipolarity, Canada along with other western governments began pressing international and regional institutions to advance liberal values...One can read into these practices an attempt to use multilateral diplomacy and international institutions to design an international order based more firmly on substantive principles reflecting human rights, democracy and liberal economic practices.<sup>4</sup>

Recognizing that states see multilateralism as a means of advancing their interests and influencing order is important in understanding that trends and preferences around multilateralism are not static. This can also help to explain why, even in recent times, when observers have pointed out threats to multilateralism that arrangements and institutions have continued to grow in number and importance, as states see multilateralism as inextricably linked to their survival. Bosco notes:

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<sup>2</sup> David Bosco, “We’ve Been Here Before: The Durability of Multilateralism,” *Journal of International Affairs* 70, no. 2 (Summer 2017), 12.

<sup>3</sup> *Ibid.*, 12-13.

<sup>4</sup> Tom Keating, “The Twilight of Multilateralism in Canadian Foreign Policy?” in *Readings in Canadian Foreign Policy*, 3rd ed., eds. Duane Bratt and Christopher J. Kukucha (Don Mills; Oxford University Press, 2015), 57.

The UN's renaissance after the Cold War is a reminder of how institutions can go dormant, only to flourish when geopolitics thaw. That dynamic of marginalization and revival has occurred even more recently. When the Bush administration invaded Iraq without UN approval, some observers worried that the institution was mortally wounded. But a few years later, the Security Council had dispatched a record number of peacekeepers to hotspots around the world.<sup>5</sup>

## **PERSPECTIVES FROM AND ROLE OF KEY COUNTRIES IN THE INTERNATIONAL SYSTEM**

Perhaps the most worrying trend recently regarding multilateralism is the stance taken by President Trump. Throughout his election campaign and during his time as President of the United States (US), President Trump has consistently vilified multilateral institutions for being negative for the United States either due to financial costs, perceived trade deficits, or allies identified as laggards that have become too comfortable relying on the United States for either economic or physical security. Kristen Boon claims:

From plans to dramatically reduce funding for multilateral institutions, to draft executive orders signaling the potential withdrawal from various international treaties, to the decision to bomb a Syrian airstrip without Security Council authorization (or the support of a coalition of other states), President Trump has demonstrated a disinterest in the institutions and instruments that normally act as a forum for international cooperation. Unlike his predecessor, who took the position that “multilateralism regulates hubris,” President Trump’s actions indicate that the United States may be withdrawing from its leadership role in international law and institutions.<sup>6</sup>

Despite rhetorical and Twitter-based claims about the United States scaling back its multilateral commitments, the Trump Administration has yet to pursue a meaningful policy approach to multilateral withdrawal. The idea that the United States ought to withdraw from international agreements and focus more on the homeland is also not a view that resonates with Americans. In January 2017, the Program for Public Consultation released a major poll

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<sup>5</sup> Bosco, “We’ve Been Here Before,” 15.

<sup>6</sup> Kristen Boon, “President Trump and the Future of Multilateralism,” *Emory International Law Review* 31 (2017), 1075.

that “found no evidence that the American public has tired of international engagement and is going through a phase of isolationism” and less than one in ten Americans endorsed “withdrawal from most efforts to solve international problems.”<sup>7</sup> Beyond public attitudes towards the possibility of withdrawing from multilateral arrangements, major policy documents and initiatives of the Trump Administration continue to either overtly see continued utility in the United States’ participation in multilateral organizations, or at the least, seek to tolerate them within the Trumpist worldview.

One key example of continued support for the role of multilateralism in American foreign policy can be found in President Trump’s 2017 National Security Strategy. A few noteworthy examples of where multilateralism has been used as a tool of American foreign policy in the Trump Administration include statements such as: “We will advance American influence because a world that supports American interests and reflects our values makes America more secure and prosperous. We will compete and lead in multilateral organizations so that American interests and principles are protected.”<sup>8</sup> When discussing Tools of Economic Diplomacy, the Strategy document notes:

We will work with like-minded partners to build support for tools of economic diplomacy against shared threats. Multilateral economic pressure is often more effective because it limits the ability of targeted states to circumvent measures and conveys united resolve...When the United States partners with other states, we develop policies that enable us to achieve our goals while our partners achieve theirs.<sup>9</sup>

In an effort to wed the populist values underpinning the Trump Administration’s worldview, claims have been made about “improving” multilateral arrangements for the United States rather than simply withdrawing all together. Under the subheading, “Achieve Better Outcomes in Multilateral Forums,” the National Security Strategy document reads, “The United States must lead and engage in the multinational arrangements that shape many of the rules that affect US interests and values.”<sup>10</sup> Some of this “improvement”

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<sup>7</sup> Steven Kull, “Americans on the U.S. Role in the World,” Program for Public Consultation, School of Public Policy, University of Maryland, January 2017, [http://www.publicconsultation.org/wp-content/uploads/2017/01/PPC\\_Role\\_in\\_World\\_Report.pdf](http://www.publicconsultation.org/wp-content/uploads/2017/01/PPC_Role_in_World_Report.pdf).

<sup>8</sup> “National Security Strategy of the United States of America” (December 2017), 4, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

<sup>9</sup> *Ibid*, 34.

<sup>10</sup> *Ibid*, 40.

effort has been focused on the North Atlantic Treaty Organization (NATO), where Trump has accused allies of not sufficiently paying their way by not meeting the two percent of GDP spending target,<sup>11</sup> yet on 8 February 2018 both the United States and Germany offered to host two proposed new NATO commands aimed at deterring Russia in a show of support for the alliance's military build-up that has echoes of the Cold War.<sup>12</sup>

One area of considerable concern under the Trump Administration has been his view of international trade deals, and the global trade system more broadly. Immediately upon taking office, Trump withdrew from the Trans-Pacific Partnership (TPP), which frustrated allies and according to some, empowered China. Withdrawal from the TPP by the United States marked a major economic opportunity for China—a state that has not been shy to use multilateral institutions to further its own strategic advantage. Southeast Asian elites see the United States losing strategic ground to China, and Trump's Washington as less interested in the region, less dependable, and less likely to uphold free trade.<sup>13</sup> In the North American context, Trump's stringent position on the North American Free Trade Agreement (NAFTA) has surprised many, considering Trump has been openly attacking and criticizing long-time American allies Canada and Mexico.<sup>14</sup> In all, the American support for the global security and trade regimes remains unclear as presidential words often do not match action, but such uncertainty and unpredictability has dramatically impacted perceptions about American support for multilateralism.

The Brexit vote and ongoing negotiations about the future of the United Kingdom in the European Union (EU) have served to further concerns about multilateralism in the Western world. It is clear that, despite Brexit negotiations being in progress, there is significant sentiment within the UK that

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<sup>11</sup> Peter Baker, "Trump Says NATO Allies Don't Pay Their Share. Is That True?" *New York Times*, 26 May 2017, <https://www.nytimes.com/2017/05/26/world/europe/nato-trump-spending.html>.

<sup>12</sup> Rovin Emmott, Andrewa Shalal, and Phil Stewart, "Fearing Russia, United States, Germany offer to host new NATO commands: officials," Reuters, 8 February 2018, <https://www.reuters.com/article/us-nato-russia/fearing-russia-united-states-germany-offer-to-host-new-nato-commands-officials-idUSKBN1FS2OX>.

<sup>13</sup> ASEAN Studies Centre, "How do Southeast Asians View the Trump Administration?" 3 May 2017, <https://www.iseas.edu.sg/images/centres/asc/pdf/ASCsurvey40517.pdf>.

<sup>14</sup> Emily Tamkin, "As NAFTA Talks Restart, Canada and Mexico Are Unfazed by Trump's Threats," *Foreign Policy*, 31 August 2017, <https://foreignpolicy.com/2017/08/31/as-nafta-talks-restart-canada-and-mexico-are-unfazed-by-trumps-threats/>.

multilateralism negatively affects UK interests and that the UK would be better served outside of a regional multilateral arrangement.<sup>15</sup> Despite attitudes within the UK that led to the outcome of the Brexit referendum, there is an argument to be made that the EU can be a stronger alliance after Brexit by virtue of the level of cooperation and unification required from within EU states to successfully negotiate Brexit.<sup>16</sup> Regardless of the outcome of Brexit negotiations, the impact of the initial UK referendum and future attitudes of other EU states who may exercise their right to withdraw should the EU be perceived to no longer serve their national interests are worthy of concern.

One of the core questions surrounding the future of multilateralism is how emerging great powers in an evolving international system that becomes multipolar in nature will approach multilateralism and multilateral institutions. In this calculation, examining the behaviour and attitudes of both China and Russia regarding multilateralism becomes important. What is evident from recent actions of both China and Russia is that multipolarity is likely to mean a greater emphasis on regional international societies than the global society of states, and global organizations may play less of a role than regional institutions or arrangements. In addition to emerging powers like China and Russia, one of the strategies other states have adopted in response to Trump and Brexit has been to recommit or further entrench into various forms of multilateralism, such as the Paris Climate Accord and the Trans-Pacific Partnership 11 deal. Before examining regional multilateral strategies, it is important to define what a regional international society is, how they differ from global international society, and how this affects state behaviour.

## **REGIONAL INTERNATIONAL SOCIETIES IN THE CONTEXT OF CHINA AND RUSSIA**

The idea of international society, or a society of states, is grounded in the idea that self-interested states have, throughout history, come together both in formal and informal ways to collaborate and negotiate international order. States consciously negotiate the normative or institutional framework of a society of states in a given historical era, and the level of cooperation, integration and

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<sup>15</sup> John Redwood, "It's not just the UK that will benefit from Brexit. The EU will too," *The Guardian*, 20 June 2017, <https://www.theguardian.com/commentisfree/2017/jun/20/not-just-uk-benefit-brexit-eu>.

<sup>16</sup> *Ibid.*

stability between states in international society greatly depends on the structure of the international system at the time, the strategies and policies of the great power(s) dominating the system, and the influence from world society, or the domestic level. Robert Jackson summarizes international society as a conceptual tool by stating:

The conceptual key to international society is the manner in which sovereign states associate and relate: the character and modus operandi of their association and relations. It is formal in a significant way: it involves procedural standards of conduct, an essential normative basis of which is international law. However, it is also substantive in an equally significant way as it involves the pragmatic encounters of the separate national interests of those same independent states which, although subject to international law, are still free to lay down their own foreign policies.<sup>17</sup>

There are two variants of international societies—global international society, which describes the society of states across the world, and regional international society, which describes how states in particular regions have negotiated more concentrated versions of sub-global order. The normative and institutional frameworks of global international society and regional societies need not align or be the same, and regions need not be geographically bound. Like global international society, regional societies are typically dominated by the great powers within a given region and states negotiate the type of regional order they want. “Because the logic of anarchy works more powerfully over shorter rather than longer distances and because states living in close proximity with one another may be forced to establish by dialog and consent common rules and organizations for the conduct of their relations, regional/sub-global international societies may be created as a result.”<sup>18</sup> As in global international society, multilateralism can be a strategy used by states in regional international societies as a means of formalizing their cooperation or can also complement the normative structure of a regional international society.

As the international system continues its evolution toward multipolarity, states are faced with the need to determine their approach to alliances and strategies that will both allow them to survive and also to pursue their interests. This need applies to great powers, as well as middle and minor powers,

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<sup>17</sup> Robert Jackson, *The Global Covenant* (Oxford: Oxford University Press, 2000), 102.

<sup>18</sup> Yannis Stivachis, “International society and regional integration in Central Asia,” *Journal of Eurasian Studies* 5 (2014), 71.

and one of the strategies states have been increasingly using is to negotiate regional international societies as a means of mitigating anarchy and strategizing around the emergence of a new systemic structure. Yannis Stivacthis argues there are three components to regional integration that can assist in determining the development of regional international societies: “1. the extent of dialog and consent to common rules and institutions among states, 2. the nature of the conduct of inter-state relations, and 3. recognition of common interests in maintaining agreed upon arrangements.”<sup>19</sup> By examining the recent behaviour of China and Russia, it is clear that regionalism has become an important tool through which both states see value in exercising power, and more, that multilateralism plays a key role in approaches to establishing and maintaining regional order.

Matthias Vom Hau has identified four common strategies for international power projection being employed by BRICS states (Brazil, Russia, India, China and South Africa) as a multipolar system emerges:

**1. Issue leading:** Involves coalition building and group formation entailing a multilateralist approach;

**2. Opportunity seeking:** Involves establishment of close bilateral relations with developing countries perceived as being of economic or strategic importance through trade agreements, bilateral treaties, or development partnerships and are often coupled with strategic investments. The focus of engagement here is countries, not organizations;

**3. Region organizing:** Involves leadership in organizations that represent a geographically defined area. This organization provides a forum for the multilateral negotiation of security, economic concerns, and regional identity construction;

**4. Region mobilizing:** Focuses on the cultivation of strategic and economic ties with neighbouring countries—multilateral or bilateral trade agreements. Regional mobilization is usually economically, politically and ideologically well-integrated within a particular region, and often acts as mediators for great powers and/or regional entry points for capital and trade.<sup>20</sup>

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<sup>19</sup> Ibid, 72.

<sup>20</sup> Matthias Vom Hau, “How the BRICS Exert Influence in the Global Politics of Development,” *e-International Relations*, 24 October 2017, <http://www.e-ir.info/2017/10/24/how-the-brics-exert-influence-in-the-global-politics-of-development/>.

Though a more regional focus has become increasingly evident in the behaviours of China and Russia as the system evolves, both are still actively engaged at the global level. A prominent recent example of China's global engagement strategy is the announcement of the One Belt, One Road initiative, through which China has expressed its intention to build or expand highways, railways, ports, pipelines, and power plants, and which could grow as large as \$1.3 trillion over the next decade.<sup>21</sup> China has also invested significant resources in becoming a global clean energy leader. With the United States' withdrawal from the Paris accord, China has recognized an opportunity to be a leader in the area.<sup>22</sup> China has also been using multilateral institutions like UNESCO to serve its strategic interests recently in its effort to extend its sphere of influence. This move "reflects Beijing's desire to project a more visible 'soft power' profile around the world and fill a political void left by the American administration that has grown skeptical of multilateralism."<sup>23</sup> China's engagement in global international society on soft power matters has been coupled with strengthening its relative power position regionally.

China's regional behaviour has been focused on political, security and economic matters, and demonstrates that regional international societies are just as important in the contemporary international system as global international society. As the system continues to evolve toward multipolarity, China has taken steps such as those outlined above to pursue its interests globally, but China continues to play a significant role regionally. Beyond military expansion, China's aggressive stance in the South China Sea, and the ongoing quest for balance with India, China has become an integral regional player in matters of economics and finance. China has helped fund two new and operational development banks, the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank. China's commercial banks, the China Development Bank and the China Export-Import Bank, also lend

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<sup>21</sup> Jason Scott, Emi Nobuhiro, and Iain Marlow, "U.S.-Led Group Mulls Asia Infrastructure Effort Amid China Push," 18 February 2018, <https://www.bloomberg.com/news/articles/2018-02-18/u-s-led-group-mulls-asia-infrastructure-plan-australia-says>.

<sup>22</sup> Amy Myers Jaffe, "Green Giant," *Foreign Affairs*, March-April 2018, <https://www.foreignaffairs.com/articles/china/2018-02-13/green-giant?cid=int-fls&pgtype=hpg>.

<sup>23</sup> Colum Lynch and Elias Groll, "As U.S. Retreats from World Organizations, China Steps in to Fill the Void," *Foreign Policy*, 6 October 2017, <http://foreignpolicy.com/2017/10/06/as-u-s-retreats-from-world-organizations-china-steps-in-the-fill-the-void/>.

abroad.<sup>24</sup> With the expected retreat of American interest in Asia, this is a massive opportunity for China to assert itself as a regional economic power, and it has proven already through these actions that it intends to capitalize on this opportunity and is doing so by working through multilateral institutions.

Russia's global involvement differs greatly from that of China, given its aggressive actions both militarily and in the realm of cyber security. Russia remains an important player at the United Nations Security Council table by virtue of its status as a member of the Permanent 5, but sanctions and its increased status as an international pariah state have forced Russia to rely on its regional international society as a means of pursuing its interests. The Russian invasion of Crimea and Ukraine in 2014, as well as its ongoing support for the Assad regime in Syria, has served to significantly undermine Russia's ability to emerge in a multipolar structure with an improved power position outside of its regional international society. In Ukraine, Moscow views itself as merely pushing back against the expansion of the United States, NATO, and the EU, which it perceived as a threat to its own national interests. To counter Russia's inability to use its relative power position globally, it has sought influence through regional multilateral organizations.

Moscow has sought to make the Shanghai Cooperation Organization (SCO) a source of status for Russia on the global scale, while Beijing has been orienting the SCO toward China's economic goals in Central Asia where Russia is increasingly wary of competition with China.<sup>25</sup> The SCO is also of value to Russia, as it provides a forum for cooperation with both China and India, which was admitted as a member along with Pakistan in 2017. Among the challenges to the SCO growing in influence and success has been the inability of its member states to abandon national interest and work collectively. Russia has been working to strengthen the Collective Security Treaty Organization (CSTO) as a way for Moscow to increase its status in relations with NATO.<sup>26</sup> Despite the CSTO not being widely perceived as influential or well-functioning, Russia sees extraordinary value in a regional alliance predicated on the principle of collective security.

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<sup>24</sup> Homi Kharas, "Multilateralism under stress," Brookings Institution, August 2017, <https://www.brookings.edu/wp-content/uploads/2017/08/global-20170731-blum-homikharas-brief-5.pdf>.

<sup>25</sup> Mikhail Troitskiy, "Power, Status, and Entanglement: Russia's Evolving Approach to Multilateral Institutions," *Russian Politics & Law* 24, no. 5-6 (September-December 2016), 416.

<sup>26</sup> *Ibid.*, 416-417.

Perhaps the most successful example of Russian regional multilateral engagement has been in the Arctic. The Arctic has become a crucial area of focus for Russia, and its ongoing cooperation with the other Arctic states, including the US and other NATO members, seems to contradict its behaviour elsewhere in the geopolitical landscape and challenges the notion that problems in global international society automatically mean issues regionally. This demonstrates that states consciously negotiate order to suit their interests, and that these interests can differ greatly at the global level versus regional level. Stivachtis argues:

Opening the regional level of analysis might have serious implications for understanding institutions and norms like sovereignty, diplomacy, balance of power and others which exist and are performed at both global and regional level as, in many cases, regions form their own sub-global (regional) international societies which co-exist with global international society.<sup>27</sup>

The Arctic international society has allowed Russia to cooperate with other Arctic states, observer states, and indigenous groups in ways that have led to the emergence of a regional society of states built on the foundation of multilateralism and engagement. Robert Murray and Heather Exner-Pirot emphasize the institutional framework of the Arctic international society:

Although the international system has evolved, state interests in the Arctic have remained largely intact and have led to normative institutions predicated on cooperation and multilateralism. These include: (1) efforts to maintain peace and stability in the region, echoed more contemporarily in the confidence-building efforts attempted through the Arctic Chiefs of Defense Staff meetings (though suspended after only two gatherings in 2014 after the Crimea intervention); (2) the establishment in 2015 and continuing efforts of an Arctic Coast Guard Forum; and (3) a premium placed on cooperation with regards to economic, scientific and environmentalist endeavors, manifested in the work of the Arctic Council, various scientific organizations, fishery regulations, the establishment of mandatory polar shipping guidelines, and the large number of other Arctic conferences and forums on a variety of topics.<sup>28</sup>

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<sup>27</sup> Yannis Stivachtis, "Shifting Gears: From Global to Regional—The English School and the Study of Sub-Global International Societies," *System, Society and the World: Exploring the English School of International Relations*, 2nd ed., ed. Robert W. Murray (Bristol: E-International Relations, 2015), 69.

<sup>28</sup> Robert W. Murray and Heather Exner-Pirot, "Regional Order in the Arctic: Negotiated Exceptionalism," *Politik* 20:3 (2017), 52.

Though the narrative around potential Russian aggression in the Arctic continues to exist, history and current evidence show quite clearly that Russia has been an important player in the establishment and conduct of a cooperative Arctic society of states.

## CONCLUSION

This paper does not mean to argue that the existing and emerging threats to multilateralism are not to be taken seriously, but instead, argues that multilateralism has never been safe from scrutiny and criticism, even from those states perceived to be the guarantors of multilateral norms and institutions. Further, the ongoing evolution of the international system does not eliminate states' desire to pursue their interests, but rather, necessitates a shift in strategy away from multilateral institutions that may be subject to systemic dynamics and toward those at the regional level. If states, especially great powers, perceive their interests to be threatened or difficult to pursue at the global level, they will naturally seek to capitalize on regional spheres of influence. This is especially true in a multipolar systemic structure, as there are more competing powers and alliances become even more important. Multilateralism, even for those emerging great powers like China and Russia, has not eroded, but rather, has begun to shift to a more regional character. Powers in the emerging world order continue to demonstrate the strategic benefit of multilateralism and the growth in both the number and importance of regional institutions is likely to continue as multipolarity emerges.

**Dr. Robert W. Murray** is Managing Director of the Government Affairs and Public Policy Practice Group at Dentons Canada LLP. He holds a series of fellowships and affiliations including a Senior Fellowship at the Macdonald-Laurier Institute; a Senior Fellowship at the Canadian International Council; a Senior Fellowship at the Canadian Centre for the Responsibility to Protect; a Research Fellowship at the University of Calgary's Centre for Military, Security and Strategic Studies; and a Research Fellowship at the University of Alberta's European Union Centre for Excellence. His recent book publications include *Protecting Human Rights in the 21st Century* with Aidan Hehir (Routledge 2017), *Seeking Order in Anarchy: Multilateralism as State Strategy* (University of Alberta Press 2016), *System, Society and the World: Exploring the English School of International Relations* 2nd Edition (E-International Relations 2015), and *International Relations and the Arctic: Understanding Policy and Governance* with Anita Dey Nuttall (Cambria 2014).



# Tradition, Trump, and the Future of US Participation in Multilateralism

*Charles E. Morrison*

## INTRODUCTORY REMARKS

Before turning more directly to the United States (US), several observations might be made regarding multilateralism. First, in its intergovernmental context, the term has come to embrace almost any cooperation among states involving more than two parties, as contrasted with unilateral action and bilateral cooperation. This is a little analogous to the language of a Brazilian tribe that is said to have just three numbers—one, two, and a whole lot—to the detriment of their conceptual reasoning. To try to sharpen our reasoning, the broad term of “multilateralism” has spawned subcategories, such as tri-lateral, quadrilateral, regional, minilateral, plurilateral, and “coalitions of the willing” that distinguish geographically, functionally, and common interest specific forms of multilateralism from the universal form.

Second, all nations are selective in their choices from the menu of multilateral groupings available to them and in this sense, “multilateralism à la carte” is standard practice. For the most part, these national choices reflect interests (and the geopolitical situations underlying them), values, and traditions (and the domestic politics often associated with them). For example, Norway joined the North Atlantic Treaty Organisation (NATO), but not the European Union (EU) (following a referendum). On the other hand, Sweden and Finland did not join NATO because of geopolitical concerns, but they did become EU members for economic reasons. Switzerland, with its strong tradition of neutrality and ability to free ride, has not joined either NATO or the EU, and, despite the presence of United Nations (UN) agencies in Geneva, it did not even join the UN until 2002.

Third, size is an important variable. Smaller countries tend to favor multilateralism in the hopes of constraining larger ones and ensuring a safer, more

predictable international environment. Big countries, however, tend to favor multilateral arrangements in which they are dominant and to be wary of those that will constrict their freedom of action. Like smaller countries, larger countries also want a safe and predictable environment, but they tend to believe that this requires that they have freedom of action. For example, although 164 countries have acceded to the Ottawa Convention intended to outlaw the use of anti-personnel landmines, large powers China, India, Russia, and the United States are all among the few non-signatories.

Finally, selectivity can be exercised in ways other than not formally joining an organization or ratifying a convention, for example, in formally accepting a multinational obligation but then not enforcing or reinterpreting it. China, for example, is a signatory of the United Nations Convention on the Law of the Sea, but it develops novel interpretations to protect its claims and interests in its own neighborhood. As Richard Fontaine and Mira Rapp-Hooper have noted, China “can contest regional rules while buttressing global ones and will do so as its interests dictate.”<sup>1</sup> Other countries, especially in the developing world, may not have the capacity to enforce their commitments and regard their obligations as more aspirational and a work in progress. In contrast, most European and North American countries, with strong legalistic traditions and domestic interest groups that can challenge non-compliance, prefer not to make the commitments in the first place. However, any country can ignore treaty obligations when domestic politics or perceived national interests dictate otherwise, and the United States is certainly no exception.

## **MULTILATERALISM AND AMERICA’S FOREIGN POLICY TRADITIONS**

The US today is a party to more than 600 multilateral conventions and organizations. But historically, neither its geopolitical situation nor ideals encouraged an orientation toward multilateralism.<sup>2</sup> Protected by two oceans, having no rivals in its hemisphere, and believing that the US itself represented an exceptional and superior form of governance, the earliest generation of

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<sup>1</sup> Richard Fontaine and Mira Rapp-Hooper, “The China Syndrome,” *The National Interest*, no. 143 (May/June 2016): 10-18.

<sup>2</sup> See Joel H. Westra, “International Order the American Way: Selective Multilateralism and European Consternation,” in *The United States and Europe in a Changing World*, ed. Robert E. Kanet, 2009, 2-24.

American leaders saw little need for multilateral, or even bilateral, alliances that might entrap or sully their country. At the end of the 18th century, George Washington terminated the revolutionary alliance with France, and in his Farewell Address warned against “permanent alliances,” with any part of the world.<sup>3</sup> In his first Inaugural Address in 1801, this was echoed and extended by Thomas Jefferson, who promised “peace, commerce, and honest friendship with all nations—entangling alliances with none.”<sup>4</sup> James Monroe in 1823 unilaterally declared the famous “Monroe Doctrine” warning European countries against meddling with the Americas. At the beginning of the 20th century, when the United States was far more powerful, Theodore Roosevelt urged the United States to “speak softly and carry a big stick.”

Aside from political and security issues, however, the United States recognized a national interest in joining some multilateral endeavors of a more technical and cultural nature; indeed, it played a leading role in the establishment of the International Postal Union<sup>5</sup> and the predecessor to the Organization of American States (OAS) in the 1890s.

It was not until World War I, however, that multilateralism became controversial in American foreign policy following Woodrow Wilson’s call for a League of Nations. Although the United States entered the war in its later phases and operated quite independently of its partners, Wilson played a large role in the post-war governance arrangements. The League idea, however, was rejected in the US Congress as unrealistic and contrary to Washington’s dictum. In the interwar period, the United States remained ambivalent toward multilateral engagement, sometime engaging in it for self-interest (Washington Naval Conference on Pacific Ocean navies) or ideals (the Kellogg-Briand Pact to outlaw war). But even the latter was an effort to reduce the likelihood of entangling alliances, and the country retreated into isolation as the European crisis of the 1930s deepened.

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<sup>3</sup> The US did not enter a formal alliance with a foreign power again until World War II.

<sup>4</sup> [http://avalon.law.yale.edu/19th\\_century/jefinau1.asp](http://avalon.law.yale.edu/19th_century/jefinau1.asp).

<sup>5</sup> Originally postal arrangements were handled by bilateral treaties. The US called for an international postal conference in 1863, 11 years before the organization was founded.

## THE COLD WAR CONSENSUS AND EMERGING TRENDS

It was only the twin disasters of the contraction of international trade (spurred by the unilateral Smoot-Hawley Tariff) and World War II (to which pre-war isolationism was widely thought to have contributed) that the United States appeared to put Washington and Jefferson behind. Writing in the early 1950s, Robert E. Osgood felt that the United States had finally succeeded in bringing its ideals and self-interests together in a lasting way behind a sensible engagement approach. He saw this as a maturation—“no people has had to grow old so fast”—as the fall of France in 1940 had presented Americans with a real external threat to their survival for the first time.<sup>6</sup> The earlier stage of engagement involved the design of global post-war architecture, including the United Nations, International Monetary Fund, and International Trade Organization (ITO).<sup>7</sup> At the time, with about half the world’s gross product, the United States felt it was in a position to influence this architecture to largely reflect its values and interests. But when global cooperation was frustrated by the onset of the Cold War, Americans readjusted to building “free world” architecture instead. This include the support for western Europe reconstruction through the Marshall Plan (originally intended to include eastern Europe), NATO, the OAS, the Australia, New Zealand, United States Security Treaty (ANZUS), the Southeast Asia Treaty Organization (SEATO), and even the short-lived Central Treaty Organisation (CENTO) along the southern central Asian border of the Soviet Union.

Osgood may have been right that the American view had changed regarding “entangling alliances,” as the US-led alliance system, both multilateral and bilateral, has been strongly and consistently supported in both the Executive branch and the Congress, and by majorities in both parties, even if deployments and “burden sharing” have at times been issues. But aside from these security arrangements, multilateralism remained controversial in US Cold War and post-Cold War foreign policy. There was a strong streak of “isolationism” and “American exceptionalism” that influenced even the

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<sup>6</sup> Robert E. Osgood, *Ideals and Self-Interest in American's Foreign Relations*, University of Chicago Press, quote from 452. Others saw the Pearl Harbor attack as the turning point.

<sup>7</sup> Because the ITO was not accepted by the Congress, which feared it would affect domestic economic policy, the provisional General Agreement on Tariffs and Trade (GATT) was the far less ambitious arrangement through which further trade barrier reductions and trade rules making was conducted until it was succeeded by the World Trade Organization in 1994.

security arrangements (most of which were qualified), but more so economic and social cooperation.

Throughout the Cold War and afterward, a pattern persisted of the Executive branch (under both Republican and Democratic presidents) pursuing multilateral endeavors and having to fight skepticism within the Congress. The boundary between “executive agreements,” which did not require two-thirds Senate ratification (a very high barrier), and “treaties,” which did, also became a matter of conflict. A potent expression of the latent Washington-Jefferson tradition in the 1950s was “the Bricker amendment,” encompassing various proposals for a Constitutional amendment to ensure that US domestic law was not over-ridden by treaty provisions and that neither the Congress or the Executive would become too powerful in establishing international obligations.<sup>8</sup> Those who supported the Bricker amendment were deeply wary of overseas commitments and their costs, and more inclined to believe that the United States could protect its interests unilaterally. Thus, even in the Cold War period, there was always a strong cross-current of opposition to international engagement and obligation, particularly of the multilateral kind. This is important in understanding the US position today, but so too are a number of trends taking place over the Cold War and post-Cold War decades.

**Narrowing of the American Vision.** At the beginning of the Cold War, the United States arguably aligned its interests with “free world” systemic interests. Its standing alliances, the Marshall Plan for European recovery, and other assistance programs to allies and developing countries were regarded as essential to its own well-being. But as the US share of world product declined and it felt increasingly burdened by overseas commitments, the perception of its interests tended to shrink from stewardship of the international system as a whole towards a narrower view of its own interests or, in other words, more like any other country within the system. Associated with this was an increasing emphasis on military power as opposed to other forms of projecting American influence.

**Disillusionment with Globalism.** After World War II, the US strongly supported the UN system, seeing it as a hopeful tool to prevent war. A Gallup poll in 1946 showed 54% favored the notion that the UN should control

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<sup>8</sup> US Constitutional requirements for amendments are exceedingly difficult, and the Bricker amendment was never adopted despite passage in the US Congress. Eventually the concern, first given visibility by activists in the American Bar Association, was addressed through domestic legislation and Court interpretation.

the armed forces of all nations, including those of the US. In 1955, another Gallup poll suggested that 60% thought the UN was doing a good job. Gallup has tracked this measure over the years, and by early 2017, it had declined to 37%.<sup>9</sup> The largely symbolic votes criticizing Israel, a politically sensitive issue in the US, have hurt the image of the UN in the United States from the 1970s onward (and caused the most recent withdrawal from UNESCO), while the vast expansion of the membership made the organization appear bloated, cumbersome, and expensive. Americans consistently over-estimate their contribution to the UN and under-estimate their influence. Despite the criticism, however, the vast majority of Americans appear to accept the UN as an important part of the international system and believe their country should be engaged.<sup>10</sup> The specialized agencies, especially those associated with technical mandates and health, fare better.

**Rise of Plurilateralism.** With the disillusionment with globalism, the US increasingly valued smaller groupings of nations with like-minded interests (such as the Trans-Pacific Partnership—TPP) or with the greatest stakes (e.g., the Six Party Talks on North Korea, and the P5+1 on Iran). It also increasingly favored regional groupings, such as the Asia-Pacific Economic Cooperation (APEC) forum and the Arctic Council for dialogue and actions in areas of common concern that are largely voluntary in nature.

This was particularly pronounced in the trade arena, where the prolonged negotiations and stalemate in the World Trade Organization Doha Round led the US to seek other venues, bilateral as well as plurilateral, to push negotiations forward on emerging issues. Both the TPP and the counterpart, the Transatlantic Trade and Investment Partnership (TTIP), should be seen in this light. A key consideration was the US Constitutional arrangements that made approval of trade agreements especially difficult. The smaller groups, where more specific gains might be achieved, were seen as more promising for Congressional support.

**Evolving Domestic Political Alignments and Partisanship.** During the Cold War, at least until the Vietnam War, the phrase that “partisan politics

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<sup>9</sup> For historical data, see: <https://ropercenter.cornell.edu/seventy-years-us-public-opinion-united-nations/> and for the Gallup measure over the years, see: <http://news.gallup.com/poll/116347/united-nations.aspx>.

<sup>10</sup> For a recent poll by the Better World Campaign, see: <https://betterworldcampaign.org/wp-content/uploads/2017/10/October-2017-BWC-USUN-Poll.pdf>.

stops at the water's edge," was widely accepted.<sup>11</sup> This applied, however, mainly to security alliances, which enjoyed strong bipartisan support. The American political system purposefully divided power and provided vetoes on action ("checks and balances") that weakened the presidency and inhibited free exercise of foreign policy. Trade agreements remained controversial in Congress, approval of implementing legislation for each successive GATT Round was with the barest of majorities. Other agreements requiring two-thirds votes simply languished. Although a leader in negotiating both the Genocide Convention and the UN Convention on the Law of the Sea (UNCLOS), the US took 40 years to ratify the first, and the second has not yet been approved. Conservatives of both parties were deeply suspicious of such agreements. The Genocide Convention was strongly opposed by conservative Democratic Senator Sam Ervin (who chaired the Senate's Watergate Investigation committee) on grounds that it had lower standards than American law, and that since a treaty would become "the supreme law of the land," this was unacceptable.<sup>12</sup> UNCLOS was strongly supported by successive Administrations and the Defense Department, but the management of seabed resources in the high seas by a Seabed Authority was regarded by conservatives as a step too far toward international governance.

The political parties gradually shifted into ideological blocks with the disappearance of Republican liberals and Democratic conservatives and with this came progressively more bitter partisanship. Republican conservatives favored "market forces," and Democratic liberals were more supportive of the ideals behind multilateralism and globally encompassing human rights and environmental agreements. Multilateralism in trade and investment was largely favored by the Republican party in Congress, which believed such arrangements reduced political barriers to market forces and increased US economic growth. But Democratic liberals feared such arrangements would undercut domestic regulations to protect workers and the environment. The trilateral North American Free Trade Agreement (NAFTA), negotiated by the Republican Bush 41 and Democratic Clinton Administrations, had 3:1 support among Republicans but was opposed by the large majority of

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<sup>11</sup> This phrase was used by Republican Senator and Chairman of the Senate Foreign Relations Committee Arthur Vandenberg, to explain his cooperation with the Truman Administration at the beginning of the Cold War. Vandenberg's posture permitted the US commitment to NATO.

<sup>12</sup> Lawrence J. LeBlanc, *The United States and the Genocide Convention* (Duke University Press, 1991), 132.

Democrats in the lower House despite their President's support. In contrast, multilateral human rights and environmental agreements were mainly supported by Democratic presidents and Congressional members, and opposed by Republicans, who regarded them as liberal projects, intended to extend international governance and regulation to the detriment of the market.

In sum, the pattern became:

Existing multilateral security arrangements (e.g., NATO, OAS): bipartisan support from the Executive branch and in the Congress.

Multilateral trade arrangements (GATT-WTO Rounds, NAFTA, TPP): Executive branch support, but in the Congress, Republican support and Democratic opposition.

Global human rights and environment arrangements (International Criminal Court [ICC], Kyoto Accords): Executive branch support during Democratic administrations, and in the Congress, Democratic support and Republican opposition.

With this general alignment, the United States successfully concluded and the Congress approved the Uruguay Round agreement and creation of the WTO as well as the NAFTA (these require implementing legislation with majority support in both houses, but not ratification). Democratic administrations put much effort into the ICC and the Kyoto Convention, neither of which received sufficient support in the Congress. In recognition of this alignment, the Obama administration sought to expand the use of executive agreements to achieve international ends; the 2015 Paris Agreement on Climate Change was carefully worded so as not to require formal ratification. The Obama Administration also expanded upon the prior Bush Administration's TPP proposal to pursue plurilateral trade agreements with both Asia-Pacific countries and European countries for which it knew it would have significant Republican support.

## **THE TRUMP REVOLUTION**

Based on the above, Donald Trump's "America First" approach is an expression of a strong and long-existing undercurrent of foreign policy thinking rather than a startling new development. Trump's rhetoric echoed the weariness of a large segment of the American public with what they saw as the burdens of international engagement and, with globalization, the loss of control over their environment. Similar outlooks have been associated with

some prominent politicians in the past (notably Patrick Buchanan, and to a lesser extent, Newt Gingrich) as well as the Tea Party movement in 2010. It also harkens to the isolationist, American exceptionalism tradition of the 19th and earlier 20th century.

Despite these roots, Trump is a revolutionary figure in that no post-World War II president has embraced this perspective as mainstream, and it is profoundly at odds with post-war foreign policy tradition. Global leadership and multilateralism, whether US-led or involving the United States as part of the team, has been seen as an essential tool in building a “rules-based order,” a key phrase for American foreign policy. Some presidents have been more selective about multilateralism than others, but Trump is an outlier. As a candidate, he showed almost complete disdain, questioning even the US alliance system. “We will never enter America into any agreement that reduces our ability to control our own affairs,” he said, sounding like a less eloquent version of the Founding Fathers.<sup>13</sup> One of his first actions in office was to cancel US participation in the TPP.

Naturally, Washington’s foreign policy establishment hoped that the new president would become more conventional once in office. Other presidents throughout the post-war years had adjusted their post-election views and rhetoric when confronted with new information and a broader, more complicated set of interests. But Trump appears to believe his own campaign rhetoric, and he has had few around himself willing to challenge his underlying beliefs. This is partly by choice; prizing loyalty, he was mostly unwilling to bring into his team experienced foreign policy hands who had worked for other Republican candidates or who had signed letters during the primary campaigns vowing not to work for him. This has meant that he has had limited access to foreign policy talent.

In office, he did set aside some of his doubts about burden-sharing in NATO, reassured other long-time bilateral allies, and committed himself to participate in the essential multilateral meetings such as the G7, the G20, the United Nations General Assembly (UNGA), and APEC. But Trump’s US has generally stood out as a strident voice in such meetings, the President using them to pitch his America First approach and being unwilling to agree with the rhetoric in favor of international cooperation that was standard in the past. He is obviously more comfortable in bilateral settings (as with his reciprocal

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<sup>13</sup> Quoted in Charles A. Kapchan, “The Clash of Exceptionalisms: A New Fight over an Old Idea,” *Foreign Affairs* (March/April 2018): 144.

visits with China's Xi Jinping) or unilateral actions (such as the shift of the US Embassy in Israel to Jerusalem or the steel and aluminum tariff hikes). His withdrawal from the Paris Agreement on Climate Change put him out of step with every other country in the world.

Bilateralism fits the Trump administration model of a world of deal-making, and unilateralism, with extreme positions threatened for bargaining purposes, appears to be part of Trump's strategy to gain leverage. What is missing, however, is an international framework of laws and enforcement mechanisms. Trump's policies seemed entirely tactical rather than strategic, and to have little regard for order-building. Ironically, this may stimulate multilateral order-building, but without rather than with the United States.

### **THE PERSISTENCE OF SELECTIVE MULTILATERALISM**

Donald Trump's election is widely regarded as a fluke, caused by the nature of the US electoral system (he had 46 percent of the vote, more than 2 percent less than his rival), an unlikely series of breaks going his way in the states where voting was close, Hillary Clinton's baggage as a candidate, strategic mistakes by her campaign, and idiosyncratic elements including Russian social media meddling and an unusual gambit by the FBI director that harmed Clinton. Nonetheless, Trump was elected and having charted a significantly different course, the question arises whether his approach will be transformative in the long term.

The President has never yet had net positive approval ratings, and a majority of the public (as throughout most of the Obama period) feels that the country is headed in "the wrong direction."<sup>14</sup> These gross measures of public dissatisfaction, however, mask attitudes toward more specific issues, and even toward foreign policy as a whole. For example, Trump's willingness to link economic and security relations, regardless of international practice, may be abhorrent to the foreign policy mainstream, but seems quite reasonable to the public. In the end, the longevity of the Trump revolution depends on how well it succeeds in making people feel America is great again.

In this, the revolution seems unlikely to succeed. Mr. Trump's understanding of the place of the United States in the international system is rooted

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<sup>14</sup> The President's approval rating and the direction of the country are continuously monitored by several polling agencies. These polls and a rolling average is reported daily by the website [www.realclearpolitics.com](http://www.realclearpolitics.com).

in an earlier era when the US had more leverage based on its economic weight as well as considerable moral authority based on its policies and projection of system-wide interests. Today, it seems unable to significantly coerce or cajole other countries on a bilateral basis, particularly if they appear to be sacrificing their interests under pressure. While the initial reaction to Trump from other governments was to be cautious in the hopes that his bark would be worse than his bite, it is hard to accommodate escalating demands. Unilateral actions that harm other countries, such as the steel and aluminum tariffs and trade sanctions on China, are increasingly likely to result in retaliation.

Moreover, bilateralism in place of multilateralism is not a formula for American influence in the 21st century. Two main trends will place a premium on multilateral ordering arrangements: the relative decline of American power and the increasing fragmentation of global power. If the US objective is to maximize its influence and to continue to seek a rules-based order (as the Trump administration claims), the only effective means will be to build coalitions of like-minded countries. Many countries, because of power inequities, will resist bilateral negotiations, and even if not, bilateral deals do not create a system of rules favorable to economic growth. The TPP, which would have had difficulty passing in the US Congress even if Trump had not been elected, is the best recent model of potentially effective rules-making multilateralism. It comprised a small and like-minded enough group of countries for effective negotiations, but it had enough critical economic mass that its provisions would be benchmarked by non-member economies. Without the United States, it no longer has that critical mass.

Building an international order not just to prevent war, but to address critical threats of existential significance, such as climate change, remains essential for the health of the system as a whole. This can only be done multilaterally, beginning with coalitions and ending with a global consensus. The United States will find that its interests in the long term will dictate its participation and leadership in this global task.

**Charles E. Morrison** is a senior fellow at the East-West Center in Honolulu, where he was previous president for many years. He has been U.S. Senate aide, an advisor to two Japan-U.S. economic commissions, and the international chair of the Pacific Economic Cooperation Council. He is an author or editor of several books relating to U.S.-Asia relations. His Ph.D. in international relations is from the Johns Hopkins University.



# The EU and Multilateralism in an Age of Great Powers

*Sven Biscop*

Try to imagine a major issue in world politics today that could be settled (whether peacefully or forcefully) by a single power: one cannot. It's the interplay between at least four poles that determines the course of world politics: the United States (US), China, Russia, and, if it wants to, the European Union (EU). Thus we are living in a multipolar world. We might see other actors rising in the future, but these definitely are the great powers of the first half of the 21st century: one is the established power, one is emerging, one is declining, and one is in the making.

Multipolarity is a description of the reality of world politics today. It may not be something one would wish for, but it cannot be wished away, as many analysts and decision-makers still do. They should rather be thinking about how the great powers will position themselves in this multipolar context. Will the great powers share power and cooperate? Or will they try to grab more power and seek to dominate? In the first case, multilateralism can remain vibrant, though it will also have to be adapted to the new balance of power between the key actors. In the other case, multilateralism is perhaps even more important, as a way of stabilising relations and preventing conflicts among the great powers.

Between great powers, cooperation and competition have always co-existed. Great powers simultaneously compete on one issue and cooperate on another, in varying constellations. They compartmentalise their relations with each other: even a very serious dispute in one area need not block dialogue and cooperation in others. That is one way of preventing a deadlock in world politics and an escalation of crises that might lead to war. But even so, the question as to what will be the basic orientation of each of today's four great powers remains crucial.

## **RUSSIA: STUCK IN HISTORY**

The main objective of current Russian grand strategy is the establishment of a sphere of influence in its near abroad. This excludes power sharing, for a sphere of influence implies exclusivity: Russia wants to be the only external power with the right to interfere. To achieve that objective, Russia doesn't hesitate to use military force, as witnessed in the invasion of the Crimea and the fomenting of armed rebellion in eastern Ukraine. This crude unilateral exercise of power is the classic way of the great powers.

It's also a decidedly old-fashioned way, which no longer necessarily achieves the same effect as before. Russia may have instilled fear in its neighbours and President Vladimir Putin acquired additional prestige in the eyes of domestic public opinion, but has Moscow really furthered its interests? Instead of restoring former greatness, Russia has lost influence in Ukraine, which thanks to the invasion is forging a much stronger sense of national identity than before. The Russian intervention in Syria has safeguarded its existing influence, but hardly increased it. The crassness of Russian military action has forced the western powers to partially abandon compartmentalisation and adopt economic sanctions. Though perhaps not mainly as a result of this, the fact is that Russia's economic prospects remain bleak. In short, strategically Russia is on the defensive.

One could have hoped that after the March 2018 presidential elections the Russian regime would feel suitably secure in power and might gradually switch back from confrontation to cooperation with the EU. Those hopes were immediately disappointed. Tensions rather escalated right before and after the elections with the attempted murder of former spy Sergei Skripal in the United Kingdom (UK), new sanctions by the West and a further escalation in the Syria. A move towards normalisation of relations will in any case require a compromise on Ukraine, which means that Russia has to be willing to offer more than it has so far. Without any return, the EU will not be able to drop its sanctions. Lest we forget, the strongest sanctions were adopted after the shooting down of Malaysian Airlines flight MH17 above the Donetsk area in eastern Ukraine, on 17 July 2014, killing all 298 people on board.

## **THE UNITED STATES: TURNING ITS BACK ON ITS OWN HISTORY?**

At the end of World War Two, the US created the current multilateral system that seeks to maintain peace and stability by involving the great powers in a cooperative effort. The United Nations Security Council epitomises this approach, though the US has been less willing to share power in the major financial and economic multilateral bodies. The US itself has resorted to force, at times clearly in support of the multilateral order (the 1991 Gulf War to liberate Kuwait from Iraqi occupation), but at times in obvious breach of it (the 2003 invasion of Iraq without cause).

Now US grand strategy is in flux. Every American president has put America first—but all have considered the preservation of the multilateral system that their predecessors have created to be necessary to that end. Not anymore: as former Secretary of State Rex Tillerson has brutally downsized the State Department, President Donald Trump is disinvesting in multilateralism. In his 2017 speech at the UN General Assembly, Trump called for “a great reawakening of nations”<sup>1</sup> instead. Like Russia, strategically the US has gone onto the defensive. Quoting from the same speech: “We can no longer be taken advantage of, or enter into a one-sided deal where the United States gets nothing in return.” In that spirit, the US has withdrawn from the Trans-Pacific Partnership (TPP), is renegotiating the North American Free Trade Agreement (NAFTA), and is introducing tariffs on trade, leaving its allies and partners in the lurch.

Meanwhile one wonders whether the way the US tackles ongoing international crises contributes to their solution or to their escalation. The US did not create the North Korean crisis or the competition between Saudi Arabia and Iran for dominance in the Gulf, but Trump’s fiery rhetoric against Pyongyang and his encouragement of Riyadh against Tehran might lead to war, not peace. The US is adding to instability just as it is weakening the multilateral structures that could help mitigate it, and without really consulting its allies. Rather than sharing power and cooperating, the US is reverting to unilateralism, trusting in the fact that its “military will soon be the strongest it has ever been,” as Trump said at the UN.

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<sup>1</sup> <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-72nd-session-united-nations-general-assembly/>.

How will this US position itself in the world? The new *National Security Strategy* (NSS)<sup>2</sup> that the Trump administration published (in December 2017) certainly does not bode well for American relations with the world. The keyword is competition, notably with China and Russia. “An America that successfully competes is the best way to prevent conflict,” Trump’s NSS states. But does competition not create conflict, in reality?

Of course, grand strategy is a cost-benefit calculation—a transactional approach is actually nothing new. But Trump gets the calculation wrong. Unfortunately he’s not the only one. The idea that the US will get more by investing less is very powerful politically, and will thus not necessarily die with the end of the Trump presidency. It is certainly not impossible that Trump, another Trump, or a “Trumpist” will win the next presidential elections. It would be a strategic error, therefore, to consider Trump’s presidency to be a mere interlude.

## **CHINA: A NEW HISTORY?**

At the 19th congress of the Communist Party in October 2017, China wrote one of the core projects of its grand strategy into the party constitution: the Belt and Road Initiative (BRI). This is all about geopolitics: by a massive investment in a number of corridors of “connectivity” (over land to Europe and the Middle East, but also to Pakistan and the Indian Ocean, and to Southeast Asia, and across the seas) China is securing its lines of communication with the world and is acquiring substantial influence along the way. The BRI, accompanied by new institutions such as the Asian Infrastructure Investment Bank (AIIB), is essentially a cooperative project, though some on the receiving end may think the Chinese approach is rather too heavy-handed and might result in strong dependencies. Compared to Russia and how it exercises its power, however, China is a very smooth operator indeed. This is a very smart use of its economic power to increase its political power.

The one thing that disturbs the perception of China as a quickly rising but essentially peaceful power is its assertive policies in the East and South China Seas. Here China does use its military power, constructing artificial islands and building military bases. Because it is involved in a series of territo-

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<sup>2</sup> <http://nssarchive.us/wp-content/uploads/2017/12/2017.pdf>.

rial disputes, its neighbours are less sanguine about China's rise, and eye its accelerating military modernisation with suspicion.

At the same time, Beijing appears still to be feeling its way into the security dimension of its new great power status. Traditionally, China had a policy of non-intervention. That was easy to declare as long as China did not have many overseas interests anyway. But with Chinese investments and Chinese labour present across the world in ever greater numbers, their security has become a concern. The evacuation of 35,000 Chinese citizens from the Libyan war is a case in point, as is China's cooperation with the EU's anti-piracy operations off the Somali coast. The opening of a naval station in Djibouti in 2017 can be seen in this light: a power with global interests need the capabilities and the infrastructure to act globally, and to protect its investments and citizens.

A great power will also provoke counter-balancing however, and sometimes outright hostility. In 2016, a terrorist attack against the Chinese embassy in Kyrgyzstan wounded three local employees. As it begins to address global security concerns, a China that still seems to be uncomfortable in this new role would appear to be looking for cooperation, and for multilateral cover for any action it may be compelled to take. That is an opportunity to be grasped. The other powers could work with China and the next time a crisis in Africa or the Middle East threatens the lives of foreign citizens, the EU and China, for example, could intervene together to protect them.

If, on the contrary, the fact in itself that China aims to develop a "world-class military" by 2050, as announced at the 19th party congress, were to be seen as a threat, and the other powers were to remain unwilling to make some space for China, we are set on a collision course. In the US especially, many observers are writing about the probability of war with China. This risks becoming a self-fulfilling prophecy: once one convinces oneself that war is inevitable, one will start preparing to win that war, and will lose sight of opportunities for cooperation that could preserve peace.

## **THE EUROPEAN UNION: HISTORY IN THE MAKING**

In its 2016 *Global Strategy*,<sup>3</sup> the EU has recognised the need for diplomatic initiatives to stabilise the geopolitically contested regions of the world, as

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<sup>3</sup> <https://europa.eu/globalstrategy/en/file/814/download?token=I-Kb0OrS>.

well as the importance of mobilising economic instruments to pursue its overall strategic interests. One of those vital EU interests identified in the *Global Strategy*, in addition to European security, prosperity, and democracy, is effective multilateral cooperation. The *Global Strategy* indeed puts global governance firmly back on the EU agenda, after “effective multilateralism” (as the previous EU strategy, the 2003 *European Security Strategy*, phrased it) had more or less disappeared from the radar screen.

The EU already has the diplomatic and economic instruments to pursue this strategy, but it should be a lot more proactive and creative in putting them to use. If optimal use is made of the newly activated mechanism of Permanent Structured Cooperation in defence (in December 2017), the EU will be able to complement its political and economic power with a certain capacity for autonomous military action. That would also allow the EU to step up its security cooperation with other actors.

The starting point of a reinvigorated EU grand strategy should be the recognition that the alliance with the US alone is no longer sufficient to achieve the EU’s objectives and safeguard its interests. The EU, obviously, needs to maintain the transatlantic alliance—and try to restrain the US at the same time. But it also needs to complement this alliance, because in this multipolar world, US and EU priorities and even interests coincide much less than before. On the one hand, the US does strongly support Europe, through NATO, prepositioning forces on the eastern borders in order to deter Russia. But at the same time the US is pursuing policies that are directly at odds with EU policy, such as supporting Saudi Arabia against Iran, whereas the EU, rather than taking sides, acknowledges that both have to be involved and feel ownership of a new regional balance in the Middle East and the Gulf. American economic protectionism and its undermining of multilateral structures, for example its blocking of the World Trade Organisation (WTO) dispute settlement mechanism, also go against EU interests.

Therefore, the EU must also invest in cooperation with the other powers, and forge ad hoc thematic coalitions whenever interests overlap. If, for example, the EU position on climate change is closer to that of China than that of the US, Brussels should not hesitate to work with Beijing on that issue. This way the EU can also try to pull the other great powers, and other actors, into multilateral cooperation, both by forming temporary coalitions within the existing multilateral institutions (from which the US is withdrawing) and by institutionalising new formats of cooperation. As the *Global Strategy* rightly

puts it, it will be necessary “to transform rather than simply preserve the existing system,” in order to prevent “the emerging of alternative groupings to the detriment of all.” Of course, other powers are already creating new institutions, but if they are open to broad participation, rather than creating closed clubs of a rather defensive nature, this should be welcomed as a strengthening of the web of multilateral relations. In this vein, most EU member states have joined the AIIB; through their participation, they can ensure that the bank plays a constructive role. The EU is also seeking to connect with the BRI, though for the moment it is doing so in a far too disjointed fashion, which weakens its leverage and plays into the hands of China.

The EU should proactively look for partners that share its interest in maintaining the fabric of the multilateral order. Regional powers such as India, Brazil and others would be primary partners. The *Global Strategy* mentions a range of issues on which more multilateral cooperation is necessary, and which the EU could try to put on the agenda, including notably the free use of the global commons: the seas, space, air space, and cyber space.

## **CREATIVE EU DIPLOMACY**

An example of what a more creative EU diplomacy could achieve is linked to the BRI. The EU has to make China understand that if it wants the overland corridor of the BRI to Europe and the Middle East to succeed, Russia’s power-grab in precisely the areas that this “new silk road” has to traverse is China’s problem too. China will not be able to profit from its investment if Russia keeps fomenting war. Vice versa, the EU could signal to a Russia that does not now dare to voice its concerns about Chinese encroachment on its pretended sphere of influence, that Brussels remains willing to involve Moscow in a new eastern neighbourhood policy of its own. Could the EU then perhaps initiate a trilateral strategic dialogue between the three great powers along the “new silk road”: Russia, China, and the EU?

Another example is the fast development of the EU’s free trade agenda for Asia, as also announced in the *Global Strategy*. The US withdrawal from the TPP has undone the economic foundation of America’s Asia strategy. As a result, countries that were counting on the TPP to anchor themselves in the West, thus allowing them to keep a critical distance from China, now risk being sucked even deeper into China’s orbit. China will not hesitate to move into the vacuum that Trump has created. At a stroke, future free trade

agreements (FTAs) with the EU have gained real strategic importance, for there will be very few on offer with other western powers. Because the EU can pursue an inclusive trade agenda that encompasses rather than seeks to isolate China, and because it is not a military player in Asia, its strategy can be palatable for all parties as a workable alternative to ratcheting up military tensions.

In this context, the EU could deepen its partnership with countries like Canada, which is looking to Asia as its southern neighbour threatens to undo NAFTA, and Australia, which, torn between its defence alliance with the US and its economic dependence on China, has everything to gain from détente in Asia. So has Japan, but as yet Prime Minister Shinzo Abe is pursuing the opposite strategy, moving even closer to the US. In spite of this, the EU and Japan did announce a new FTA in the summer of 2017 and finalised it in December of the same year, a clear signal to the US that even Japan does not support its protectionist agenda.

A third, potential, example is security cooperation with China. If China were to behave consistently as a responsible great power in the future, cooperation with the EU could go a lot further. If the territorial claims in the South China Sea could be settled in a way that satisfies all parties and guarantees the freedom of navigation, then why could the EU not accept that in a certain region the Chinese navy carries the primary responsibility for maritime security in international waters? Until World War Two, it was the British Royal Navy that patrolled the seas. Today the US Navy plays that role. But the US hardly always took the right decisions when it intervened militarily, officially in order to safeguard international peace and security. In a multipolar system one should not a priori exclude the emergence of a division of labour.

Accepting a division of labour does not equate to recognising a sphere of influence. The idea is not that only the Chinese navy can sail in the international waters bordering on China, but that China would have the first-line responsibility, together with the participation of European and other navies. Vice versa, the EU could assume first-line responsibility for maritime security in the Mediterranean and the western half of the Indian Ocean, with the participation of China and others. This may seem a distant prospect, but it should also be realised that China has nothing to gain from escalating the maritime disputes and risking an armed conflict, for that would be as disastrous for its economy as for ours.

## CONCLUSION

Comprehensiveness is the essence of grand strategy, which should integrate security, political and economic objectives and instruments. Current Russian and American strategies are doing the opposite. The Russian power grab and American disinvestment from multilateralism are directly affecting their economic interests, and will in turn undermine their political and security interests too. The smart power of the moment is China, which is increasing its reach very quickly without alienating its target countries. EU strategy would be a lot more effective if member states would put to use the instruments that they already have in a united and resolute way.

As of now nothing is set in stone. A skilful EU strategy of engagement, making use of Russian and Chinese sensibilities vis-à-vis each other, may yet succeed in returning Russia onto a path of cooperation while preventing an all too dominant China from emerging. The EU is well placed to lead such a strategy—if it gets its act together. Though the EU has to maintain a critical human rights dialogue, the aim is not to change the political system of either Russia or China, however authoritarian they may become. The aim is to make sure that from a world order in flux we move to a new system that is based on cooperation and not confrontation. The US, for its part, would be well-advised to think again and reinforce such a cooperative effort rather than undermine it. Trump should be careful what he wishes for: isolationists might just end up being isolated.

The absolute precondition that must be fulfilled before the EU explores the opportunity for more cooperation with non-democratic powers, however, is unity. A self-assured and resolute Europe can engage in a new relationship with China and Russia. If a hesitant and divided Europe embarks upon this course, Beijing and Russia will read it as weakness—which they will not hesitate to exploit.

**Prof. Dr. Sven Biscop** is the Director of the Europe in the World Programme at the Egmont – Royal Institute for International Relations in Brussels, and a Professor at Ghent University. He is an Honorary Fellow of the European Security and Defence College (ESDC) since 2015, and in 2017 was awarded the Grosses Ehrenzeichen für Verdienste um die Republik Österreich.



# The EU's and ASEAN's Responses to "Multilateralism" in a Changing World

Yeo Lay Hwee

## INTRODUCTION

Professor Rüländ in his chapter in this collection spoke of the paradigm shift from principled multilateralism to “diminished multilateralism” as emerging powers began to challenge today’s still Western-centric operating order in the world. Rüländ referred to Ruggie’s definition of multilateralism that is “principled” as it is supposed to be the organizing principle of international life embodying three properties—indivisibility, generalized principles of conduct and diffused reciprocity. Indivisibility refers to the scope, in both geographical and functional senses, over which costs and benefits are spread. Generalised principles of conduct usually come in the form of norms exhorting universal or general modes of conduct for states relating to each other; and diffused reciprocity is based on a long term interactional perspective where the focus is on benefit in the long run over many issues rather than expecting benefit for exchange every time on every issue. All these three properties go hand in hand and should be treated as a coherent ensemble.<sup>1</sup>

However, as we enter an era where such liberal theorizing of multilateralism is increasingly challenged by the realities of power politics, it is possible to depict the current format of multilateralism as one of “diminished multilateralism”, or if one would like to put a more positive spin on it, it is “pragmatic multilateralism”. Responding to the inability for consensus to be reached as membership of international institutions grows and power diffuses, but at the same time having to deal with specific challenges, both the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) have jumped

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<sup>1</sup> James A. Carporaso, “International Relations Theory and Multilateralism: the Search for Foundations,” *International Organization*, Vol. 46, Issue 3, summer (1992): 601-602.

on the bandwagon of pragmatic multilateralism and engaged in forum shopping to varying degrees. Rüländ in an earlier article remarked that three factors facilitated forum shopping: “First, major crises and external shocks; second, sentiments of frustrated entitlement in connection with exclusive and discriminatory international institutions; and third, extra- and intra-regional power shifts.”<sup>2</sup>

The power shifts taking place now with the rise of China have resulted not only in an intensification of forum shopping but also a proliferation of new institutions, such as the Asian Infrastructure Investment Bank (AIIB), that will allow China to shape the agenda and engage in institutional balancing and hedging. From “pragmatic multilateralism” we are now perhaps entering an era of “competitive multilateralism” where emerging powers increasingly seek to make the rules and challenge those institutions that are not responsive to their interests. Are the EU and ASEAN up to speed for this competitive game, and where do they stand on the normative dimension as they respond to the challenges brought about by a world in flux—a world in which the US tries to undermine and sink the multilateral or global institutions that it has helped to set up while China creates new ones and seeks to reconceptualize multilateralism in its own terms.

## **MULTILATERALISM IN THEORY AND “MULTILATERALISM” IN PRACTICE**

Multilateralism as an organizing principle offered by John Ruggie is an ideal rules-based, open system that can be accepted in theory by most actors in the international system. The EU and ASEAN and their respective member states no doubt accept the broad ambit of the role of international institutions, and the global principles of sovereign equality, cooperative security, collective problem solving and the rule of law. However, it is the operationalization of these norms and principles that can be contentious and lead to interpretations by emerging powers that there is a certain level of hypocrisy and that the so-called liberal internationalism fashioned by the West (the United States and its allies in Europe) is really liberal imperialism. The institutions that are created by the West are then seen as instruments that the West use to entrench

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<sup>2</sup> Jürgen Rüländ, “The Rise of Diminished Multilateralism: East Asian and European forum shopping in global governance,” *Asia-Europe Journal*, Vol. 9, No. 2-4 (2012): 261.

their structural power, and hence become the locus of power contests. The Western-centric order led by the United States (US) has in place what Oliver Stuenkel called "built in additional influence" and the right to occasionally break the rules if deemed necessary.<sup>3</sup>

As pointed out by Robert Keohane, the ideal vision of "multilateralism" is often tarnished by a contradiction between the nominal state-egalitarianism of multilateral organisations and the realities of hierarchical principles of power politics.<sup>4</sup>

As emerging powers, in particular China, saw the difficulties in changing the rules within these established institutions they have begun to sponsor a myriad of alternative multilateral institutions and fora, leading to what has been seen as a proliferation of "broadband" institutions as pointed out by Rüländ. With a proliferation of these institutions and fora, multilateralism, particularly as seen in many Asian countries, refers simply to the practice of policy dialogue among three or more states. Robert Keohane also suggested leaving the normative dimension and defining multilateralism simply as "institutionalized collective action by an inclusively determined set of independent states."<sup>5</sup>

This increasingly divergent view of what multilateralism means and its operationalization has led the EU for instance to coin the term "effective multilateralism" to indicate that it is not referring simply to cooperation among three or more partners, but that it comes with a set of principles and norms—a rules-based order that emphasizes shared sovereignty and collective problem solving. In short, the EU tries to adhere to the original theoretical concept by the liberals that multilateralism is based on a set of rules and reciprocity principles that applies to all and is thus the best way forward to "tame" the raw display of power. Multilateralism is seen as being in the DNA of the EU as it sees itself as a rules-based entity based on shared sovereignty and common actions to achieve peace and prosperity.

"Effective multilateralism" as coined in the 2003 EU's European Security Strategy (ESS) was in some way a response to the unilateralism displayed by

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<sup>3</sup> Oliver Stuenkel, *The Post-Western World* (Cambridge: Polity, 2016), 182.

<sup>4</sup> Robert O. Keohane, "The Contingent Legitimacy of Multilateralism," GARNET Working Paper No 09/06 (2006), <https://warwick.ac.uk/fac/soc/pais/research/researchcentres/csgr/garnet/workingpapers/0906.pdf>.

<sup>5</sup> Ibid.

the US in the wake of the post-Cold War world as the remaining superpower, and in particular to the US decision to invade Iraq despite the vote in the UN.

The US's penchant for unilateralism was halted during Barack Obama's presidency because of the reality of America's relative decline. Obama sought (with mixed success) to manage and cushion this relative decline by bolstering international agreements<sup>6</sup> and championing "multilateralism". However, it also came at a time when revisionist powers, such as Russia under Putin and an increasingly confident and assertive China, began to challenge the existing international framework. Within the last two decades, China has launched the Shanghai Cooperation Organisation (SCO), the New Development Bank (BRICS Bank) and the Asian Infrastructure Investment Bank (AIIB), and "sponsored" the Xiangshan Forum and the Conference on Interaction and Confidence-Building Measures in Asia (CICA). These new multilateral institutions and frameworks were perceived by some in the West as "competitive multilateralism" designed to challenge the Western-centric global order.

One also has to recall that before the Chinese entry into "competitive multilateralism", the EU had since the 1990s embarked on creating several inter-regional and trans-regional fora as the foundation for its external relations. Questions were raised about the impact of such inter- and trans-regional fora on the global order, with critics interpreting it as a form of EU hegemony or soft imperialism. However, the EU response to the critics was that such inter- and trans-regional fora were an additional layer of interactions and building blocks towards global governance and were not incompatible with multilateralism. The concept of multi-level governance was popularized, and bilateralism, regionalism and inter-regionalism were to be understood as being within the broader framework of processes and modes of governance at many levels and scales, each nested within one another.

In the 1990s, ASEAN and its member states were also active in fashioning a number of regional architectures in response to the uncertainties with the end of the Cold War—from the ASEAN Regional Forum (ARF) to the Asia-Europe Meeting (ASEM), and in the wake of the Asian financial crisis, the ASEAN Plus Three (APT) framework and the East Asia Summit (EAS).

In short, both the EU and ASEAN have resorted to what Rüländ called "forum shopping" as a hedging or balancing strategy. While both were cautious not to undermine global institutions, the existence of these new fora

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<sup>6</sup> Robert Malley, "10 Conflicts to Watch in 2018," International Crisis Group Op-ed Global, 2 January 2018, <https://www.crisisgroup.org/global/10-conflicts-watch-2018>.

and institutions does put pressure on the global institutions to rethink their decision-making procedures, rules of membership and representation, and in some cases they result in institutional redundancies.<sup>7</sup> Besides forum shopping, as power shifts and diffuses, making it harder to achieve global consensus, there is also a palpable shift towards "minilateralism", "coalition of the willing" and variable geometry in order to address some immediate challenges or to make progress on some intractable issues. Faced now with a global China and a parochial America, which is upending the post-war world order fashioned by the US and its Western allies, what further responses can be expected from the EU and ASEAN?

### **"GLOBAL" CHINA AND "PAROCHIAL" AMERICA**

The shift of power and wealth from the West to the East was made visible only with the economic transformation of big Asian countries such as China and India, and began to gain momentum with the arrival of a global China—a China with global interest and the ambitious appetite to connect the world with its Belt and Road Initiative (BRI). America's National Intelligence Council in its latest report predicted that by 2030, Asia will have surpassed North America and Europe combined in terms of global power based upon GDP and population.<sup>8</sup>

In the immediate post-Cold War era, the West in its euphoria and hubris believed that as countries in other parts of the world developed economically and become integrated into the Western-led economic order, they would also converge in terms of values and become more and more like "the West". This self-confidence was ruptured at the onset of the global financial crisis in 2008. While the West tried to recover its mojo, the decade after the crisis was in reality marked by the arrival of China on the global scene—confident and assertive—having caught up with the West in terms of economic and technological developments by integrating itself into the global economy but pursuing a rather different political and developmental model.

The morphing of the sub-prime crisis manufactured in the US into the sovereign debt crisis in the Eurozone economies hit ordinary Americans and Europeans hard. The increasing frustrations over high levels of

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<sup>7</sup> Rüländ, "Rise of Diminished Multilateralism," 268.

<sup>8</sup> <https://globaltrends2030.files.wordpress.com/2012/11/global-trends-2030-november2012.pdf>.

unemployment, stagnating wages and growing inequality led to increasing rejection of globalization as a positive force. Aggressive nationalism and moves towards protectionism began to rear their heads. It is in this climate that Brexit happened and America elected Donald Trump with his “America First” doctrine and his slogan to make America great again.

Many analysts argue that the forces within American society that seek to disengage from the world and to abandon the US-led international order have deep roots in US history, and are not because of Trump. Trump was a symptom of the unravelling of the permissive consensus achieved in the post-World War II era between American leaders and citizens that “leading the world” was putting America First, and that the US benefited enormously from engaging the world.<sup>9</sup>

The return to a more isolationist or “parochial” America is not entirely unexpected but the timing of it is especially unfortunate as the world faces a global China. As China’s economic power rises, its interests become global and its definition of what constitutes its vital interest grows. Just because China has benefited from the US-dominated international order does not mean it will leave it intact and follow America’s lead. It is beginning to carve out its own institutional space and to exercise institutional entrepreneurship by setting up new institutions such as the Asian Infrastructure Investment Bank (AIIB) in order to shape the global agenda.<sup>10</sup>

Depending on the extent of the US’s withdrawal from multilateral institutions, what we are witnessing is perhaps the rise of a parallel order and not necessarily the end of the US-led Western liberal order. How all these will play out will depend not only on the bargains between the great powers but also on the agency of other actors. This is where the responses and actions taken by regional actors such as the EU and ASEAN and their member states matter. Will we return to a period of intense inter-state competition and fragmentation of the global order, or move towards competitive multilateralism and regional rivalries or transit to an era of genuine multipolarity of fuzzy alliances, flexible relations and functional cooperation?

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<sup>9</sup> Francis J. Gavin, “Reimagining the World: Reflections on the Future of World Order,” online magazine *War On The Rocks*, Commentary, 9 January 2018, <https://warontherocks.com/2018/01/reimagining-world-reflections-future-world-order/>.

<sup>10</sup> Stuenkel, *Post-Western World*, 184.

## THE EU'S AND ASEAN'S ACTORNESS

In the face of an unpredictable, transactional Trump and his disregard for multilateralism and a rules-based order and an increasingly confident China that is not only adept at "multilateralism a la carte" but also creating new institutions and fora to shape the global agenda, what can the EU and ASEAN do to ensure that any future alternative order would not be one inimical to their interests? Will they act to defend the existing rules and norms, seeing them as offering the best protection against "bullying by big powers", or will they, in recognition of the changed circumstances, seek to work with other actors to construct a world order that combines legitimacy with a balance of power and greater inclusiveness? Will the EU evolve as one of the poles in a multipolar world, and can ASEAN retain its centrality in the Asia-Pacific amidst all the challenges and uncertainties?

The EU has long been chided for lacking a strategic vision and for being too dependent on the US for its security. Hence, the EU's foreign policy is perceived as being too tied to the American policy, and the EU as a whole is perceived as having no integrated or coherent strategy for managing relations with great powers. The question for the EU is that in the face of Trump with his disregard for allies and alliances, whether the time is ripe for the EU to decouple its policy from the US's.<sup>11</sup> This is not to advocate the dismantling of the transatlantic alliance, as the EU, if it chooses to and acts in unity, could be used to restrain and limit the damage of the US's actions. As argued by Biscop in this volume, the EU needs to recognize that US and EU priorities and interests do not always coincide and hence the EU needs its own grand strategy to safeguard its own interests. This is especially with regards to dealing with other major powers, in particular China, but also Russia.

Bruno Macaes also argues that Europe still has enormous resources of wealth, knowledge and creativity and has to become more involved with the rest of the world and exercise its power more. It should not be too self-absorbed. In reacting to the pressures from a global China with its ambitions, Europe should respond in a spirit of half cooperation and half competition.<sup>12</sup> In short,

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<sup>11</sup> Jeremy Sharipo, "Too close for comfort: European geostrategy and the transatlantic alliance," ECFR Commentary, 8 March 2018, [http://www.ecfr.eu/article/commentary\\_too\\_close\\_for\\_comfort\\_european\\_geostrategy\\_in\\_the\\_age\\_of\\_trump](http://www.ecfr.eu/article/commentary_too_close_for_comfort_european_geostrategy_in_the_age_of_trump).

<sup>12</sup> Bruno Macaes, "The World is Eurasian," *Berlin Policy Journal*, 2 March 2018, <https://berlinpolicyjournal.com/the-world-is-eurasian/>.

Europeans should work with Beijing when interests coincide but at the same time should not be surprised that China may have different interpretations and vision with regards to a rules-based multilateral order.

Recognising the connection between European prosperity and Asian security, the EU has in recent years stepped up its engagement with Asian countries other than China. In its 2016 Global Strategy<sup>13</sup> it has also realized the importance of economic diplomacy as a tool of influence as reflected in its free trade agenda with South Korea, Japan, Australia, New Zealand and the ASEAN countries. The EU's free trade agreement (FTA) with Japan is an important move to counter Trump's economic protectionism. The past few years have also seen India gaining strength and the EU must be mindful of the competitive relationship between China and India and the risks and opportunities that this presents.

On the side of ASEAN, China, the big neighbour in its backyard, has always loomed large. However, a confluence of factors—the situation that first Japan and then China accepted the US as the primary strategic power in Asia from the 1970s to the 1990s—eliminated major-power rivalry as a source of tension and conflict in the region. A period of relative peace and stability has allowed several Southeast Asian countries to focus on economic development. China also benefited from the US presence in the Pacific, and by the time it became a member of the World Trade Organisation (WTO) in 2001, the economic exchanges between China and its Southeast Asian neighbours had grown exponentially. China is now the largest trading partner of ASEAN, and is also fast becoming an important source of inbound investments for many of the ASEAN member states.

While ASEAN is economically integrated with China, and wants to continue to benefit economically from China's rise, security and political relations with China have always been much more ambivalent. For historical and geographical reasons, and with unresolved territorial disputes in the South China Sea, ASEAN has relied on the American Pacific presence to counter-balance China's power. At the same time it has also exercised institutional entrepreneurship in creating new regional architectures such as the ARF to engage China multilaterally and to anchor US presence in the region. ASEAN was able to maintain a modicum of centrality in these regional architectures as the major powers' suspicions of each other allowed ASEAN to play that

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<sup>13</sup> [https://europa.eu/globalstrategy/sites/globalstrategy/files/regions/files/eugs\\_review\\_web\\_0.pdf](https://europa.eu/globalstrategy/sites/globalstrategy/files/regions/files/eugs_review_web_0.pdf).

role. However, when China became confident of its power in its own region and began to flex its muscle, ASEAN risked being sidelined. China under Xi wants to fashion a model of great-power relations with the US and reclaim its primacy in its own region. However, not everyone in ASEAN is happy to live exclusively under China's shadow, and many want to keep the US engaged in the Pacific.

A degree of healthy competition between the US and China, and balancing between the US and China is the preferred choice of most ASEAN states. ASEAN does not want to be forced to choose between China and the US. Unfortunately, an increasingly assertive China and a transactional Trump with his America First doctrine is making it "harder for ASEAN to walk the US-China tight rope."<sup>14</sup> An escalation in geopolitical competition between the US and China would present ASEAN with stark binary choices and further strain ASEAN unity and its centrality.<sup>15</sup> ASEAN therefore also has to look beyond America and China and become more engaged with other actors—from Australia and Japan to India and the EU—and engage in functional cooperation that can build confidence and enhance regional stability.

Both the EU and ASEAN are caught in the same boat of having to manage the repercussions and complications arising from an increasingly complex relationship between an assertive, confident global China and an anxiety-ridden, parochial America. Both are also dealing with internal challenges and struggling to present a united, cohesive strategy to deal with the myriad of challenges. As the old order comes under stress, and a new, alternative order is yet to emerge, the EU and ASEAN must garner the political will, pay enough attention and exercise the requisite leadership to help shape the new order. Yes, the US and China are two paramount actors and how their bilateral relationship evolves will have profound influence on global peace and development. But in the world of today where power is far more diffused, we must not underestimate the agency of the rest of the world. It is a world far less open to hegemonic influence or dominance. It is also a world where the EU and ASEAN can and should work together and also work with other

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<sup>14</sup> Geoffrey Garrett, "What's making it harder for Southeast Asia to walk the US-China tightrope," *The Straits Times*, 3 March 2018, <http://www.straitstimes.com/opinion/whats-making-it-harder-for-s-e-asia-to-walk-the-us-china-tightrope>.

<sup>15</sup> Ian Storey, "The Trump Administration's 2017 National Security Strategy and 2018 National Defence Strategy: Implications for Southeast Asia," *ISEAS Perspective*, 21 February 2018, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2018\\_9@50.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2018_9@50.pdf).

major and middle powers in a pragmatic way to address common challenges and manage any potential differences and conflicts so that they do not spiral out of control.

## **CONCLUSION**

The world is in flux as Trump seeks to undermine the multilateral institutions and framework that the US helped to set up while China seeks to reconceptualize multilateralism in its own terms. In this world, the danger of conflicts and collision is high. It requires all actors and players to be highly vigilant and alert. The way for the EU and ASEAN to respond to this changing world is to be proactive and invest in building strong partnerships but also to fashion flexible networks that can answer to the challenges of our times.

**Yeo Lay Hwee** is Director of the European Union Centre in Singapore and also Council Member, Singapore Institute of International Affairs (SIIA) and Adjunct Research Fellow at the S. Rajaratnam School of International Studies (RSIS).

# From ARF to ADMM+: Is the Asia-Pacific Finally Getting Multilateralism Right?

*See Seng Tan*

The story of security multilateralism in the post-Cold War Asia-Pacific has been described as a frustrating enterprise,<sup>1</sup> and not without good reason. Feted when it was launched in 1994, the ASEAN Regional Forum (ARF) has since become a poster child for what, in the view of many, is fundamentally wrong about Asia-Pacific multilateralism—the absence of institutional leadership as embodied in a weak and disunited Association of Southeast Asian Nations (ASEAN) and the destabilising impact of great power rivalry on the stability and security of the region. Against this insipid backdrop, the surprise package has been regional defence cooperation in the form of the ASEAN Defence Ministers Meeting-Plus (ADMM+). Only eight years young, the ADMM+ has hitherto outstripped the ARF in terms of its progress in enhancing regional security. That said, there remain significant challenges that, if left unattended to, can and will hinder the progress of the ADMM+ and even undermine its hard-earned achievements. Comparing the evolutionary paths of the ARF and the ADMM+, this chapter seeks to answer the question of whether the ADMM+, to the extent it has learned from the mistakes of the ARF if at all, is an indication that the Asia-Pacific region has finally succeeded in developing a brand of multilateral security cooperation that works. The chapter begins by reflecting on Asia-Pacific multilateralism against multilateralism more broadly before undertaking a systematic comparison of the ARF and ADMM+.

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<sup>1</sup> Deepak Nair, “Regionalism in the Asia Pacific/East Asia: A Frustrated Regionalism?,” *Contemporary Southeast Asia*, Vol. 31, No. 1 (April 2009): 110-142.

## ASIA-PACIFIC MULTILATERALISM: NOT SO CURIOUS A CASE?

One thing supporters and critics of Asia-Pacific multilateralism alike do not quibble over is that the region's security architecture appears messy and disjointed.<sup>2</sup> Why, for example, would the region require two multilateral security institutions, like the ARF and the ADMM+, especially since both are ostensibly centred upon ASEAN? Why make institutions whose organisational density and depth lag far behind that of the European Union (EU), which remains for many the "gold standard" of multilateralism,<sup>3</sup> and whose efficacy seems so suspect to its critics—to the point that Kevin Rudd, the former prime minister of Australia, publicly advocated the replacement of the ARF with an EU-like superstructure?<sup>4</sup> With no semblance of grand architectural or of strategic coherence,<sup>5</sup> the multilateral house that ASEAN and its external partners have built in a highly ad hoc fashion looks far from the finished article. But while Europe's experience has led its champions to advance the idea of institutional singularity as destiny—one shared by Asia-Pacific leaders alike—others have been at pains to explain that multilateralism globally looks less like Europe's and more like the Asia-Pacific's with its plethora of formal standing multilateral institutions as well as interest-based coalitions referred

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<sup>2</sup> Asia-Pacific multilateralism has been described variously as a "complex", an "ecosystem", a "multiplex", and/or a "patchwork" of institutional arrangements. See, Amitav Acharya, *The End of American World Order* (Oxford: Polity Press, 2014); Victor D. Cha, "Complex Patchworks: U.S. Alliances as Part of Asia's Regional Architecture," *Asia Policy*, No. 11 (January 2011): 27-50; Stephen D. Haggard, "The Organizational Architecture of the Asia-Pacific: Insights from the New Institutionalism," in *Integrating Regions: Asia in Comparative Context*, eds. Miles Kahler and Andrew MacIntyre (Stanford, CA: Stanford University Press, 2013), 195-221, in 195; T. J. Pempel, "Soft Balancing, Hedging, and Institutional Darwinism: The Economic-Security Nexus and East Asian Regionalism," *Journal of East Asian Studies*, Vol. 10, No. 2 (May-August 2010): 209-238.

<sup>3</sup> Tanja A. Börzel and Thomas Risse, *Diffusing (Inter-)Regionalism: The EU as a Model of Regional Integration*, KFG Working Paper, No. 7 (Berlin: Free University, September 2009); Amitav Acharya and Alastair Iain Johnston, "Comparing Regional Institutions: An Introduction," in *Crafting Cooperation: Regional International Institutions in Comparative Perspective*, eds. Amitav Acharya and Alastair Iain Johnston (Cambridge: Cambridge University Press, 2007): 1-31.

<sup>4</sup> Tim Colebatch, "Rudd's grand vision for Asia-Pacific," *The Age*, June 5, 2008.

<sup>5</sup> William T. Tow and Brendan Taylor, "What is Asian Security Architecture?," *Review of International Studies*, Vol. 36, No. 1 (January 2010): 95-116.



Malaysia and Singapore (MALSINDO) initially and subsequently Thailand over a decade ago—and in the Sulu Sea—involving Indonesia, Malaysia and the Philippines in 2017—minilateral security cooperation among ASEAN states has been taking place with or without formal blessing from ASEAN. Rather than hinder multilateralism, such sub-ASEAN forms of cooperation, which reflect the shared security concerns and interests of ASEAN states on a bilateral, trilateral and/or even quadrilateral basis, arguably serve as building blocks for a more robust multilateralism. “Any solution must improve bilateral relationships and base institutional cooperation on a pre-existing commonality of interest,” as Thomas Wright has argued about effective multilateralism. “States should work to convert their strongest bilateral relationships into multilateral arrangements. Beyond mere shared commitment to an aspirational goal, true common interests are rooted in considerable overlap of how countries see and reach solutions to problems.”<sup>11</sup>

Finally, an inescapable fact of multilateral life is the propensity of members in institutions to engage in what has been termed “institutional balancing”.<sup>12</sup> The perceived need to engage in “intra-balancing” drives states to balance and hedge against one another within their respective institutional cum intramural contexts.<sup>13</sup> While the formation and maintenance of the Asia-Pacific’s “multi-multilateral” architecture has been driven in part by the perceived need to mobilise collective action among regional states and to ensure regional coordination and collaboration, those institutional settings have also become arenas where states engage with as well as balance against each other. Moreover, these dynamics are not restricted to state-to-state interactions within institutions. The multiplicity of institutions in the Asia-Pacific—the

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<sup>11</sup> Wright, “Toward Effective Multilateralism: Why Bigger May Not Be Better,” 164.

<sup>12</sup> Kai He, “Institutional Balancing and International Relations Theory: Economic Interdependence and Balance of Power Strategies in Southeast Asia,” *European Journal of International Relations*, Vol. 14, No. 3 (2008): 489-518.

<sup>13</sup> Yuen Foong Khong, “Coping with Strategic Uncertainty: The Role of Institutions and Soft Balancing in Southeast Asia’s Post-Cold War Strategy,” in *Rethinking Security in East Asia: Identity, Power, and Efficiency*, eds. J. J. Suh, Peter J. Katzenstein, and Alan Carlson (Stanford, CA: Stanford University Press, 2004), 172-298; Evan S. Medeiros, “Strategic Hedging and the Future of Asia-Pacific Stability,” *The Washington Quarterly*, Vol. 29, No. 1 (2005/06): 145-67; Pempel, “Soft Balancing, Hedging, and Institutional Darwinism: The Economic-Security Nexus and East Asian Regionalism”. On intra-balancing, see, Seungjoo Lee, *The Evolutionary Dynamics of Institutional Balancing in East Asia*, EAI Asia Security Initiative Working Paper, February (Seoul: East Asia Institute, 2012).

“oversupply of region”, according to one formulation<sup>14</sup>—also leads states to engage in “inter-balancing”, that is, balance one another across institutions,<sup>15</sup> as Japan and other regional countries allegedly sought to accomplish with the East Asia Summit against Chinese dominance of the ASEAN+3.<sup>16</sup> Hypothetically, the region’s multi-multilateralism allows states to mitigate the impact of the predominance of any single state in one institutional context by shifting the locus of regional activity and attention to other institutional contexts.<sup>17</sup> By the same token, it has also been argued that interstate relations that face gridlock in one institution could be taken up in other institutional settings where breakthroughs could be sought.<sup>18</sup> On the one hand, institutional balancing among ARF member states have arguably led to gridlock in the Forum, such that the requisite consensus for the Forum to progress towards preventive diplomacy could not be achieved. On the other hand, as we shall see, the fact that the ADMM+ has been able to progress to the extent it has could perhaps be attributed in part to the determination of ADMM+ members who are also ARF members to avoid rehashing their negative experiences with gridlock and failure in the ARF.

### **ARF: AN OVERLY AMBITIOUS MULTILATERALISM?**

The ARF was formed in 1994 to considerable fanfare and with the declared aim “to develop a more predictable and constructive pattern of relations for the Asia-Pacific region.”<sup>19</sup> Its 27 members include the 10 ASEAN member states, the 10 ASEAN dialogue partners (Australia, Canada, China, the European Union, India, Japan, New Zealand, South Korea, Russia and the US), one ASEAN observer (Papua New Guinea), as well as North Korea,

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<sup>14</sup> Shaun Breslin, “Comparative Theory, China, and the Future of East Asian Regionalism(s),” *Review of International Studies*, Vol. 36, No. 3 (July 2010): 709-29.

<sup>15</sup> See, Lee, *The Evolutionary Dynamics of Institutional Balancing in East Asia*.

<sup>16</sup> See Seng Tan, “Spectres of Leifer: Insights on Regional Order and Security for Southeast Asia Today,” *Contemporary Southeast Asia*, Vol. 34, No. 3 (2012): 309-337, see 323.

<sup>17</sup> Christopher W. Hughes, “Japan’s Response to China’s Rise: Regional Engagement, Global Containment, Dangers of Collision,” *International Affairs*, Vol. 85, No. 4 (2009): 837-56.

<sup>18</sup> Cha, “Complex Patchworks: U.S. Alliances as Part of Asia’s Regional Architecture”.

<sup>19</sup> “Chairman’s Statement: The First ASEAN Regional Forum Ministerial Meeting, Bangkok, Thailand, 25 July 1994,” US Department of State Archive, 25 July 1994, <https://2001-2009.state.gov/t/ac/csbm/rd/4377.htm>.

Mongolia, Pakistan, Timor-Leste, Bangladesh and Sri Lanka. The ARF informally issued a concept paper in 1995 that laid out a three-staged roadmap on security cooperation that envisaged the institution evolving from serving as a mechanism for confidence-building to preventive diplomacy and finally to conflict resolution (the last of these amended subsequently, at China's insistence, to "elaboration of approaches to conflicts"). The concept paper also introduced two "baskets" of measures, the first comprising low-hanging fruits readily harvestable, the second comprising more ambitious and challenging activities. Modalities such as Inter-Sessional Support Groups and Inter-Sessional Meetings were established to support the implementation of the ARF's goals. However, progress proved painfully slow to achieve with the ARF seemingly unable to evolve beyond confidence-building. Differences arose between activist ARF members such as Australia, Canada, the EU, Japan and the US, which advocated the establishment of concrete preventive diplomacy (PD) mechanisms—early warning systems, fact-finding missions, enhanced good offices of the ARF chair for mediation—and those like China, Myanmar and Vietnam that were reluctant to do so for fear that their sovereignty could be compromised. Despite their adoption of a paper detailing the concept and principles of PD in 2001, ARF members took another decade to agree to and issue a PD work plan in 2011. The work plan furnished so conservative a conception of PD that one might wonder why it could not have been achieved earlier if that was as far as the ARF was prepared to go on PD. Nor did it help that the ARF's unwieldy institutional design and rigid consensus-based convention—which member countries adroitly wielded as a diplomatic weapon in their attempts to balance one another—came at the expense of progress.<sup>20</sup>

In the post-9/11 era, a "practical" dimension has been added to the activities of the ARF, chiefly in selected non-military or non-traditional areas such as antiterrorism, disaster relief, maritime security, non-proliferation and disarmament. In 2009 at the 15th ARF meeting in Bangkok, the ARF adopted the ARF Vision Statement, which committed its twenty-seven participants to "building a region of peace, friendship and prosperity" by 2020. A year later, the ARF members adopted a "plan of action" for implementing the vision statement, which outlined goals for enhanced collaboration in a number of "areas of cooperation", namely, terrorism, transnational crime, disaster relief,

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<sup>20</sup> Ralf Emmers and See Seng Tan, "The ASEAN Regional Forum and Preventive Diplomacy: Built to Fail?," *Asian Security*, Vol. 7, No. 1 (2011): 44-60.

maritime security, and non-proliferation and disarmament.<sup>21</sup> Supporters praised this development as a step forward in the anticipated evolution of the ARF from a talk shop to a “more action-oriented” organisation.<sup>22</sup> This move has been welcomed by many as a logical step given that the Asia-Pacific region has increasingly played host to militancy, natural disasters and humanitarian crises, maritime disputes and the like.<sup>23</sup>

Nonetheless, in so doing and as a consequence of its assiduous avoidance of addressing strategic challenges facing the region—China-Taiwan tensions, nuclear proliferation in the Korean Peninsula, territorial disputes in the East and South China Seas and the like—it could also be argued that the ARF has unwittingly disqualified itself as a PD actor, let alone one of consequence. If anything, the ARF has garnered an unfortunate reputation for avoiding major concerns and doing little when such issues happen to force their way in.<sup>24</sup> Worse, the ARF plays second fiddle to the ADMM+ in the effort to implement practical cooperation since the former lacks the operational capabilities and dispositions apposite to the latter. Crucially, the widespread perception that the ARF had become irrelevant led a number of regional leaders to call for a new regional security architecture, such as the “Asia-Pacific Community” idea introduced by Kevin Rudd in 2008 or (of considerably lesser diplomatic impact) that of the “East Asian Community” proposed by then Japanese leader Yukio Hatoyama in 2009, which ASEAN member countries rejected out of concern that ASEAN would be marginalised by any new architecture not built around it.<sup>25</sup>

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<sup>21</sup> Rodolfo C. Severino, *The ASEAN Regional Forum* (Singapore: ISEAS, 2009).

<sup>22</sup> Tan See Seng, “ARF: Ad hoc Regional Forum?,” *The Straits Times*, 30 July 2010, <http://admpreview.straitstimes.com:90/vgn-ext-templating/v/index.jsp?vgnextoid=58b1a1016ae1a210VgnVCM100000430a0a0aRCRD&cvgnextchannel=0162758920e39010VgnVC M1000000a35010aRCRD&cvgnextfint=print>.

<sup>23</sup> Jürgen Haacke, “The ASEAN Regional Forum: From Dialogue to Practical Security Cooperation?,” *Cambridge Review of International Affairs*, Vol. 22, No. 3 (2009): 427–449.

<sup>24</sup> Tan See Seng, “ASEAN Regional Forum at 18: Dealing with regional flashpoints,” *East Asia Forum*, 22 July 2011, <http://www.eastasiaforum.org/2011/07/22/asean-regional-forum-at-18-dealing-with-regional-flashpoints/>.

<sup>25</sup> Tommy Koh, “Rudd’s reckless regional rush,” *The Australian*, 18 December 2009, <http://www.theaustralian.com.au/opinion/rudds-reckless-regional-rush/news-story/69b186cd010b73769b0ab32f8f82b299>.

## **ADMM+: A PRACTICAL MULTILATERALISM?**

The ADMM+ was inaugurated in October 2010 in Hanoi on the basis of papers endorsed by the ASEAN defence ministers when they met as the ADMM between 2007 and 2010. Its 18 members include the 10 ASEAN countries and Australia, China, India, Japan, New Zealand, Russia, South Korea and the US. It started off as a triennial arrangement but became a biennial arrangement on the basis of a recommendation made by the sixth ADMM meeting in 2013. At the ADMM Retreat held in Singapore in February 2018, it was announced that the ADMM+ would meet annually from its October 2018 meeting onwards. Not unlike the ARF, the ADMM+ is designed both as a mechanism for multilateral security dialogue and consultation as well as a framework for non-traditional security cooperation. To date, seven areas of practical collaboration, namely, maritime security, counterterrorism, humanitarian assistance and disaster relief (HADR), peacekeeping operations, military medicine, humanitarian mine action (or demining), and most recently, cyber security, have been mandated by the ADMM+ for its member countries. Experts' Working Groups (EWGs) have been formed to facilitate efforts in each of those areas.

Since the ADMM+'s inaugural meeting in Hanoi in 2010, joint activities undertaken by all 18 members have grown in frequency and complexity. Between 2011 and 2017, a total of 49 EWG planning sessions and/or table-top exercises, and at least six combined military exercises took place. The scale and scope of these activities are by no means trivial; for example, in a combined maritime security and counterterrorism exercise held in Brunei Darussalam and Singapore (as well as the waters between them) in May 2016, a total of 3,500 personnel, 18 naval vessels, 25 aircraft and 40 special forces teams participated.<sup>26</sup> At the ADMM Retreat in February 2018, the ASEAN countries worked at developing a set of protocols in support of the code of unplanned encounters at sea (CUES) agreed upon by the ADMM+ in 2017. ASEAN and China established their own CUES and "hotline"—what the ASEAN states refer to as the Direct Communications Link (DCL)—arrangement in 2016. As the 2018 chair for the ADMM+, Singapore is pressing for a similar

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<sup>26</sup> See Seng Tan, "The ADMM-Plus: Regionalism That Works?," *Asia Policy*, No. 22 (July 2016): 70-75.

code to cover the region's congested airspace.<sup>27</sup> And although not tied specifically to the ADMM+, a joint maritime exercise between ASEAN and China planned for late 2018 and a corresponding exercise between ASEAN and the US (the date of which remains to be determined) can not only contribute to confidence-building between ASEAN and those two major powers,<sup>28</sup> but also strengthen ASEAN's putative "centrality" in Asia-Pacific multilateralism.

In contrast to the ARF, what has also been interesting about the ADMM+ is its development of a capacity to engage in PD, even though the grouping has never formally declared its intentions to be a PD actor. In 2015, the ASEAN core of the ADMM+ adopted a concept paper on ASEAN Militaries Ready Group on HADR and endorsed standard operating procedures (SOP) for the utilisation of military assets for HADR under the framework of the ASEAN Agreement on Disaster Management and Emergency Response (AADMER). This new SOP was meant to augment the existing Standard Operating Procedures for Regional Standby Arrangements and Coordination of Joint Disaster Relief and Emergency Response Operations (SASOP), a template defining the roles and terms of reference for both provider countries and recipient countries that would enhance interoperability among ADMM+ defence establishments in collective disaster management.<sup>29</sup> In 2016, the terms of reference for the ASEAN Militaries Ready Group were adopted. In the ASEAN countries themselves, supporting infrastructures and assets include the Regional HADR Coordination Centre (RHCC) based in Singapore and the UN Humanitarian Response Depot (UNHRD) based in Malaysia.

The potential of the ADMM+ for PD is there, but so too the manifold constraints. There are reputational costs as the lesson of the ARF has clearly

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<sup>27</sup> Danson Cheong, "Code to manage unexpected encounters in the air will help mitigate security threats in South China Sea: Ng Eng Hen," *The Straits Times*, 7 February 2018, <http://www.straitstimes.com/asia/se-asia/code-to-manage-unexpected-encounters-in-the-air-will-help-mitigate-security-threats-in>.

<sup>28</sup> Kenneth Cheng, "Unanimous support within Asean for joint maritime military drills with China: Dr Ng," *Today*, 17 February 2018, <http://www.todayonline.com/singapore/unanimous-support-within-asean-joint-maritime-military-drills-china-dr-ng>.

<sup>29</sup> See Seng Tan, "Providers Not Protectors: Institutionalizing Responsible Sovereignty in Southeast Asia," *Asian Security*, Vol. 7, No. 3 (2011): 201-217.

demonstrated.<sup>30</sup> Regrettably, the lack of action on ASEAN's part in addressing the ongoing Rohingya refugee crisis is not just another black mark for ASEAN, but an important reminder that institutional actors with experience and success in PD—including the EU—do not always do the needful.<sup>31</sup> ADMM+ members also face the prospect of participant fatigue stemming from the high level of activity and operational tempo and—should the ADMM+ prove incapable of handling hotspots like the South China Sea<sup>32</sup>—low returns on their investments. For instance, at its ministerial meeting in Kuala Lumpur in November 2015, member countries were forced to scrap a planned (albeit non-mandatory) joint statement on the South China Sea as a result of intractable differences among themselves.<sup>33</sup> Nor can it be ruled out that countries and militaries would not use their participation in the ADMM+ for deterrence purposes through “showcasing” their defence assets and lift capabilities.<sup>34</sup> For example, it has been argued that multinational rescue efforts in response to Cyclone Nargis, Typhoon Haiwan and the MH370 airline mishap reveal intense security competition—by proxy, for the most part—among relief-sending states.<sup>35</sup> These “competitions of compassion” comprise the use of both

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<sup>30</sup> For example, research has shown that the perceived legitimacy of the PD actor is a contributing factor to the success of PD. See, Amanda Huan and Ralf Emmers, “What Explains the Success of Preventive Diplomacy in Southeast Asia?,” *Global Change, Peace & Security*, Vol. 28, No. 5 (2016): 1-17.

<sup>31</sup> Megan Greene and P. Daniel Kelemen, “Europe’s Failed Refugee Policy,” *Foreign Affairs*, 28 June 2016, <https://www.foreignaffairs.com/articles/europe/2016-06-28/europes-failed-refugee-policy>.

<sup>32</sup> This point is made in the broader context of defence diplomacy in the Asia-Pacific region, including the ADMM+. David Baldino and Andrew Carr, “Defence Diplomacy and the Australian Defence Force: Smokescreen or Strategy?,” *Australian Journal of International Affairs*, Vol. 70, No. 2 (2016): 139-158.

<sup>33</sup> Tan See Seng, “Claims of Asean disunity at summit unfounded,” *The Straits Times*, 26 November 2015, <http://www.straitstimes.com/opinion/claims-of-asean-disunity-at-summit-unfounded>.

<sup>34</sup> This much is implied in the literature on strengthening the abilities of militaries to deal with “full spectrum threats”. For example, see, LTC Irvin Lim, “Credible Deterrence: Reviewing Discourse & Reframing the SAF to deal with Full Spectrum Threat Complex,” *Pointer: Journal of the Singapore Armed Forces*, Vol. 31, No. 3 (2005), <https://www.mindef.gov.sg/imindef/publications/pointer/journals/2005/v31n3/features/feature2.html>. Also, see, Senthil Kumar Sathasivam, “Defence Diplomacy as Significant Instrument for Enhancing the Concept of Deterrence in National Defence Policy,” unpublished paper, <https://www.scribd.com/document/61350593/Defence-Diplomacy>.

<sup>35</sup> Jun Yan Chang and Alan Chong, “Security Competition by Proxy: Asia Pacific Interstate Rivalry in the Aftermath of the MH370 Incident,” *Global Change, Peace & Security*, Vol. 28, No. 1 (2016): 75-98.

hard and soft powers.<sup>36</sup> But even if deterrence is not the prime motive behind a nation's involvement in HADR, unintended consequences could at times arise.<sup>37</sup> The irony is that at times, even "altruistic" missions like HADR and search-and-rescue could end up unintentionally exacerbating security dilemmas and driving security competition between would-be rivals.

## CONCLUSION

Why has the ADMM+ progressed hitherto where the ARF failed? Significantly, both arrangements share the same institutional design: both operate on the basis of consensus and are centred on ASEAN. But if the ARF has shown itself unwieldy in terms of the size of its membership and scale of its putative ambitions, the ADMM+ reflects the coalescing of a more manageable number of relatively likeminded states with sufficiently common interests and aversions who have eschewed grandiose aspirations in favour of functional, practical and actionable cooperative activities.<sup>38</sup> What the ADMM+ has shown is its ability to bypass (or at least shelve) security dilemmas that have incessantly prohibited cooperation in the ARF. The fact that the ADMM+ has been successfully implementing its goals also encourages its member states to take seriously their commitment to and investment in the ADMM+. Needless to say, member countries will likely continue to engage in institutional balancing. Such dynamics form a necessary feature of Asia-Pacific multilateralism, which logically comprises both collaboration and competition. Furthermore, when countries that are members of both institutions invest more in the ADMM+ than in the ARF—as appears to be the case

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<sup>36</sup> Alan Chong and Il Woo Lee, "Asia's Security Competition by Proxy: Competitive HADR as a Respectable Arena?," in *International Security in the Asia-Pacific: Transcending ASEAN towards Transitional Polycentrism*, ed. Alan Chong (Cham: Palgrave Macmillan, 2018), 377-400.

<sup>37</sup> For example, in the wake of the Indian Ocean earthquake and tsunami in December 2004, Singapore activated Operation Flying Eagle, its biggest-ever deployment of men and materiel to Indonesia and Thailand. See, David Boey, *Reaching Out: Operation Flying Eagle—SAF Humanitarian Assistance after the Tsunami* (Singapore: SNP Editions, 2005). The operation elicited quiet concerns around the region regarding what Singapore, with its force and lift capabilities in full display, could do to its neighbours if it harboured bellicose intentions.

<sup>38</sup> See Seng Tan, "Talking Their Walk? The Evolution of Defence Regionalism in Southeast Asia," *Asian Security*, Vol. 8, No. 3 (2012): 232-250. On big versus small multilateralism, see, Miles Kahler, "Multilateralism with Small and Large Numbers," *International Organization*, Vol. 46, No. 3 (Summer, 1992): 681-708; and, Wright, "Toward Effective Multilateralism: Why Bigger May Not Be Better".

today—they are engaging in “forum shopping” or a la carte multilateralism.<sup>39</sup> Herein lies perhaps the paradox in contemporary Asia-Pacific multilateralism: to the extent regional countries are getting multilateral cooperation right through the ADMM+, they do so at the expense of the larger and putatively “principled” form of multilateralism in the ARF.<sup>40</sup>

**See Seng Tan** is Professor of International Relations at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University. He is also Deputy Director and Head of Research of the Institute of Defence and Strategic Studies, ranked as the top think tank in Southeast Asia and the Pacific in the University of Pennsylvania's 2017 *Global Go To Think Tank Index Report*.

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<sup>39</sup> Stewart Patrick, “Multilateralism and Its Discontents: The Causes and Consequences of U.S. Ambivalence,” in *Multilateralism and U.S. Foreign Policy: Ambivalent Engagement*, eds. Stewart Patrick and Shepard Forman (Boulder, CO: Lynne Rienner, 2002), 1-44, in 12.

<sup>40</sup> Jürgen Rüländ, “The rise of ‘diminished multilateralism’: East Asian and European forum shopping in global governance,” *Asia Europe Journal*, Vol. 9, No. 2-4 (2012): 255-270.

# Japan's Contribution to Fostering Multilateralism in Asia

*Mie Oba*

## 1. INTRODUCTION

There are many overlapping regional institutions in Asia. Japan has played a very important role in the development of regionalism in Asia, and has tried to promote the vision of a secure and peaceful regional order by proposing various forms of regional frameworks. For example, a study group instigated by former Prime Minister Masayoshi Ohira proposed a Pacific Basin Community concept towards the end of the 1970s. This proposal suggested that Japan provide a broader regional vision to enhance cooperation and linkages between many countries in the “Pacific” region, beyond just encouraging a United States-Japan bilateral alliance. The United States-Japan alliance has determined the direction of Japan's foreign policy since the post-World War II era. However, together with the framework set by the alliance, Japan has tried to promote a regional multilateral policy, which surpasses merely following the United States (US). In other words, Japan's regional multilateral policies have expressed a preference for an independent foreign policy.

In addition to proposing a vision for regional multilateralism, Japan has also contributed to various regional multilateral frameworks in Asia. Japan contributed to the establishment of the ASEAN Regional Forum (ARF) due to the changing regional strategic circumstances in Asia after the end of the Cold War. Following the Asian financial crisis in 1997, Japan proposed the development of an Asian Monetary Fund (AMF). This idea failed but Japan then promoted regional financial cooperation that led to the establishment of the Chiang Mai Initiative (CMI) under the ASEAN+3. Japan was also deeply involved in the process of establishing the East Asian Summit (EAS) in 2005.

Regional strategic circumstances are now changing drastically and becoming less clear. China is rapidly expanding its political and economic presence in Asia as well as the world. China's assertive approach to topics

related to sovereignty, including the East China Sea and South China Sea issues, have led neighbouring countries to express serious concerns about peace and stability in the East Asia/Asia-Pacific region. However, China also adopts a win-win approach by providing huge economic benefits to neighbouring countries. The China-proposed Asian Infrastructure Investment Bank (AIIB) began its work in early 2016. Many China-led developmental projects have been planned under the Belt and Road Initiative (BRI). China's objective is to expand investments in Asia that will support the region's economic development, which in turn will enhance China's political power in the region.

In addition to China's shifting role, the United States is also contributing to the instability and lack of clarity in the region. The Trump administration's policies toward Asia are unpredictable due to Trump's "unique" behaviour. The US withdrawal from the Trans-Pacific Partnership (TPP) in January 2018 shocked policymaking circles in TPP member countries and undermined the prospect of a liberal economy in the Asia-Pacific. Furthermore, from a long-term point of view, the hegemony of US power in Asia has declined mainly due to the rise of China. US hegemony will not be replaced easily by a rising China for some decades, but the configuration of power in Asia is obviously shifting.

In such regional circumstances, regional multilateral policies are becoming an important part of Japan's foreign policy towards its neighbours. Japan is now simultaneously promoting various regional multilateral frameworks, including the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP/TPP11), the Regional Comprehensive Economic Partnership (RCEP) and the Free and Open Indo-Pacific Strategy. Japan's multi-layered regional approach will help to determine the development of regional multilateralism in Asia.<sup>1</sup>

## **2. TPP/CPTPP: THE PROMOTION OF ECONOMIC INTEGRATION BASED ON A LIBERAL ECONOMIC ORDER IN THE ASIA PACIFIC**

Since the early 2000s, Asia-Pacific Economic Cooperation (APEC) meetings have discussed the possibility and feasibility of an APEC-wide regional integration named Free Trade Area for the Asia-Pacific (FTAAP). At almost the same time, Singapore, Brunei, New Zealand and Chile negotiated a

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<sup>1</sup> The author has outlined the argument about Japan's multi-layered regional approach in an article. Please see Mie Oba, "Japan Multi-layered, Multilateral Strategy," *The Diplomat*, 18 April 2018, <https://thediplomat.com/2018/04/japans-multi-layered-multilateral-strategy/>.

high-standard and comprehensive free trade agreement and signed the original TPP (Trans-Pacific Strategic Economic Partnership Agreement, or P4 agreement) in 2005.<sup>2</sup> They were concerned that APEC member countries occupied a diverse range of stages of economic development, characterized by different economic systems and trade interests. So, they decided to become the front-runner for economic integration in the Asia-Pacific region. Due to a strong US initiative, the United States and other countries began to negotiate an extended-TPP in 2010, and Japan joined the negotiations in March 2013.

The twelve countries participating in the negotiations finally signed the TPP agreement in February 2016.<sup>3</sup> However, as mentioned above, the Trump administration decided to withdraw the United States from the TPP in January 2017. This made it impossible for the TPP to come into effect, because the TPP needed to be ratified by at least six countries that account for 85% of the sum total of member countries' economic outputs in 2013.<sup>4</sup> To meet this condition, the ratification of the United States was essential. Therefore, following the US withdrawal, the Abe administration was at first reluctant to promote the TPP without the United States and planned to explain the strategic and economic importance of the TPP to the Trump administration.<sup>5</sup> However, Japan changed its policy direction around early April 2017 and began to take the lead in negotiations for a new TPP agreement among the 11 remaining member countries which could be ratified without the United States.<sup>6</sup> The TPP11 was agreed upon in November 2017 and signed in March 2018.<sup>7</sup>

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<sup>2</sup> For the process of signing of the P4, see New Zealand Ministry of Foreign Affairs, *The New Zealand-Singapore-Chile-Brunai Darussalam Trans-Pacific Strategic Economic Partnership*, 2005, 10-11. For the full text, see <https://www.mfat.govt.nz/assets/FTAs-agreements-in-force/P4/Full-text-of-P4-agreement.pdf>, accessed 1 May 2018.

<sup>3</sup> "Signing of the Trans-Pacific Partnership (TPP) Agreement," Press Release, Ministry of Foreign Affairs of Japan, 4 February 2016, [http://www.mofa.go.jp/press/release/press4e\\_001013.html](http://www.mofa.go.jp/press/release/press4e_001013.html), accessed 4 February 2018.

<sup>4</sup> Trans-Pacific Partnership, Article 30.5.

<sup>5</sup> *Nikkei Shinbun*, 27 January 2017; *Nikkei Shinbun*, 15 March 2017.

<sup>6</sup> *Nikkei Shinbun*, 15 April 2017.

<sup>7</sup> "Statement by METI Minister Sako, Agreement at the Ministerial level on the TPP by 11 countries," November 11, 2017, [http://www.meti.go.jp/english/speeches/20171111\\_01.html](http://www.meti.go.jp/english/speeches/20171111_01.html), accessed 8 January 2018; "Signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership," Press Release, MOFA, 9 March 2018, [http://www.mofa.go.jp/press/release/press4e\\_001944.html](http://www.mofa.go.jp/press/release/press4e_001944.html), accessed 15 March 2018.

The TPP and CPTPP outlined the orientation toward further economic liberalization shared by policymaking circles in some Asia-Pacific countries. This led both the TPP and CPTPP to stipulate rules in various fields related to economic activities, such as the liberalization of goods, services and investment, intellectual property rights, e-commerce, financial services, state-owned enterprises, procurement, competition policy and so on.<sup>8</sup> In other words, the TPP and CPTPP are the “vanguard” of the Asia-Pacific region’s economic integration. One of the reasons for Japan joining the TPP and taking the lead to initiate TPP11 is its strong interest in deepening and promoting Asia-Pacific economic liberalization and integration.

Another reason for Japan’s deep involvement in the TPP process is to sustain the US commitment to Asia. In this context, the Japanese government regards the CPTPP as a tool to re-engage the United States. It eagerly expects the return of the United States to the TPP without additional amendments. The Trump administration’s stance toward “the return to the TPP” remains unclear. President Trump began to mention the possibility of a “return to the TPP” in early 2018. For example, Trump simply mentioned the possibility of the US pursuing negotiations with TPP members “either individually, or perhaps as a group” during the Davos conference in February 2018.<sup>9</sup> Furthermore, he stated on Twitter in April 2018 that the US “[w]ould only join TPP if the deal were substantially better than the deal offered to Pres. Obama.”<sup>10</sup> However, this is not a “return to the TPP” if the United States demands the renegotiation of the TPP. The Trump administration’s vacillating stance toward the TPP has embarrassed the Abe administration. Toshimitsu Motegi, the minister in charge of the TPP, has said that he welcomed the US interest to return to the TPP, but he also said that it would be difficult to renegotiate

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<sup>8</sup> About the text of the TPP, see “Text of Trans-Pacific Partnership,” Ministry of Foreign Affairs and Trade of New Zealand, <http://www.tpp.mfat.govt.nz/text>, accessed 3 February 2018. About the CPTPP, see “Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Ministerial Statement, Santiago, Chile, March 8, 2018,” [http://www.cas.go.jp/jp/tpp/tpp11/pdf/180308\\_tpp\\_statement\\_en.pdf](http://www.cas.go.jp/jp/tpp/tpp11/pdf/180308_tpp_statement_en.pdf).

<sup>9</sup> “President Trump’s Davos Address in Full,” 26 January 2018, <https://www.weforum.org/agenda/2018/01/president-donald-trumps-davos-address-in-full-8e14ebc1-79bb-4134-8203-95efca182e94/>, accessed 22 March 2018.

<sup>10</sup> “Trump to reconsider joining TPP trade pact,” BBC News, 13 April 2018, <http://www.bbc.com/news/business-43747211>, accessed 22 April 2018.

the deal because the current TPP agreement was a “balanced one, like fine glassware.”<sup>11</sup>

The TPP/CPTPP tends to be understood as the construction of an anti-China economic group. Obama’s speech in October 2015 is often quoted as a good example of these characteristics of the TPP. During this speech, President Obama stated “we can’t let countries like China write the rules of the global economy” when he explained the necessity of the TPP to Congress.<sup>12</sup> However, it should be understood that at that time the Obama administration was trying to persuade reluctant lawmakers that the United States should commit to the TPP by using anti-Chinese rhetoric.

The TPP/CPTPP is now regarded as necessary for the maintenance of an international liberal economic order in the Asia-Pacific region. Japan’s interest in the TPP/CPTPP is intertwined with its policymakers’ intentions to sustain such an order. As the Trump administration’s trade policy stems from an “America First” stance with a strong flavour of protectionism, the importance of the TPP/CPTPP has increased for Japan and other countries with a preference for an international liberal economic order. Prime Minister Shinzo Abe mentioned the TPP in his policy speech to the Diet in January 2018. He said, “We will, as the standard-bearers of free trade, continue to scale up a 21st century economic order based on free and fair rules to the broader world.”<sup>13</sup>

### **3. JAPAN AND RCEP: ECONOMIC INTEGRATION IN AN EXTENDED EAST ASIA BY MAINTAINING THE CENTRALITY OF ASEAN**

In addition to promoting Asia-Pacific economic integration via the TPP/CPTPP, Japan is also attempting to accelerate regional economic integration in East Asia through the RCEP. This framework aims at cementing an ASEAN-centred economic integration of East Asia with six other countries: Japan, China, South Korea, Australia, New Zealand, and India.

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<sup>11</sup> “The press statement of Motegi Toshimitsu, Minister of State for Economy and Fiscal Policy, Cabinet Office, April 13, 2018,” [http://www.cao.go.jp/minister/1711\\_t\\_motegi/kaiken/2018/0413kaiken.html](http://www.cao.go.jp/minister/1711_t_motegi/kaiken/2018/0413kaiken.html), accessed 20 April 2018.

<sup>12</sup> Barack Obama, “Statement by the President on the Trans-Pacific Partnership,” 5 October 2015, <https://obamawhitehouse.archives.gov/the-press-office/2015/10/05/statement-president-trans-pacific-partnership>, accessed 15 March 2018.

<sup>13</sup> “Policy Speech of Prime Minister Shinzo Abe to the 196th Session of the Diet,” 22 January 2018, [https://japan.kantei.go.jp/98\\_abe/statement/201801/\\_00002.html](https://japan.kantei.go.jp/98_abe/statement/201801/_00002.html), accessed 10 February 2018.

The RCEP is virtually the embodiment of the Comprehensive Economic Partnership for East Asia (CEPEA) concept proposed by Japan's Ministry of Economy and Industry (METI) in 2005. CEPEA included the same members as the RCEP and was sometimes called ASEAN+6. While Japan advocated CEPEA, China strongly supported the East Asian Free Trade Area (EAFTA) idea, which was originally proposed by the East Asian Vision Group's (EAVG) final report in 2001. EAFTA included ASEAN, Japan, China, and South Korea (ASEAN+3). Sino-Japanese competition over the leadership of East Asia remains deeply intertwined with the CEPEA versus EAFTA argument. Controversial debates about "favourable" East Asian economic integration frameworks have continued for about six years. However, Japan and China agreed to cooperate with each other in August 2011 to promote economic integration in East Asia. Under such conditions, the economic ministers of ASEAN and the six countries above agreed on the formation of an economic integration framework in November 2011. The new framework was initially called "RCEP". A summit between these sixteen countries announced the start of RCEP negotiations, which began in 2013.

RCEP is still under negotiation because the finalization of RCEP negotiations has been postponed several times. There are two reasons for this. First, India strongly resists high levels of trade liberalization. Second, the ASEAN countries who are pushing for the liberalization of goods take a reluctant stance on the liberalization of services. Japan plays a coordinating role to facilitate negotiations between these competing interests. The leaders of RCEP member countries adopted the "Joint Leaders' Statement on the Negotiations for RCEP", which restated a commitment "to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement," and "to intensify efforts in 2018 to bring the RCEP negotiations to conclusion."<sup>14</sup>

RCEP is an important regional multilateral framework for Japan. First, it is part of an ASEAN-centred regional architecture, enabling Japan to demonstrate its strong support for ASEAN centrality by facilitating and supporting RCEP negotiations. Second, RCEP has a huge potential due to the inclusion of both China and India as members, and could have a complementary rela-

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<sup>14</sup> "Joint Leaders' Statement on the Negotiation for the RCEP, Manila, Philippines," 14 November 2017, [http://asean.org/storage/2017/11/RCEP-Summit\\_Leaders-Joint-Statement-FINAL1.pdf](http://asean.org/storage/2017/11/RCEP-Summit_Leaders-Joint-Statement-FINAL1.pdf), accessed 16 November 2017.

tionship with the TPP, which excludes these two countries, at least during the current phase.

#### **4. FREE AND OPEN INDO-PACIFIC: A NEW REGIONAL VISION IN A TURBULENT ERA**

Presently, the Japanese government strongly emphasizes the strategic importance of the Indo-Pacific region and the proposed “Free and Open Indo-Pacific Strategy”. Japan’s policymakers define this huge geographical area as a region, the Indo-Pacific, warranting Japan’s intense engagement. This strategy does not provide a specific vision for constructing an institutional framework, but it obviously goes beyond the strengthening of bilateral ties between countries in the Indo-Pacific.

During the first Abe administration from 2006 to 2007, the Prime Minister had already mentioned the “Indo-Pacific” concept. However, the Abe administration began to propose “Indo-Pacific” cooperation in 2015. Foreign Minister Fumio Kishida spoke about the Indo-Pacific in a speech in January 2015. He emphasized that the era of the Indo-Pacific had arrived and stressed the importance of strengthening the three bridges in the region by means of India-Japan collaboration. The three bridges were defined as “values and spirit”, a “vibrant economy”, and an “open and stable sea”.<sup>15</sup> A year and a half later, Prime Minister Abe delivered a speech during the opening session of the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi in August 2016. He emphasized Japan’s “responsibility for fostering the confluence of the Pacific and Indian Oceans and of Asia and Africa into a place that values freedom, the rule of law, and the market economy, free from force or coercion, and making it prosperous.”<sup>16</sup> An examination of the speeches and statements mentioning the Free and Open Indo-Pacific Strategy identifies three pillars to the strategy.

First, it aims to enhance strategic links between the great regional powers so as to manage power politics interactions during the shifting balance of power in Asia. However, a quadrilateral strategic linkage composed of Australia, India, the United States, and Japan is not directly linked to the

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<sup>15</sup> Policy speech by Foreign Minister Fumio Kishida, “Special Partnership for the era of the Indo-Pacific,” 18 January 2015.

<sup>16</sup> “Address by Prime Minister Shinzo Abe at the opening Session of the TICAD VI, Nairobi, Kenya, August 27, 2016,” [http://www.mofa.go.jp/afr/af2/page4e\\_000496.html](http://www.mofa.go.jp/afr/af2/page4e_000496.html), accessed 2 February 2018.

Indo-Pacific strategy in the documents explaining the proposal. Nonetheless, several facts implied by this quadrilateral linkage are regarded as the driving force for the Indo-Pacific strategy. For example, Japan, India, Australia, and the United States have jointly demonstrated their shared interests in enhancing cooperation for peace and prosperity in the Indo-Pacific.<sup>17</sup> Furthermore, senior officials of the diplomatic authorities of Japan, Australia, India, and the United States met in Manila in November 2017. They discussed measures to ensure a free and open international order based on the rule of law in the Indo-Pacific.<sup>18</sup> A quadrilateral strategic linkage appears to aim at establishing an anti-China coalition, although nobody has formally stated as such. However, this strategy has surely arisen from serious shared concerns about China's expanding influence, as well as its assertive policies on sovereignty, especially in the East and South China Sea. In addition, the rise of India's strategic importance is leading to the other three countries' increased engagement in the linkage. Furthermore, while the US policy towards Asia remains unclear and unpredictable during the Trump era, the Free and Open Indo-Pacific Strategy can be regarded as an important measure to maintain its strategic commitment to Asia.

The second pillar of the strategy involves the acceleration of economic development and prosperity. Investment and assistance in infrastructure development in Southeast Asia, South Asia, and Africa is one of the most significant components of this pillar. It would provide huge economic benefits to the Indo-Pacific. However, it has also led to the growing perception that Japan's Indo-Pacific strategy is a counter-proposal to the BRI. The Japanese government has tried to quash such perceptions. During his speech to the Diet in January 2018, Prime Minister Abe stated that Japan and China would work together "to meet the growing infrastructure demand in Asia" after mentioning the direction of the Free and Open Indo-Pacific Strategy.<sup>19</sup>

The third pillar involves sustaining a rules-based international order. The Free and Open Indo-Pacific Strategy stresses the importance of maritime secu-

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<sup>17</sup> India-Japan Joint statement in November 2016; Joint Press Conference by President Trump and Prime Minister Abe in November 2017; and Japan-Australia Joint Press Statement in January 2018 stressed the importance of enhancing cooperation in the Indo-Pacific.

<sup>18</sup> "Australia-India-Japan-U.S. consultations on the Indo-Pacific," 12 November 2017, [http://www.mofa.go.jp/press/release/press4e\\_001789.html](http://www.mofa.go.jp/press/release/press4e_001789.html), accessed 10 January 2018.

<sup>19</sup> "Policy Speech of Prime Minister Shinzo Abe to the 196th Session of the Diet," 22 January 2018, [https://japan.kantei.go.jp/98\\_abe/statement/201801/\\_00002.html](https://japan.kantei.go.jp/98_abe/statement/201801/_00002.html), accessed 10 February 2018.

rity cooperation for a free, open and rules-based maritime order. Furthermore, Prime Minister Abe's speech in Nairobi stated that Japan should assist with nation-building and encourage good governance in Africa, and that Asia, which is already developing by embracing democracy, the rule of law, and a market economy, should tighten linkages with Africa to ensure peace and prosperity.<sup>20</sup> While deliberately avoiding compulsion, the Indo-Pacific strategy seems to expect universal values and norms to spread across African countries, and stresses that such values and norms should provide the foundation for a newly developing regional order. However, the emphasis on the significance of a rules-based maritime order as well as universal norms/values might lead to the perception that the Indo-Pacific strategy is an implicitly anti-China strategy, even if Japan's policymakers do not have such intentions.

## **5. THE PROSPECTS**

Finally, I shall demonstrate the tentative prospects of Japan's regional multi-lateral approach. First, a multi-layered regional approach will be an important tool for Japan to manage the shifting power balance and unclear circumstances in Asia. Currently, Japan's economic resources are limited compared to those of the past, and many developing countries have developed, resulting in a more horizontal relationship between Japan and other Asian countries than before. In such circumstances, the combination of a traditional bilateral and multilateral approach will remain effective for Japan in tightening ties with neighbouring countries. Furthermore, a multi-layered approach is a preparation for any scenario which may eventuate due to the shifting power balance between the United States, China, and India, and the prevailing uncertainty about the US commitment to Asia.

However, there are serious problems with Japan's multi-layered approach. First, to what extent can Japan promote more proactive political security and economic cooperation? For example, the Indo-Pacific is a very large area, and yet Japan has declared it intends to expand its role and initiatives in this huge area, not only economically, but also in the field of political security. However, does Japan have sufficient resources and capacity?

Second, how should Japan envisage and accept an inclusive regional vision covering all of the regional powers in the area, including China? From

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<sup>20</sup> Abe's speech at the opening session of the TICAD VI.

a long-term point of view, any regional system that excludes China is not durable. The TPP excludes China and as mentioned above, some arguments emphasize the anti-China characteristics of the TPP. The Free and Open Indo-Pacific Strategy has also been regarded as a counter-China initiative. There are various opinions being expressed in Japan's policymaking circles. However, whether Japan's multi-layered regional approach can result in fruitful outcomes depends on whether Japan can advance an inclusive vision for durable peace and prosperity in the region.

**Dr. Mie Oba** is Professor at Tokyo University of Science. She obtained her M.A. and Ph.D. at Advanced Social and International Studies, Graduate School of Arts and Sciences, the University of Tokyo. Her major is International Relations and the politics in East Asia and Asia-Pacific. She is a specialist in the development of regionalism in this region as well as theories of regional integration and regionalism. She has written many articles, including "Sino-Japanese Competition over regional institutions in Asia" in *Vying for Influence: How Competition between China and Japan is shaping the Asia-Pacific's regional security*, eds. Jeffrey Reeves, Jeffrey Hornung and Kerry Lynn Nankivell (2017); "TPP, RCEP, and FTAAP: Multilayered Regional Economic Integration and International Relations," *Asia-Pacific Review*, Vol. 23, Issue 1 (2016); *Jusoteki-Chiiki toshiteno Ajia: Tairitsu to Kyozon no Kozu (Asia as a Multi-layered Region: Co-existence in Conflicts)* (Yuhikaku, 2014); "ASEAN and the Creation of a Regional Community," *Asia Pacific Review*, Vol. 21, No. 1 (June 2014); "Northeast Asia After the Global Financial Crisis: Power Shift, Competition, and Cooperation in the Global and Regional Arenas," in *The Economic-Security Nexus in Northeast Asia*, ed. T. J. Pempel (Routledge, 2012); "Regional Arrangement for Trade in Northeast Asia," in *Asia's New Institutional Architecture: Evolving Structures for Managing Trade, Financial and Security Relations*, eds. Vinod Aggarwal and Min Gyo Koo (Springer, 2007); and *Ajia Taiheiyo Chiiki Keisei heno Dotei: Kyokai-Kokka Nichi-Go no Aidentiti Mosaku to Chiiki-Shyugi (The Invention of the Asia Pacific Region: A History of Regionalism and Search for Identity by Japan and Australia as Liminal Nations)* (Minerva Shobo, 2004). She received the 21st Ohira Masayoshi Memorial Prize by the Ohira Masayoshi Memorial Foundation (2005), the 6th Okita Commemorative Award for Policy Research by the National Institute for Research Advancement (NIRA) (2005), and the 11th Nakasone Yasuhiro Incentive Award (2015).

# Challenges to Multilateralism in South Asia

*Asanga Abeyagoonasekera*

Standing in the way of realizing the vision of a “South Asian Union” at present is largely the rift between India and Pakistan. According to India’s Foreign Secretary S. Jaishankar, the South Asian Association for Regional Cooperation (SAARC) “is an organization which has been made ineffective due to insecurity of one member.” Yet, one cannot imagine multilateralism without the presence of Pakistan, a large player in the South Asian arena. Unfortunately multilateralism in the South Asian Association for Regional Cooperation has failed due to this weak regional political leadership, and its inability to work towards resolution mechanisms when disputes are triggered. Poverty, weak governance with high levels of corruption and inconsistent policies have further diseased the region, curbing the establishment of a “rules-based order” within South Asia. The Indian hegemon, with overspilling nationalism, will make the task of promoting multilateralism even more difficult.

The European Union (EU), with a very different geopolitical context, has managed to resolve disputes between Germany and France. This was a key milestone for the development of a multilateral order; ripening the fruits of multilateral integration for many nations in the region who sought to adopt the “rules-based order.” Although it is not valid to compare South Asia directly with the EU due to historical and geopolitical differences, the key weaknesses of the region that is hindering it from prospering economically should be identified and clearly understood. South Asia’s intra-regional foreign direct investment (FDI) is only 3 percent, compared to the Association of South East Asian Nations’ (ASEAN), which is 25 percent.

Even after nearly 70 years of independence many South Asian nations are still engaged in internal conflicts within the periphery, which many governments have failed to find sustainable solutions for. Although the colonial past

has some lingering effect it cannot be blamed for the entirety of the past, since sufficient time has passed for the individual nations to find political solutions to create a better rules-based order, and thus a harmonious region.

## **MULTILATERALISM IN SOUTH ASIA: A POSSIBILITY?**

Insecurity in South Asia has threatened economic cooperation and contributed to the failure to recognize the benefits of multilateralism. For one to understand the limitations and difficulty in implementing multilateral cooperation it is important to understand the region, the regional power dynamics and the internal issues the nations are grappling with from the past to the present day.

A sustained regional integration with multilateralism in economic and security cooperation could transform South Asia into a major economic growth zone. With the largest youth bulge in the world, as well as the largest population concentration in the world, there are enough opportunities and resources for economic growth. Unfortunately the region is engulfed with half of the world's poverty, political rifts, border disputes, natural calamities, and ethnic and religious disturbances.

## **POVERTY AND EDUCATION**

South Asian politics has failed miserably after colonial independence in terms of economic development and eradicating poverty. Out of 1.8 billion people in South Asia, close to 256 million live in poverty. According to the Poverty and Equity Data Bank,<sup>1</sup> the percentage of people living on between US\$1.90 and US\$3.10 a day in Pakistan is about 43.6 percent. In India and Bangladesh it is over 50 percent. Sri Lanka, which celebrated its 70th independence day this year, has a 27 percent poverty rate. Poverty is thus the common enemy of the region and for this very reason, the Sri Lankan president rightly declared 2017 as the year of eradicating poverty in Sri Lanka.

Over the past decade, South Asia has focused on improving the overall health and primary education levels and upgrading infrastructure. As the lat-

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<sup>1</sup> World Bank, "Poverty and Equity Data Portal Pakistan," <http://povertydata.worldbank.org/poverty/country/PAK>.

est World Economic Forum Global competitiveness Index report<sup>2</sup> notes, there are only two economies in South Asia that have moved from the factor-driven stage to the efficiency-driven stage: Sri Lanka and Bhutan, both of which have got stable scores compared to the other nations. Education remains Sri Lanka's main strength, according to the report, comparatively with other regional countries. To eradicate poverty, education plays a key and sustainable role in terms of allowing social mobility and enhancing standards of living. The region should focus on advancing the steps that have already been taken in this venture in overpowering our common enemy, poverty.

### **LIMITATIONS IN THE FACE OF PROMOTING MULTILATERALISM**

South Asia occupies 3 percent of the world's land surface. It shares 1 percent of the world's trade, yet intra-regional FDI is 3 percent, compared to ASEAN's 25 percent.

Additionally, South Asian regional trade is dismally low at 4 percent as compared with the regional trade of the European Union at 67 percent, the North American Free Trade Agreement (NAFTA) at 62 percent, ASEAN at 26%, the Common Market for Eastern and Southern Africa at 22%, Gulf Cooperation Council at 8%, and Latin America and Caribbean at 22%.<sup>3</sup> Regional trade among the SAARC countries was US\$5 billion, out of which India's share was 76 percent (US\$3.8 billion).<sup>4</sup> India, as the regional hegemon with its large population of over a billion people and with its huge geographical land mass, is the key player to bring the South Asian nations together to move towards regional integration. If India displays the necessary leadership, regional multilateralism can be achieved and this will create many exciting opportunities for new synergies based on comparative advantages, ranging from investments in cross-border infrastructure projects to coordinated programmes and addressing challenges in areas such as governance, security, environment, social development, and other fields that stretch over national boundaries.

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<sup>2</sup> "The Global Competitiveness Report 2017-2018," <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>.

<sup>3</sup> World Bank, "South Asia: Growth and Regional Integration," Washington D.C.

<sup>4</sup> World Bank, "South Asia Growth and Regional Integration Report," <http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/223546-1192413140459/4281804-1192413178157/4281806-1265938468438/BeyondSAFTAFeb2010Chapter14.pdf>.

The hostility and tension between India and Pakistan over border disputes have unfortunately affected regional multilateralism and SAARC, the only regional integration with all nations of South Asia involved, is now at a standstill. Since there is no dispute resolution mechanism built into the SAARC charter, it is difficult to envisage how the SAARC process can be restarted. This is a major limitation and due to the absence of SAARC, the regional nations are divided into groups led by India and Pakistan; this is a very unfavourable situation to promote multilateralism in.

Another factor is the extreme asymmetry of power among the South Asian countries. While India accounts for 75% of the SAARC's population and about 80% of GDP, the second and third largest member states account for only about 10% and 7% respectively.<sup>5</sup>

The military power asymmetry between India and the rest of the nations is another factor limiting multilateralism. India's Monroe Doctrine mentality to take action against extra regional powers getting closer to India's neighbouring nations is a major geopolitical variable in play. The Chinese submarine visit to Sri Lanka became a political and security concern to New Delhi. Bangladesh's acquisition of Chinese submarines was also a huge security concern to India, as was Nepal allowing China to build the Lhasa-Kathmandu road; the latter was interpreted by India as Nepal's acquiescence to China's presence and involvement in South Asia and a serious threat to India's security. There is furthermore no multilateral security agreement or discussion forum among South Asian nations to address the security concerns of the region.

At the regional level, India has resisted inviting Pakistan to join the Indian Ocean Rim Association (IORA) or allowing China to become a full member of the Indian Ocean Naval Symposium (IONS). On the other hand, India is building a massive naval fleet, with 48 warships under construction, including one aircraft carrier, one nuclear and six conventional submarines and a variety of destroyers, frigates and corvettes. By 2027, the capacity will be expanded to hold 198 warships. The need for a security discussion forum in the Indian Ocean region is clearly evident. The Indian Ocean Rim Association for Regional Cooperation is for economic cooperation and not for security. The Galle dialogue, a popular Sri Lankan initiative, and the IONS, an Indian initiative, bring together the naval chiefs of a large number of littoral countries

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<sup>5</sup> V. V. Desai, "The Political Economy of Regional Integration," Asian Development Bank, July 2010.

for a discussion of security challenges in the Indian Ocean. Unlike Southeast Asia, which hosts the ASEAN Regional Forum (ARF), in the Indian Ocean region, a ministerial level forum that explicitly addresses maritime security issues and involves both regional countries and extra-regional major powers is lacking. Without such a discussion forum in place multilateral security agreements will be unachievable.

Another factor is the geography and the geographical dependency of most South Asian nations on India. Distrust, hostility and apprehension as seen among the SAARC members from the initial stage could be analyzed as a geographical factor. Probably seeing this factor, India joined SAARC with the condition that security issues would be kept outside the purview of SAARC. India shares borders with a majority of the South Asian states. When examining the Indian border, it can be noted that except for Pakistan, no other member state shares a border with any SAARC country other than India. Bhutan and Nepal are land-locked between India and China and depend on the former. Bangladesh has direct access to international seas on one side but is surrounded by India on all other sides and remains dependent on West Bengal, which continues to be part of India. These factors have caused India to be perceived as a threat by certain countries in South Asia. A close examination of the river basin of India, Nepal and Bangladesh will illustrate clearly why regional integration should happen. According to Dr. Uttam Sinha, "India's hydrological experience with Nepal and Bangladesh in sharing the waters and the benefits of the Ganga has been a positive experience providing opportunities for closer regional integration but also provide an outcome to help resolve political issues. The Ganga, thus, becomes a catalyst for transforming bilateral friction to tangible gains."<sup>6</sup>

Apart from the geographical dependency between India and its neighbouring nations, a common external security threat to the region is missing. The European Union had a common threat to galvanise the creation of an alliance among the western European nations. The growing power of the Soviet Union in eastern Europe and the emergence of the United States after World War Two were two major considerations pushing western Europe towards increased integration. In east Asia, the increased power and influence of China and communist regimes caused the smaller Southeast Asian nations to come

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<sup>6</sup> Sinha Uttam, *Riverine Neighbourhood: Hydropolitics in South Asia* (New Delhi: Pentagon Press, 2016).

together to form ASEAN.<sup>7</sup> The absence of a common security threat to the South Asia region could be limiting the interest among regional nations to promote multilateralism.

## **TIME BEFORE SAARC**

Many South Asian nations came out of the clutches of the British imperial rule and gained independence somewhat around the same period. The divide and rule policy by the colonial empire was clearly visible in the region. The tension between the periphery and the centre (government) was evident in almost all the nations of South Asia. These could be due to ethnic concerns, religious issues or federalist power-sharing struggles. For instance, in Sri Lanka the quarter-century war after independence, the Indian intervention to resolve the war through a power-sharing agreement, and the 13th Amendment to the constitution, which was to devolve power so as to ease tension between the centre and the periphery, are discussed even in the present day. A 13+ Amendment with more devolution of power was promised by subsequent governments that came to power after 2005, but failed to be delivered due to the political instability that could arise from the majority Sinhalese Buddhists, who were suspicious of and feared the terrorist group LTTE's primary goal of a separate state, the Tamil Eelam. Furthermore, Sri Lanka had always been viewed as the land of the Sinhala Buddhist minority, given the records of the dominance of this ethnic group for over 2500 years in history. Many of the South Asian nations are unstable due to such internal political challenges that were unresolved after independence. The colonial past cannot be blamed for this malaise as the governments have had sufficient time to resolve internal political issues and bring economic prosperity to the respective countries.

In the post-independence period before SAARC was created as a permanent institution and the discussion forum for multilateralism, there were many regional conferences. Therefore regional multilateralism is not alien to South Asia and the region can look back at several attempts at regional cooperation, both small and large scale (see Table 1). There were eight pan-

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<sup>7</sup> P. Kher, "Political Economy of Regional Integration in South Asia," UNCTAD, [http://unctad.org/en/PublicationsLibrary/ecidc2013misc1\\_bp5.pdf](http://unctad.org/en/PublicationsLibrary/ecidc2013misc1_bp5.pdf).

Asian regional conferences that eventually determined India's austere position *vis-à-vis* regional multilateralism.<sup>8</sup>

Table 1: Regional Asian conferences and meetings from 1949-61.<sup>9</sup>

	Name of Conference	Year
1	New Delhi Conference on Indonesia ( <i>India</i> )	January 1949
2	Baguio Conference ( <i>Philippines</i> )	May 1950
3	Conference of Southeast Asian Prime Ministers, Colombo (Colombo Powers Conference) ( <i>Sri Lanka</i> )	April 1954
4	Bogor Conference (Conference of Southeast Asian Prime Ministers) ( <i>Indonesia</i> )	December 1954
5	Bandung Asian-African Conference ( <i>Indonesia</i> )	April 1955
6	Shimla Conference ( <i>India</i> )	May 1955
7	Brioni Conference ( <i>Italy</i> )	July 1956
8	Belgrade Conference (NAM Summit) ( <i>Yugoslavia</i> )	September 1961

## SAARC

Given the absence of a permanent institution for multilateralism, especially in the sphere of economic cooperation among the regional countries, SAARC was initiated through a proposal by former President of Bangladesh Ziaur Rahman in May 1980. This was endorsed by Nepal, Sri Lanka, the Maldives and Bhutan, with a view to achieving stability, security and peace in the region. The charter of SAARC was accepted by all the seven founding members in mid-1985. SAARC became the main vehicle for moving towards greater integration, and for building trust in the region.

The Indian-Pakistan border dispute, however, has put an end to the SAARC process, which has not met for the last three years. In addition, its institutional ineffectiveness, vulnerability to regional politics, and inadequate capacities were other main undermining reasons. Despite many attempts to restart the SAARC process by regional countries, it has failed to reconvene. Even Prime Minister Modi's initial approach to promote SAARC through the symbolic gesture of launching a SAARC satellite to be shared by all member states, as a means of recognizing the importance of regional multilateralism, was articulated but in practice has failed miserably as of the present day.

As a consequence, the multilateral platform is fading away from regional policy makers' attention since internal challenges in the realms of ethnicity,

<sup>8</sup> Arndt Michael, *Regional Multilateralism in South Asia* (2013).

<sup>9</sup> Ibid.

religion, terrorism, corruption and poor economic conditions have become the top priority on the policy agenda. The absence of a multilateralism platform has allowed new avenues of bilateralism to be promoted. For example, bilateral ties between Pakistan and Sri Lanka in the form of a Pakistan-Sri Lanka Free Trade Agreement (PSFTA) came into force in 2005. Since then, total trade between Sri Lanka and Pakistan has tripled to US\$462 million in 2013 from 2005's US\$158 million. Bilateral trade will soon reach US\$1 billion between the two nations. This further aggravates challenges to regional unity as each nation is working closely with other powers in the region and beyond, thus further threatening the regional hegemon India. Pakistan and Sri Lanka's strategic relationship with China, as evidenced by the Gwada and Hambantota ports recently built by China, has been seen as a security threat by some Indian scholars.

Even the creation of "regional economies" (geographical units such as Hong Kong and Southern China, Silicon Valley and Bay Area, and growth triangle of Singapore and Johor, Malaysia)<sup>10</sup> at the sub-regional level has been overshadowed by the inward-looking policies of the South Asian nations. For the nation states and their leaders, the primary issue remains protection of territory, resources, jobs, industries, and even ideology. The in large parts protectionist policies in South Asia have pulled the entire region away from creating regional integration. According to Kenichi Ohmae, "region states welcome foreign investment. They welcome foreign ownership. They welcome foreign products. In fact, they welcome whatever will help employ their people productively, improve their quality of life, and give them access to the best and cheapest products from anywhere in the world. And they have learned that such access is often best and easiest when the products are not produced at home. Singapore, for example enjoys better and cheaper agricultural products than do the Japanese although Singapore has no farmers and no farms of its own."<sup>11</sup> In South Asia, the creation of such regional harmony between states, especially within two nations, is near impossible given the political tensions and insecurity present. The creation of zones of regional economies, such as between Nepal and India or between Bangladesh and India, continues to be difficult due to the protectionist measures adopted by their respective governments.

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<sup>10</sup> Ohmae Kenichi, *The End of the Nation State: The Rise of Regional Economies* (1995), 80.

<sup>11</sup> *Ibid.*, 89.

The East Asian miracle and the strong regional integration achieved through ASEAN has allowed Southeast Asian states to move away from the national states mentality to creating region states that are integrated in the global economy. For example, trade between ASEAN and China has exceeded US\$1 trillion. In ASEAN, a series of multilateral agreements for trade, services and investment have been concluded, including the “Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area (CEPT-AFTA) signed in 1992, the ASEAN Framework on Services (AFAS) signed in 1995, the Basic Agreement on the ASEAN Industrial Cooperation Scheme signed in 1996 and the Framework Agreement on the ASEAN Investment Area (AIA) signed in 1998.”<sup>12</sup> Such multilateral agreements will shift existing bilateral issues to a regional level and bind signatory countries to a timetable for implementation. For greater integration in the South Asian region, similar levels of institutional support and initiative will be required. The key success factor of ASEAN, when comparing it to SAARC, is the ability of its member states to set aside their political differences and focus on economic prosperity. South Asian nations unfortunately have a greater trust deficiency among its member countries due to political differences and India’s suspicions, which has led it to try to isolate the region from extra regional powers working around India’s vicinity. Until this hostility among the South Asian nations subside, a strong regional integration will not materialize.

## **CONCLUSION**

It should be understood in conclusion that free trade agreements in the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), between India-Sri Lanka, India-Nepal, India-Bhutan, Bangladesh-Pakistan, and India-Bangladesh, alone will not help to establish regional multilateralism. It can in fact potentially create a chaotic situation if not properly coordinated by the member countries. Other regional blocs such as ASEAN have made significant progress in promoting multilateralism while South Asia has no similar platform due to the political differences, border disputes and internal issues that have created further instability in the region. The absence of SAARC has a profound impact on the South Asia region. To bring back regionalism to the South Asian agenda, a significant structural

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<sup>12</sup> P. Kher, “Political Economy of Regional Integration in South Asia.”

transformation in terms of capacity building at the political level is required. To bring back multilateralism to the national agenda of every South Asian nation and to build competitive strength through regional integration at an accelerated pace, the internal issues have to be resolved. Ethnic, religious, and political tensions have fully occupied the agenda and at present there is little space to discuss regional integration. This space has to be created in order to re-energize organizations such as SAARC. The EU and ASEAN are great examples of regional integration, the former for its long-term oriented agenda and the latter for its member states putting aside political differences. If the South Asian countries learn from these examples, the vision for South Asian regional integration can be achieved.

**Prof. Asanga Abeyagoonasekera** is the Director General of the National Security Think Tank, Institute of National Security Studies Sri Lanka (INSSSL) under the Ministry of Defence. He is a visiting professor for Geopolitics (Northern Kentucky University), International Security (University of Colombo) and International Political Economy (University of London RIC). Asanga is a columnist for IPCS and the *South Asia Journal*. He contributes articles on geopolitics and regional security. He has authored many academic journal articles and presented in defence, foreign policy think tanks, universities and government ministries, including Quai d'Orsay in Paris, LKY School of Public Policy in Singapore, and Jesus College Cambridge University. His major field of interest is geopolitics of South Asia, Indian Ocean Region and regional security in South Asia. He was recognized as a Young Global Leader (YGL) for the World Economic Forum in 2012. His recently published book *Towards a Better World Order* focused on the geopolitics of the region and the importance of preserving Sri Lanka's democratic institutions. In 2016, he authored a chapter for *The Modi Doctrine: New Paradigms in India's Foreign Policy*.

# **New Zealand's Multilateralism and the Challenge of an International System in Transition**

*Robert G. Patman*

Since the end of the Second World War, New Zealand has been a firm supporter of multilateralism and what is known as the liberal international order. Multilateralism can be defined as a diplomatic arrangement whereby three or more states act in concert to advance a mutual interest or objective.<sup>1</sup> The liberal international order can be understood as an open and rules-based system of international relations that is “enshrined in institutions such as the United Nations and norms such as multilateralism.”<sup>2</sup> Thus, the norm of multilateralism and the concept of a liberal international order are closely linked. Multilateralism is the preferred diplomatic instrument of a liberal order, but in practice authoritarian states and, to a lesser extent, liberal democratic states have qualified their support for this approach. However, for middle range and relatively small states, like New Zealand, multilateralism offers the prospect of a voice and influence on international issues that would not otherwise be possible in a self-help state system based largely on power.

## **THE POST-1945 EVOLUTION OF NEW ZEALAND'S MULTILATERALISM**

Almost immediately after the Second World War, New Zealand became a committed multilateralist state. In 1945, it played a role in the formative discussions about the United Nations (UN); it was a founding member that actively opposed the veto rights of the five permanent members (something it

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<sup>1</sup> G. Evans and J. Newnham, *The Dictionary of World Politics: A Reference Guide to Concepts, Ideas and Institutions* (Harvester Wheatsheaf Hemel Hempstead, 1992), 205.

<sup>2</sup> G. J. Ikenberry, “The Future of the Liberal World Order,” *Foreign Affairs* (May/June 2011): 56.

continues to advocate), was instrumental in having human rights provisions included in the UN Charter, and along with Australia, played a significant role in the formation of the Trusteeship Council and including trusteeship issues in the UN's mandate. To be sure, New Zealand did not have a perfect record of supporting UN action. For example, it did not support six UN resolutions calling for Indonesia to withdraw after it invaded East Timor in 1976. However, such actions were the exception rather than the rule. New Zealand has signed virtually all the major UN treaties and ratified nearly every UN convention.<sup>3</sup> It also has contributed troops and personnel to UN peacekeeping operations since they began in 1948.

However, multilateralism only had limited international support during the first four decades after 1945. As John Ikenberry has shown, the post-war international order was actually a fusion of two distinct order-building projects. One was the modern state system, a project dating back to the Treaty of Westphalia in 1648, and the other was the international liberal order, a project closely associated with the United States (US) and the United Kingdom (UK), which was boosted in the 20th century by the establishment of additional liberal democratic states.<sup>4</sup> It should be noted, for instance, that the United Nations Charter was based largely on Westphalian principles, centring on the supremacy of the sovereign state, rather than liberal principles advocated by the US and other Western states. At the same time, the outbreak of the Cold War in 1947 and the rise of rival superpower-led alliances served to limit the scope for multilateral cooperation in the international arena by New Zealand and other states.

Eventually, the process of globalization—a term popularized during the early 1980s to describe revolutionary scientific changes in information and communications technology—and the end of the Cold War helped to facilitate new links between societies, institutions, cultures and individuals on a worldwide basis.<sup>5</sup> These developments prompted some observers to anticipate a new world order based on Western values of liberal democracy,

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<sup>3</sup> R. G. Patman, "New Zealand's place in the World," in *New Zealand Government and Politics*, ed. R. Miller (Melbourne, Oxford University Press, 2006), 92.

<sup>4</sup> G. J. Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton: Princeton University Press, 2011), 1-2.

<sup>5</sup> G. Ionescu, *Leadership in an Interdependent World: The Statesmanship of Adenauer, De Gaulle, Thatcher, Reagan and Gorbachev* (Harlow: Longman, 1991), 11-12.

market capitalism, and international cooperation.<sup>6</sup> Certainly, the Westphalian conception of absolute state sovereignty seemed to be amended in significant ways in the first decade and a half of the post-Cold War era. Amongst other things, predominantly Western states advanced the concept of humanitarian intervention, drove the establishment of the International Criminal Court (ICC)—although the United States did not join it—and developed the ideas of a “responsibility to protect.”<sup>7</sup>

## NEW ZEALAND'S MULTILATERAL APPROACH IN POST-COLD WAR ERA

For New Zealand, a geographically remote but developed state, the new international landscape provided a chance to intensify the country's commitment to multilateralism. As well as continuing to support UN peacekeeping missions in Korea, and the Sinai Peninsula, Wellington contributed peacekeepers to UN peace support operations in places such as Bougainville (1990-2003), Afghanistan (2001-13), Solomon Islands (2003-2013) and Timor-Leste (1999-2012). More recent New Zealand contributions to UN peacekeeping missions in Iraq, Korea, South Sudan and the Middle East have been more modest, typically involving “military observers sent in ones or twos.”<sup>8</sup> Still, New Zealand's contributions reflect both a desire to be seen as a good international citizen, and a conviction that the use of force in international relations should whenever possible be authorised by the UN. In March 2003, when the Bush administration and a number of Western allies bypassed the UN Security Council (UNSC) and invaded Iraq, the Clark-led New Zealand government publicly opposed the invasion on the grounds that it had not been sanctioned by the UNSC.<sup>9</sup> Then Minister of Foreign Affairs Phil Goff expressed the gov-

<sup>6</sup> F. Fukuyama, “The End of History?,” *The National Interest*, No. 16 (Summer 1989): 16.

<sup>7</sup> H. Kundnani, “What is the Liberal International Order?,” Policy Essay, *GMF* (The German Marshall Fund of the United States, no. 17 (2017): 3.

<sup>8</sup> B. Greener, “Peacekeeper contributor profile: New Zealand. Providing for Peacekeeping,” 3 April 2014, accessed 22 June 2017, <http://www.providingforpeacekeeping.org/2014/04/03/contributor-profile-new-zealand/>.

<sup>9</sup> J. Patterson, “NZ govt made ‘right judgment’ over Iraq,” RadioNZ, 7 July 2016, accessed 30 June 2017, <http://www.radionz.co.nz/news/political/308164/nz-made-%27right-judgment%27-over-iraq>.

ernment's clear preference for the enforcement of resolution 1441<sup>10</sup> through multilateralism as opposed to unilateral action, and stated, "At the end of the day, the United Nations must be able to sanction the use of force, otherwise compliance with its resolutions could not be secured, and it could never achieve the purpose for which it was established."<sup>11</sup>

Despite its small size, New Zealand is a country with global economic interests. In the 1980s, New Zealand began to liberalize and reform its economy. New Zealand was one of the chief beneficiaries of the 1994 Uruguay General Agreement on Tariffs and Trade (GATT) round which began to liberalize trade in agriculture. It has also been an enthusiastic supporter of the World Trade Organisation (WTO), a multilateral agency that succeeded GATT in 1995 as the guardian of international trade rules. The WTO has since developed comprehensive rules for regulating trade. The WTO also hosts an unprecedented trade dispute settlement procedure, which is binding upon all parties involved and therefore has the potential to override the state sovereignty of one or more of the actors that are party to the dispute. Since the mid-1990s, New Zealand has successfully used the machinery of the WTO to resolve disputes with a number of important trade partners. The partners included the US, the EU, Australia, Canada, and India.<sup>12</sup> In each case, New Zealand has successfully resolved the dispute in its favour without significantly damaging relations with any of the parties involved. Far from weakening New Zealand's national sovereignty, the WTO's rules-based approach to trade has actually enhanced it by levelling the playing field for small, less powerful trading nations.

At the same time, New Zealand has secured a number of high-profile diplomatic positions during the post-Cold War period. In 1993, New Zealand acceded to one of the non-permanent seats on the UNSC; Don McKinnon, former New Zealand foreign minister, was subsequently appointed to the

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<sup>10</sup> UNSC Resolution 1441, adopted unanimously in 2002, declared Iraq to be in material breach of the ceasefire terms presented under the terms of Resolution 687, and served as a platform for action to be taken under Chapter VII of the Charter, such as determining appropriate action to take against the existence of a threat to peace or act of aggression.

<sup>11</sup> P. Goff, "Debate on Prime Minister's statement—Iraq," *Beehive.govt.nz*, 11 February 2003, accessed 18 June 2017, from: <http://www.beehive.govt.nz/speech/debate-prime-minister039s-statement-iraq>.

<sup>12</sup> R. G. Patman and C. Rudd, *Sovereignty under Siege? Globalization and New Zealand* (Aldershot: Ashgate, 2005), 10.

position of Secretary General of the Commonwealth; former New Zealand Prime Minister Mike Moore won a three-year “split term” as Director General of the WTO; and another former Prime Minister, Helen Clark, served as the Administrator of the United Nations Development Programme (UNDP) from 2009 to 2017.

It should be added that in October 2014, New Zealand—competing with Spain and Turkey for two seats on the United Nations Security Council—resoundingly won a seat in the first ballot in New York. This was the second time in the post-Cold War era that New Zealand had been elected to the Security Council, and went some way to substantiating the claim in the 2016 Defence White Paper that “New Zealand actively supports the rules-based international order through its support for institutions and arrangements that reinforce global stability, including the United Nations.”<sup>13</sup> Despite New Zealand’s strong commitment to multilateral ideals, its performance in the area of development aid seems to be at odds with these aspirations. In 2014, New Zealand spent just 0.27 per cent of gross national income (GNI)<sup>14</sup>—a figure well below the target level of 0.7 per cent of GNI set by the United Nations in 1970. The New Zealand aid programme falls below that offered by most Organisation for Economic Co-operation and Development (OECD) countries, including Australia.

Nevertheless, New Zealand’s focus on multilateralism has probably been most evident in the Pacific. New Zealand was one of the founding members of the Pacific Community,<sup>15</sup> formerly the South Pacific Commission, in 1947, which is the oldest, largest and most inclusive of the regional organizations. The Pacific Community did not engage in political issues, which bred frustration among Pacific island countries, particularly those undergoing decolonizing between the 1950s and 1960s. This led to the formation of the Pacific Islands Forum (PIF), formerly the South Pacific Forum. During the planning stages for the PIF, New Zealand was not included. However, after petitioning, together with Australia, for membership it was eventually

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<sup>13</sup> New Zealand Defence White Paper, 2016, 40.

<sup>14</sup> New Zealand Ministry of Foreign Affairs and Trade, n.d.

<sup>15</sup> The other founding members were Australia, Britain, France, Netherlands, and the United States. The Netherlands withdrew in 1962, after the transfer of West Papua to Indonesia, and the Pacific island countries were included much later.

included as a founding member,<sup>16</sup> in 1971,<sup>17</sup> and the first meeting was held in Wellington. Through the PIF and other regional organizations, New Zealand has played an important role in the Pacific. One of the PIF's first major resolutions was the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), under which New Zealand, along with Australia, agreed to progressively provide duty free and unrestricted access to their markets from Pacific island countries.<sup>18</sup>

Another was the South Pacific Nuclear Free Zone (SPNFZ), which passed in 1985; the PIF pursued this in response to a 1975 proposal by the Rowling-led Labour government, which called for the establishment of a nuclear-weapon-free zone (NWFZ) in the region. In 2003, then New Zealand Prime Minister Helen Clark proposed a review of the PIF.<sup>19</sup> This eventually led to the adoption, in 2005, of the Pacific Plan, arguably the PIF's most comprehensive reform agenda for the region;<sup>20</sup> it has been described as "the master strategy for strengthening regional cooperation and integration in the Pacific."<sup>21</sup> More recently, New Zealand, along with Australia, spearheaded The Pacific Agreement on Closer Economic Relations (PACER-plus), which is a region-wide free trade agreement, signed in Tonga on 16 June 2017. According to the Pacific Cooperation Foundation, PACER-plus ushers in a "new era of closer economic relations."<sup>22</sup> New Zealand has played an integral role in multilateral action in the Pacific, perhaps more so than elsewhere.

In many ways, New Zealand's "can do" approach towards multilateralism has enabled this country to establish an international profile that is out of pro-

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<sup>16</sup> K. Graham, *Models of Regional Governance for the Pacific: Sovereignty and the Future Architecture of Regionalism* (Christchurch: Canterbury University Press, 2008), 27.

<sup>17</sup> The others were Cook Islands, Fiji, Nauru, Samoa, Tonga, and Australia.

<sup>18</sup> South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), Tarawa, Kiribati, 14 July 1980, accessed 4 August 2017, [www.forumsec.org/resources/uploads/attachments/documents/SPARTECA%20text1.pdf](http://www.forumsec.org/resources/uploads/attachments/documents/SPARTECA%20text1.pdf).

<sup>19</sup> E. Huffer, "The Pacific Plan: A Political and Cultural Critique," in *Redefining the Pacific? Regionalism Past, Present and Future*, eds. J. Bryant-Tokalau and I. Frazer (Aldershot: Ashgate, 2006), 160.

<sup>20</sup> *Ibid.*

<sup>21</sup> C. Slatter, "The New Framework for Pacific Regionalism: Old Kava in a New Tanoa?," in *The New Pacific Diplomacy*, eds. G. Fry and S. Tarte (Canberra: ANU Press, 2015), 49.

<sup>22</sup> Pacific Cooperation Foundation, "PACER Plus signed in Nuku'alofa," accessed 21 June 2017, <http://pcf.org.nz/news/2017-06-15/pacer-plus-signed-in-nuku-alofa>.

portion to the modest spectrum of national economic, military and diplomatic capabilities at its disposal. The New Zealand approach to multilateralism can be distinguished from that of old allies like Britain and Australia which at times have tended to behave as if the post-Cold War international system was unipolar and that close relations with Washington ultimately took priority over broader concerns like maintaining a rules-based international order.

## MULTILATERALISM AND ITS ADVERSARIES

Francis Fukuyama and other Western observers were right at the end of the Cold War to envisage a new stage in the evolution of the liberal system, but it did not turn out to be quite the order they expected. Since the late 1980s, the world has experienced a turbulent and prolonged transition to a new international system.

This transition is characterized by an uneasy co-existence between the opposing forces of integration and fragmentation. On the one hand, globalization has been associated with startling advances in communication, the establishment of a genuinely global economic system, a global information infrastructure, increased trade and foreign investment and the steady growth in the number of countries embracing democracy in some shape or form.

On the other hand, globalization has had a dark side. The compression of time and space through technology has unleashed new perils or exacerbated existing problems. Examples include the advent of transnational terrorism, the proliferation of intra-state war, drug and human trafficking, international organized crime, global pandemics, weakening financial accountability, relentless environmental decline, and growing inequalities.

Moreover, the world's only superpower, the US, has had few reservations about putting its own national interests above the security requirements of an open, rules-based multilateral system. It refused to sign the 1997 Ottawa Treaty banning anti-personnel landmines and was one of the few developed states that did not join the International Criminal Court (ICC) following its establishment in 1998.<sup>23</sup> The US also flouted the rules when it invaded Iraq in March in clear defiance of the UNSC.

At the same time, economic liberalization, de-regulation of markets, and vastly increased foreign trade and investment have had decidedly mixed

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<sup>23</sup> R. G. Patman, *Universal Human Rights?* (Basingstoke: Palgrave Macmillan, 2000), 11.

results. The global financial crisis of 2008-9 undermined the argument for sustaining neo-liberalism and certainly weakened confidence in the stability of the liberal order in its current economic guise.<sup>24</sup> While there has been an economic recovery since the financial crisis of 2008-9, that event has continued to cast a long shadow.

It is in this context that a globalizing liberal order has faced serious resistance. First, authoritarian states like Russia and, to a lesser degree, China, have engaged in hybrid warfare. This employs a combination of military and non-military means to achieve traditional military goals like territorial conquest. Hybrid warfare has been used by Russia in the Ukraine to redraw boundaries in Europe and by China in the South China Sea to create new artificial islands. In both cases, Russia and China have acted unilaterally with apparent indifference to existing international law.

There has also been resistance to multilateralism from nationalist-populist forces within the US and UK, two states that have traditionally championed the liberal order. Britain voted narrowly in a June 2016 referendum to leave the community of liberal democracies that comprise the European Union (EU) and in November 2016, Donald Trump—a flamboyant economic and political nationalist—won the race to the White House.

Moreover, the liberal international order is facing what might be called an internal-external threat nexus in the digital age. Possible Russian involvement in the Brexit referendum vote through fake Twitter accounts has been the subject of investigations by a UK Parliamentary Committee and the UK Electoral Commission.<sup>25</sup>

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<sup>24</sup> Kundnani, “What is the Liberal International Order?” 5.

<sup>25</sup> M. Burgess, “Where the UK’s investigations into Russia’s Brexit meddling stand,” *Wired*, 30 January 2018, <http://www.wired.co.uk/article/russia-brexite-influence-uk-twitter-facebook-google>.

Meanwhile, Special Counsel Robert Mueller's investigation into alleged Russian interference in the 2016 American presidential election has already generated a number of indictments. Those indicted include Paul Manafort, former Trump campaign chairman; Rick Gates, Trump's one-time deputy campaign deputy; George Papadopoulos, a former Trump campaign adviser; General Michael Flynn, Trump's former national security adviser; and thirteen Russian nationals and three Russian companies.<sup>26</sup>

## **NEW ZEALAND AND THE STRENGTHENING OF THE LIBERAL INTERNATIONAL ORDER**

The recent assertiveness of authoritarian powers like Russia, the rise of nationalist-populist forces in the US and the UK, and the possible convergence of interests between these actors raise the basic question of whether the liberal international order and its norm of multilateralism are in decline. Certainly, these developments present a direct challenge to a New Zealand worldview, based on support for the UN system and a rules-based order, that sees participation in global fora and international networks as an important way of building support for key national goals.

However, the threat to the multilateral system from authoritarian and nationalist-populist politicians should not be exaggerated. Their promises to reverse globalization and "take back control" of national sovereignty look distinctly utopian in an increasingly interconnected world. Globalization is not a project that can simply be put "back in the box" by political leaders. After all, globalization is a major structural change driven by revolutionary changes in information and communications technology that has redefined state sovereignty. Today, all states are confronted by security, economic and environmental challenges that do not respect territorial borders.

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<sup>26</sup> B. Weiss, "Here's who has been charged so far in Mueller's probe," *Business Insider Australia*, 2 December 2017, <https://www.businessinsider.com.au/who-has-been-charged-in-russia-investigation-mueller-trump-2017-12?r=US&IR=T>.

To be sure, the reluctance of certain great powers to actively support a liberal order, like Trump's America turning its back on multilateral agreements such as the Paris Climate Accord and embracing a semi-protectionist approach to trade, is potentially a big problem for New Zealand and many other states. But that problem has to be weighed against the increasing tide of evidence that great powers cannot go it alone in fixing the world's problems. The US invasion of Iraq in 2003 and Russia's incursion into Ukraine in 2014 have both highlighted the inability of superpowers and regional actors respectively to impose their own solutions to perceived problems. Unilateralism has a poor track record in the post-Cold War era.

So New Zealand should have no reservations about defending the rules-based multilateral system against its adversaries. But New Zealand and other supporters of the liberal order must do more than that. The focus must be on identifying elements of the liberal order that need to be reformed and strengthened. Two sets of reforms could strengthen the liberal order.

First, the global security situation is not realistically going to improve until the P-5 group loses the privilege of being able to veto any Council resolution they do not like. The brutal seven-year civil war in Syria is a sad reminder that the use of the veto has made the UNSC incapable of delivering either stability or justice to places that are in desperate need of both. The veto power of the P-5 group should be abolished or severely circumscribed.<sup>27</sup>

Second, it is time for a serious international debate on how the liberal economic system can be made to work better for more people. While there may be little consensus about what a reformed liberal economic order would look like, the current situation where 85 billionaires have almost as much wealth as half the world's population is not morally acceptable or politically sustainable.<sup>28</sup>

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<sup>27</sup> L. S. Davis and R. G. Patman, "New Day or False Dawn," in *Science Diplomacy: New Day or False Dawn*, eds. L. S. Davis and R. G. Patman (Singapore: World Scientific, 2015), 271-272.

<sup>28</sup> G. Wearden, "Oxfam: 85 richest people as wealthy as poorest half of the world," *The Guardian*, 20 January 2014, <https://www.theguardian.com/business/2014/jan/20/oxfam-85-richest-people-half-of-the-world>.

Without such reforms, the liberal international order will remain susceptible to the forces of authoritarianism, populism and demagoguery. It is high time that New Zealand and other states promoted the reform and strengthening of the liberal international order so that it can advance the interests of the many rather than the few. To meet this challenge, New Zealand and other like-minded states will have to move from a form of multilateralism where a superpower like America is always expected to set the agenda to a more bottom-up, strategic form of multilateralism that is capable of independently mobilizing international support for long overdue institutional reforms.

**Professor Robert G. Patman** teaches International Relations at the University of Otago. He served as an editor for the scholarly journal *International Studies Perspectives* (2010-14) and Head of the Department of Politics (2013-16). Robert is the author or editor of 12 books. Recent publications include a volume called *Strategic Shortfall: The 'Somalia Syndrome' and the March to 9/11* (Praeger, 2010) and three co-edited books titled *China and the International System: Becoming a World Power* (Routledge, 2013); *Science Diplomacy: New Day or False Dawn?* (World Scientific Publishers, 2015); and *New Zealand and the World: Past, Present and Future* (World Scientific Publishers, 2017). Robert is currently writing a volume called *Rethinking the Global Impact of 9/11* (Palgrave Macmillan, 2019). He is a Fulbright Senior Scholar, an Honorary Professor of the NZ Defence Command and Staff College, Trentham, and provides regular contributions to the national and international media on global issues and events.



# European Union-Asia Multilateral Cooperation in Financial Services

*Willem Pieter de Groen and Bas Hooijmaaijers*

## INTRODUCTION

The world order is gradually shifting from the Euro-Atlantic to the Asia-Pacific region.<sup>1</sup> This is also the case for financial services, where the G20 Asian countries, in particular China, India and Japan, increasingly play an important role at the global level. Moreover, Hong Kong and Singapore, along with other small Asian countries with large financial centres, are also playing an important role in international finance.

As emphasized by Valdis Dombrovskis (European Commission Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union) in a speech at the second annual EU-Asia Pacific forum on Financial Regulation in Hong Kong in December 2017: “[F]or the next few decades, Asia’s economic growth is expected to lead the world. As your countries leap forward in economic and technological progress faster than anyone has before, your financial systems will evolve in tandem. At the same time, financial integration within the Asia Pacific region will keep advancing, just like it has done in the European Union’s single market.”<sup>2</sup>

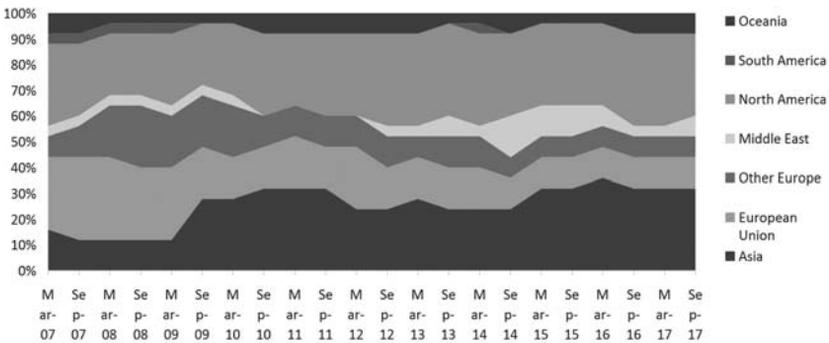
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<sup>1</sup> S. Keukeleire and B. Hooijmaaijers, “The BRICS and other Emerging Power Alliances and Multilateral Organisations in the Asia-Pacific and the Global South: Challenges for the European Union and its View on Multilateralism,” *Journal of Common Market Studies* 52 (3) (2014): 582-599; K. Mahbubani, *The New Asian Hemisphere. The irresistible shift of global power to the East* (New York: Public Affairs, 2008).

<sup>2</sup> V. Dombrovskis, “VP Dombrovskis Opening Keynote at the 2nd Annual EU—Asia Pacific Forum on Financial Regulation,” Hong Kong, 1 December 2017, [https://ec.europa.eu/commission/commissioners/2014-2019/dombrovskis/announcements/vp-dombrovskis-opening-keynote-2nd-annual-eu-asia-pacific-forum-financial-regulation\\_en](https://ec.europa.eu/commission/commissioners/2014-2019/dombrovskis/announcements/vp-dombrovskis-opening-keynote-2nd-annual-eu-asia-pacific-forum-financial-regulation_en).

The rising importance of Asia (Central, South, East and Southeast) in global finance is also reflected in their financial services rankings (Figure 1). For example, the number of Asian financial centres in the top 25 of the Global Financial Centres Index (GFCI) has doubled in the past decade from 4 in 2007 to 8 in 2017.<sup>3</sup> In contrast, during the same period, the number of European Union (EU) financial centres in the top 25 more than halved from 7 to just 3.<sup>4</sup> The change in the ranking<sup>5</sup> is primarily due to a difference in growth rates. The scores of the Asian financial centres grew substantially, while most of the EU financial centres remained stable or increased only a little bit.

Figure 1: Composition of top 25 global financial centres by region (2007-17).



Source: Authors' elaborations based on Z/Yen<sup>6</sup> (2007-17).

Otherwise, the sizes vary significantly between the Asian and EU financial sectors. The mature Asian financial sectors, such as China and Japan, have a similar size as the EU, roughly four times the size of their national GDPs. In turn, the emerging countries, such as Indonesia and India, have substantially

<sup>3</sup> The seven Asian financial centres included in the top 25 of the GFCI as of September 2017 include Hong Kong (3rd position), Singapore (4th), Tokyo (5th) and Osaka (21st) in Japan, Shanghai (6th), Beijing (10th) and Shenzhen (20th) in China, and Seoul in South Korea (22nd).

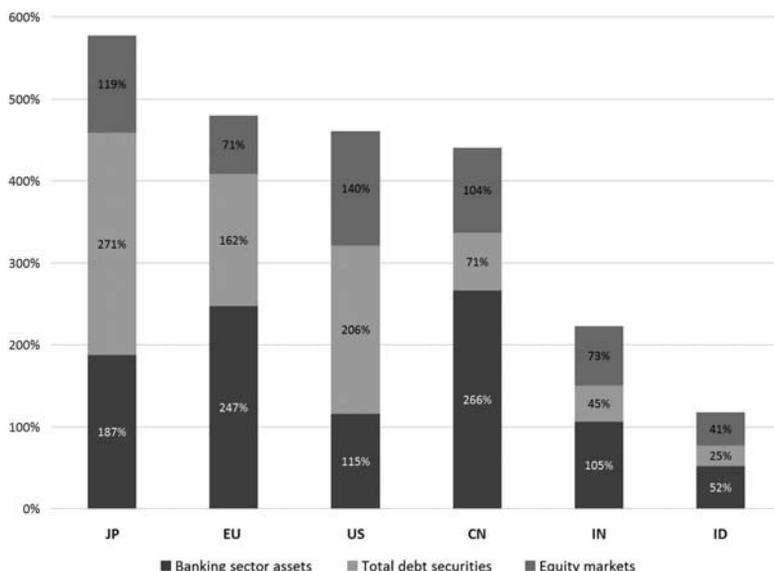
<sup>4</sup> The three EU financial centres included in the top 25 of the GFCI as of September 2017 include London in the United Kingdom (1st position), Frankfurt in Germany (11th) and Luxembourg (14th). Paris in France was listed 26th.

<sup>5</sup> The global financial centres index is based on a combination of instrumental variables such as infrastructure and business effectiveness indicators and perceptions of financial services experts.

<sup>6</sup> Z/Yen, "The Global Financial Centres Index" (London, United Kingdom, 2017).

smaller financial sectors, respectively about two- and one-times the size of their economies.

Figure 2: Size of the financial sector as share of GDP (end-2015).



Note: Data for banking sector assets (end 2014).

Sources: Amariei et al.<sup>7</sup> based on ECB, US Fed, BoJ, PBoC, RBI, BI, BIS, WFE, FESE, IMF and Eurostat.

The structures of the Asian and EU financial sectors are fairly similar. The main Asian and EU financial sectors are all bank dominated like most financial sectors around the globe. One of the notable exceptions is the United States (US) where the financial markets are more important for the financial intermediation. There are also some Asian countries with sizable debt markets, but these markets primarily finance domestic government debt. However, both the EU and many of the Asian countries would like to diversify their financial sectors with the development of their capital markets. In the EU, the aim is primarily to create an alternative to banks, whereas in Asia most

<sup>7</sup> C. Amariei, W. P. De Groen and D. Valiante, "Improving the Investor Base for Local Currency Bond Markets in China, India and Indonesia" (Brussels: Centre for European Policy Studies, Brussels, 2017), <https://www.ceps.eu/publications/improving-investor-base-local-currency-bond-markets-china-india-and-indonesia>.

countries would like to develop their local currency bond markets to reduce the reliance on debt denominated in foreign currencies such as the US dollar.

This chapter discusses the EU-Asia financial services cooperation at both multilateral<sup>8</sup> and bilateral levels. The remainder of this chapter will discuss first multilateral cooperation within Asia and the EU. In the subsequent sections the cooperation at international and bilateral levels are assessed. The final section summarizes the main findings, draws some conclusions and provides some policy recommendations.

## FINANCIAL SERVICES COOPERATION IN ASIA

The Asian view on multilateralism is primarily relations-oriented.<sup>9</sup> These initiatives in Asia have in common that the cooperation mostly consists of non-binding commitments, with protection of the respective national sovereignty being a key element.

For many years the Asian countries had limited attention for financial services related topics. This changed after the 1997-98 Asian financial crisis, which was a blow to many Asian economies and effectively obliged them to start discussing financial services issues in their regional dialogues<sup>10,11</sup>. Meanwhile various kinds of cooperation at the Asian level can be distinguished, including recently launched initiatives with a large role for China and other East Asian countries.

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<sup>8</sup> Multilateralism can be defined as coordinated relations between three or more states or actors on the basis of shared principles of conduct or rules. See C. Bouchard and J. Peterson, "Conceptualising Multilateralism. Can We All Just Get Along," *Mercury E-paper* 1 (2011); and J. G. Ruggie, "Multilateralism: The Anatomy of an Institution," *International Organization* 46 (3) (1992): 561-98. See also Keukeleire and Hooijmaaijers, "BRICS and other Emerging Power Alliances and Multilateral Organisations in the Asia-Pacific and the Global South," for a discussion on the meaning of multilateralism.

<sup>9</sup> Keukeleire and Hooijmaaijers, "BRICS and other Emerging Power Alliances and Multilateral Organisations in the Asia-Pacific and the Global South".

<sup>10</sup> E. Saputro, *Indonesia and ASEAN Plus Three Financial Cooperation. Domestic Politics, Power Relations, and Regulatory Regionalism* (Singapore: Palgrave Macmillan, 2017).

<sup>11</sup> Hamanaka challenges this common view that the trend toward Asian financial regionalism is a relatively new phenomenon, particularly emerging in response to the 1997-1998 Asian financial crisis in particular. See S. Hamanaka, "Asian Financial Cooperation in the 1990s: The Politics of Membership," *Journal of East Asian Studies* 11 (1) (2011): 75-103, 169.

Regional cooperation on financial services in Asia has been established based on the development of financial initiatives under the umbrella of three regional cooperation frameworks that are related: the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC) and the ASEAN Plus Three (APT).<sup>12</sup> However, APT is more effective than APEC, which is a rather broad and loose forum.<sup>13</sup> This is for instance reflected in the Chiang Mai Initiative (CMI) and Asian Bond Markets Initiative (ABMI).<sup>14</sup> APT is designed to realize financial integration via financial cooperation based on the CMI and can be seen as the future of financial integration in the ASEAN framework.<sup>15</sup>

Most of the cooperation in financial services, however, still takes place within the context of ASEAN. The ASEAN countries have agreed on a three-fold agenda towards monetary and financial integration in the region, including (i) liberalisation of the capital accounts, (ii) development of the capital markets, and, (iii) liberalisation of the financial services. The integration is a gradual process.

The ASEAN countries are currently negotiating an agreement on the free flow of services, which should at least be as far reaching as the six countries with whom ASEAN has a free trade agreement (FTA).<sup>16</sup> Additionally, since 2013, there have been negotiations between the ten ASEAN countries and its six FTA partner countries concerning a regional FTA—called Regional Comprehensive Economic Partnership (RCEP), which in 2018 should start its work towards the conclusions. The financial services section in the agreement is likely to build on the existing arrangements for services in the free

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<sup>12</sup> APT includes the 10 ASEAN members Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam plus China, Japan and South Korea. This means that with the membership of China, Indonesia, Japan and South Korea, APT includes four G20 countries.

<sup>13</sup> K. Verico, *The Future of the ASEAN Economic Integration* (London: Palgrave Macmillan, 2017).

<sup>14</sup> W.W. Grimes, "The Rise of Financial Cooperation in Asia," in *The Oxford Handbook of the International Relations of Asia*, eds. Saadia Pekkanen, John Ravenhill and Rosemary Foot (Oxford: Oxford University Press, 2014), 285-305.

<sup>15</sup> Verico, "Future of ASEAN Economic Integration".

<sup>16</sup> ASEAN has free trade agreements with Australia, China, India, Japan, New Zealand and South Korea. The countries collectively are also referred to as Regional Comprehensive Economic Partnership (RCEP). See ASEAN, "Regional Cooperation in Finance," 2018, <http://asean.org/asean-economic-community/asean-finance-ministers-meeting-afmm/overview/>.

trade agreements, with additional dedicated rules for financial services and provisions to promote transparency and flexibility to address financial stability concerns.<sup>17</sup>

Table 1: Main ASEAN and APT financial services initiatives.

<b>Initiative</b>	<b>Description</b>	<b>Region</b>
ASEAN Capital Markets Forum (ACMF)	Forum for capital market regulators	ASEAN
ASEAN Banking Integration Framework (ABIF)	Framework to facilitate the banking integration process including the support of cooperation and financial stability arrangements as well as promote the improvement of the regulatory frameworks for banks	ASEAN
Payment and Settlement Systems (PSS)	Aims for the development of a more interconnected payment and settlement system	ASEAN
Financial Inclusion (FINC)	Promoting and fostering initiatives to advance financial inclusion	ASEAN
Working Committee for Capital Market Development (WCCMD)	Monitors initiatives and progress towards building capacity and laying infrastructure for development of ASEAN capital markets	ASEAN
ASEAN Insurance Cooperation	Development of insurance regulatory and supervisory frameworks as well as research and capacity building	ASEAN
Trading Link initiative	Single access point for ASEAN products to foreign investors	ASEAN
Asian Bond Markets Initiative (ABMI)	Develop local currency bond markets; facilitate regional bond market integration	APT
Chiang Mai Initiative Multilateralisation (CMIM)	Multilateral currency swap arrangement	APT
ASEAN+3 Macroeconomic Research Office (AMRO)	Regional macroeconomic surveillance unit of the CMIM	APT

Source: ASEAN, “Regional Cooperation in Finance”.

Nevertheless, various issues and challenges remain in Asian financial services cooperation, including membership and leadership issues, the scope of finan-

<sup>17</sup> RCEP, “Joint Leaders’ Statement on the Negotiations for the Regional Comprehensive Economic Partnership (RCEP),” Manila, 14 November 2017, [http://asean.org/storage/2017/11/RCEP-Summit\\_Leaders-Joint-Statement-FINAL1.pdf](http://asean.org/storage/2017/11/RCEP-Summit_Leaders-Joint-Statement-FINAL1.pdf).

cial cooperation and its enforcement.<sup>18</sup> To name a few challenges, there is the rivalry between China and Japan as well as the issue of how to deal with the US and its influence in the region.<sup>19</sup> When it comes to the scope of cooperation, various governments may have divergent preferences and interests on what this cooperation should include. Despite over two decades of increasing financial openness, the integration of the financial markets remains very limited, with relatively more integration in East Asia than in South Asia.<sup>20</sup>

## FINANCIAL SERVICES COOPERATION IN THE EU

The cooperation between the EU member states is oriented on binding rules, which is reflected in formal institutions that are much stronger than the Asian regional cooperation frameworks.<sup>21</sup> The rule-oriented cooperation of the EU is reflected in the preference for powerful international regimes as the outcomes of multilateral cooperation.<sup>22</sup>

The 28 EU member states<sup>23</sup> have far-reaching cooperation covering many areas, including financial services. The cooperation is based on EU treaties that provide the foundation for the EU institutions, legislative process and establishment of EU agencies. The European Court of Justice (ECJ) is mandated to enforce correct implementation of the EU laws and if necessary sanction non-compliant actors, including member states.<sup>24</sup>

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<sup>18</sup> Grimes, "Rise of Financial Cooperation in Asia".

<sup>19</sup> Many countries in the region depend for a substantial part of their exports on the US and have their currencies still in one way or the other linked to the US dollar.

<sup>20</sup> Grimes, "Rise of Financial Cooperation in Asia"; S. N. Katada, "In pursuit of stability: evolution of Asia's regional financial architecture," *The Pacific Review* 30 (6) (2017): 910-922.

<sup>21</sup> Y. Qin, "Development of International Relations theory in China: progress through debates," *International Relations of the Asia Pacific* 2011, 11 (2) (2011): 231-257.

<sup>22</sup> Keukeleire and Hooijmaaijers, "BRICS and other Emerging Power Alliances and Multilateral Organisations in the Asia-Pacific and the Global South".

<sup>23</sup> The EU28 includes Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

<sup>24</sup> D. Wright, "International Regulatory and Supervisory Challenges in a Fragmented World," in *International Regulatory Cooperation to Counter the Risks of Fragmentation*, ed. Swiss Finance Council (2018): 8-19.

In the aftermath of the 2007-09 global financial crisis and the 2010-12 Eurozone debt crisis there has been an overhaul of the financial legal and supervisory framework to make the EU financial system more robust and resilient. The legislative overhaul covered all the main financial institutions and activities, including banking, (re)insurance, pension funds, asset managers, investment funds, etc. The financial institutions authorised in one EU member state can via passporting also conduct activities in other member states without additional authorisation. Moreover, three dedicated supervisory authorities have been established. The European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA) are responsible for the direct supervision of some financial services (credit rating agencies and trade repositories), promoting supervisory convergence and elaborating on primary legislation (technical standards and guidelines) in the EU.

Additionally, the 19 EU member states with the Euro as their currency<sup>25</sup> have undertaken even more far reaching measures related to banking. In particular, the Euro-countries have, in order to reduce the mutual dependence between banks and their sovereigns, largely centralised supervision and resolution as part of the Banking Union. Indeed, the European Central Bank (ECB) and the Single Resolution Board (SRB) are responsible for the supervision and resolution of the largest and cross-border banks in the Eurozone. The Banking Union might in the future be extended with a single deposit insurance, which has been proposed but has currently insufficient support at the political level to be adopted.

Despite the intense and far reaching collaboration at the EU level, there is disparity in the international ambitions of EU member states. This is, for example, reflected in the fact that not all the EU member states have joined the Eurozone as well as the announced departure of the United Kingdom (UK). This means that the EU will lose its main financial centre and the UK will be obliged to pursue a more independent international agenda. It will thus have to negotiate mutual recognition in bilateral trade agreements and, especially when this proves unsuccessful, to promote standard setting at the global level in the various international bodies.

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<sup>25</sup> The Eurozone consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

## **INTERNATIONAL GOVERNANCE OF FINANCIAL SERVICES**

The growing importance of Asian countries in the international financial markets is only partially reflected in their representation in international standard setting bodies. These bodies are often dominated by Euro-Atlantic representatives. But there are differences between the standard setters for the different financial sectors.

A large part of the current financial sector legislation of many Asian countries and all EU member states is based on international agreements established in the past decade. At the height of the global financial crisis, the leaders of the largest economies in the world united in the G20 (replacing the G8 as global coordinator) and agreed on a coordinated international approach to deal with the acute economic and financial challenges. The G20 at that time consisted of five Asian members (China, India, Indonesia, Japan and South Korea) and seven members from the EU (France, Germany, Italy, United Kingdom, European Commission and European Council [Netherlands and Spain]).

In the financial domain, the focus was on stabilising the financial sector to ensure lending to the real economy as well as strengthening of the legislative and supervisory framework. Internationally determined high standards should contribute to more stringent and consistent legislation and supervision.<sup>26</sup>

The Washington Action Plan set out nearly fifty actions to strengthen the regulation and supervision of financial services internationally. It gave the Financial Stability Board (FSB) (replacing the former Financial Stability Forum) the mandate to improve macro prudential supervision, coordinate information exchange between supervisors, prepare guidelines for supervisory colleges, support resolution planning for cross-border institutions, and review the work of the international standard setting bodies. Moreover, there was special attention for the Global systemically important banks (G-SIBs) for which supervisory colleges should be established and cross-border crisis management should be foreseen to address the too-big-to-fail institutions.<sup>27</sup>

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<sup>26</sup> G20, "London Summit—Leaders' Statement," London, 2 April 2009, [https://www.imf.org/external/np/sec/pr/2009/pdf/g20\\_040209.pdf](https://www.imf.org/external/np/sec/pr/2009/pdf/g20_040209.pdf).

<sup>27</sup> G20, "Declaration on Strengthening the Financial System," London, 2 April 2009, <http://www.g20.utoronto.ca/2009/2009ifi.pdf>.

Table 2: Key standards and codes for sound financial systems.

Area	Standard	Issuing international body <sup>28</sup>
<b>Macroeconomic Policy and Data Transparency</b>		
Monetary and financial policy transparency	Code of Good Practices on Transparency in Monetary and Financial Policies	IMF
Fiscal policy transparency	Code of Good Practices on Fiscal Transparency	IMF
Data dissemination	Special Data Dissemination Standard/	IMF
	General Data Dissemination System	IMF
<b>Financial Regulation and Supervision</b>		
Banking supervision	Core Principles for Effective Banking Supervision	BCBS
Securities regulation	Objectives and Principles of Securities Regulation	IOSCO
Insurance supervision	Insurance Core Principles	IAIS
<b>Institutional and Market Infrastructure</b>		
Crisis resolution and deposit insurance	Core Principles for Effective Deposit Insurance Systems*	IADI
Insolvency	Insolvency and Creditor Rights	World Bank
Corporate governance	Principles of Corporate Governance	OECD
Accounting and Auditing	International Financial Reporting Standards (IFRS)	IASB
	International Standards on Auditing (ISA)	IAASB
Payment, clearing and settlement	Principles for Financial Market Infrastructures	CPMI/IOSCO
Market integrity	FATF Recommendations on Combating Money Laundering and the Financing of Terrorism & Proliferation	FATF

Note: \*It is recommended to also include one or more standards on resolution regimes.

Source: FSB.<sup>29</sup>

<sup>28</sup> IMF: International Monetary Fund; BCBS: Basel Committee on Banking Supervision; IOSCO: International Organization of Securities Commissions; IAIS: International Association of Insurance Supervisors; IADI: International Association of Deposit Insurers; OECD: Organisation for Economic Co-operation and Development; IASB: International Accounting Standards Board; IAASB: International Auditing and Assurance Standards Board; CPMI: Committee on Payments and Market Infrastructures (CPMI); FATF: Financial Action Task Force.

<sup>29</sup> FSB, "Key Standards for Sound Financial Systems," Basel, 2017, [http://www.fsb.org/what-we-do/about-the-compendium-of-standards/key\\_standards/](http://www.fsb.org/what-we-do/about-the-compendium-of-standards/key_standards/).

Members of the FSB agreed to implement the main international standards and codes (Table 2) as well as be subject to peer reviews. The International Monetary Fund (IMF) and World Bank had initiated the work on these standards and codes already in the 1990s, but they were substantially revised and extended to address the gaps and insufficiencies identified during the global financial crisis.<sup>30</sup> Most of the international standards and codes are widely adopted and implemented. There are many different international organisations involved in the standard setting and the design of the codes, which all have different members and governance systems.

Table 3: Jurisdictions represented in selected international bodies (2018).

Area	G20	FSB	BCBS	IOSCO	IAIS	CPMI
Asia	5	7	7	20	22	6
European Union	5	7	10	28	28	8
Other Europe	1	2	2	17	18	2
Africa	1	1	1	17	25	1
Middle East	2	2	2	11	12	2
North America	2	2	2	3	3	2
South America	3	3	3	21	24	2
Oceania	1	1	1	2	4	1
Other (international institutions)	0	0	0	0	6	0
<b>Total</b>	<b>20</b>	<b>25</b>	<b>28</b>	<b>119</b>	<b>142</b>	<b>24</b>

Note: The table shows the number of unique jurisdictions represented in the organisation as well as multilateral organisations such as the European Union. Indeed, when a country has more than one supervisor represented it counts as one.

Source: Authors' elaborations based on G20, FSB, BIS, IAIS and IOSCO (2018).

Despite the increased presence of Asian countries in the global financial markets, the EU and its member states have the same or more representatives in the international standard setting bodies (Table 3). The membership of most international bodies is unweighted, i.e., every country<sup>31</sup> has the same voting power. In most of the international bodies, the EU is represented by both several or all member states and one or more EU-level representatives. However, the EU and its member states often do not speak with one voice in these

<sup>30</sup> IMF, "Standards and Codes: The Role of the IMF," Washington, 2017, <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/25/Standards-and-Codes>.

<sup>31</sup> In most of the sectoral bodies countries are represented by their financial authorities instead of the governments (BCBS, IAIS, IOSCO, etc.).

bodies.<sup>32</sup> The membership of some of the organisations, such as the G20, FSB and BCBS, is restricted to the main economies or financial markets, whereas others such as IAIS and IOSCO are in principle open to all countries. In the international bodies with restricted membership, the EU and Asia often, combined, represent half or more of the representatives, while in the other bodies with a more open membership—where more developing countries are represented—they account only for a large minority of the members.

Membership of the various international bodies is important to be able to contribute to the standards and codes. Most of the standards and codes agreed in the international bodies are not just applied in the member jurisdictions. For example, the bank capital rules agreed in the Basel Committee are applied in more than 80 non-member jurisdictions, including the large majority of the Asian non-member jurisdictions (Table 4). In most of the cases the standards and codes are set according to how people involved in the standard setting decided based on a “sense of the room”, which is in most cases quite close to unanimity.<sup>33</sup> This, on the one hand, ensures that the not legally binding standards and codes are widely adopted. On the other hand, most of the standards and codes are agreed at a fairly high level, leaving in many cases quite some room for discretion to the national authority responsible for the implementation. Moreover, the enforcement mechanisms are also relatively weak with regard to peer-review mechanisms. Enforcement mechanisms are important because of the discretion allowed and the temptation of national regulators to defend national interests.<sup>34</sup>

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<sup>32</sup> Wright, “International Regulatory and Supervisory Challenges in a Fragmented World”.

<sup>33</sup> Wright, “International Regulatory and Supervisory Challenges in a Fragmented World”.

<sup>34</sup> A-M. Slaughter, *A New World Order* (Princeton: Princeton University Press, 2009).

Table 4: Jurisdictions adopting Basel III bank capital rules (2015).

Area	BCBS members	Non-BCBS members	
	Adopting*	Adopting*	Not-adopting**
Asia	7	13	2
European Union	9 (+19***)	0	0
Other Europe	2	15	2
Africa	1	19	6
Middle East	2	8	0
North America	2	1	0
South America	3	22	5
Oceania	1	3	1
<b>Total</b>	<b>27 (+19***)</b>	<b>81</b>	<b>16</b>

Notes: \*Jurisdictions are considered as adopting Basel III when they have indicated in 2015 that they are in the process of adopting or have actually adopted at least part of Basel III.

\*\*Not-adopting considers the sixteen countries that were included in the Financial Stability Institute (FSI) survey but indicated that they were not in the process of adopting at least part of Basel III.

\*\*\*The EU is representing all the 28 EU member states in the Basel Committee (BCBS). Additionally, there are 9 EU member states that are also individual member of BCBS.

Source: Authors' elaborations based on FSI.<sup>35</sup>

## EU-ASIA BILATERAL RELATIONS

Countries can agree bilaterally to go beyond the standards and codes agreed at the international level. The EU and individual Asian countries cooperate in the field of financial services in at least three additional forms: (i) countries can agree that financial service providers are allowed to conduct cross-border activities without prior authorisation of the host supervisor, (ii) coordinate actions in supervision and resolution of financial institutions, and (iii) technical assistance and regulatory dialogues to support the adoption of international standards and codes.

The EU allows mutual access of financial institutions and services through equivalence. In most cases it considers prudential legislation, but in some cases it also concerns activities such as investment firms operating under Markets in Financial Instruments Directive II (MiFIDII). A system is considered equivalent when the outcomes of the rules and supervision are the same and there is reciprocity. The assessment covers, besides the effectiveness of the legislation

<sup>35</sup> FSI, "FSI Survey: Basel II, 2.5 and III Implementation," Basel, 2015, <https://www.bis.org/fsi/fsiop2015.pdf>.

and supervision, potential market size, interconnectedness and external policies, and, in some cases, also anti-money laundering regimes, compliance with the OECD tax standards and difficulties for establishment of EU institutions in the third country (i.e., country not part of the EU or European economic area). The European Commission conducts the equivalence assessment at the demand of the third country. The decision on equivalence is, however, entirely up to the European Commission, which can also amend or repeal the decision at any moment.<sup>36</sup> The European Commission itself has indicated that there is a need for more coherence in the equivalence decisions.<sup>37</sup>

Only part of the EU financial service legislation has provisions for third-country financial institutions to conduct activities cross-border without authorization (like passporting) or at least less stringent requirements (exemptions) in the host country. In fact, in 15 of the 40 pieces of legislation adopted after the crisis there are equivalence provisions. As of January 2018, the European Commission has adopted 276 equivalence decisions with 35 countries, of which 88 decisions were with 10 Asian countries. Most of the Asian equivalence findings are with Japan and Singapore. The other equivalence decisions involve other large Asian economies and financial centres: China, Hong Kong, India, Indonesia, Malaysia, South Korea, Taiwan, and Thailand. The decisions cover mainly banks, credit rating agencies, central counterparties, accounting standards as well as some exemptions for central banks and public bodies under various legislations.<sup>38</sup>

In order to conduct activities in other countries, the EU and Asian financial institutions not covered by the equivalence decisions require the authorisation of the local authorities. Asian financial institutions can freely acquire authorisation in EU member states. After receiving authorisation in a single EU member state the financial institution can also provide services in other member states. In contrast, the EU financial institutions need an

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<sup>36</sup> For example, when the third-country system no longer meets the conditions or when the decision is time-bound.

<sup>37</sup> European Commission, "EU equivalence decisions in financial services policy: an assessment. Commission Staff Working Document," Brussels, 27 February 2017, SWD(2017) 102 final (2017), [https://ec.europa.eu/info/sites/info/files/eu-equivalence-decisions-assessment-27022017\\_en.pdf](https://ec.europa.eu/info/sites/info/files/eu-equivalence-decisions-assessment-27022017_en.pdf), 20017.

<sup>38</sup> European Commission, "Equivalence/Adequacy Decisions taken by the European Commission as of 09/01/2018," 2018, [https://ec.europa.eu/info/sites/info/files/overview-table-equivalence-decisions\\_en.pdf](https://ec.europa.eu/info/sites/info/files/overview-table-equivalence-decisions_en.pdf).

authorisation in every single Asian country. Moreover, in some of the Asian countries foreign financial institutions are not allowed to fully control their subsidiaries. For example, in China, India, Indonesia, Malaysia and the Philippines, foreign banks were till recently or are still only allowed to own part of domestic banks.<sup>39</sup>

Table 5: Global Systemically Important Financial Institutions (G-SIFIs, Sept-2017).

	Banks (G-SIBs)	Insurers (G-SIIs)	Total	
	NR	NR	NR	%
<b>Asia</b>	<b>7</b>	<b>1</b>	<b>8</b>	<b>21%</b>
China	4	1	5	13%
Japan	3	0	3	8%
<b>Europe</b>	<b>15</b>	<b>5</b>	<b>20</b>	<b>51%</b>
European Union	13	5	18	46%
of which United Kingdom	5	2	7	18%
Switzerland	2	0	2	5%
<b>North America</b>	<b>8</b>	<b>3</b>	<b>11</b>	<b>28%</b>
Canada	1	0	1	3%
United States	7	3	10	26%
Total	30	9	39	100%

Source: Authors' elaborations based on FSB.<sup>40</sup>

There are many financial institutions that operate in multiple countries. These institutions, such as banks, may constitute a potential risk for financial stability in different countries. In order to limit the risk there is a need for international coordination between supervisors and resolution authorities. Supervisory colleges and crisis management groups (G-SIFIs) bring together the competent authorities in the home and key host countries to exchange information as well as prepare and coordinate their actions. The majority of the global systemically important financial institutions are based in the EU (18 banks and insurers) and Asia (8 banks and insurers) (Table 5). The colleges and crisis management groups are supported with cross-border cooperation

<sup>39</sup> M. Cihak, A. Demirguc-Kunt, M. S. Martinez Peria, and A. Mohseni-Cheraghloou, "Bank regulation and supervision around the world: a crisis update," Washington: World Bank Policy Research Working Paper 6286 (2012), <http://go.worldbank.org/SNUSW978P0>.

<sup>40</sup> FSB, "2016 list of global systemically important insurers (G-SIIs)" (Basel, 2016), <http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-insurers-G-SIIs.pdf>; FSB, "2017 list of global systemically important banks (G-SIBs)," Basel, 2017, <http://www.fsb.org/wp-content/uploads/P211117-1.pdf>.

agreements and Memoranda of Understanding (MoUs). The MoUs between authorities can also be supportive to the equivalence decisions. The agreements between supervisory and resolution authorities in practice, however, often provide insufficient certainty to avoid authorities acting in their own interest in crisis situations.<sup>41</sup>

The EU invests extensively in its bilateral relations, which includes regulatory dialogues on financial regulation with important economic partners, including Asian G20 economies (Japan, China and India). The European Commission as well as the governments of the individual EU member states hold regular high-level meetings on financial services regulation to discuss various issues, including on international standards, the coordination of the G20 roadmap implementation and cross-border provisioning of financial services.<sup>42</sup> These dialogues often take place at the political level, sometimes in the context of broader free trade agreement negotiations (e.g., Thailand, Indonesia, Korea, Malaysia, the Philippines and Singapore), but also between financial authorities. For example, the ECB has signed MoUs with the central banks of China and India in which policy dialogues and joint work programmes are foreseen.

Since 2016, regulators from the EU and the Asia-Pacific region hold an annual EU-Asia Pacific Forum on Financial Regulation. As was mentioned by Commissioner Dombrovskis:<sup>43</sup> “With this forum, we want to work with you towards mutual recognition of rules and a shared vision for growth and financial integration.” For those third-country jurisdictions holding regulatory dialogues with the EU such as Japan, China and Southeast Asian countries, these fora offer an opportunity to discuss difficulties and further enhance understanding.<sup>44</sup>

Moreover, there is a role for the EU development policies, which lumped together with those of the individual EU member states also play an important role in supporting developing and emerging countries with the development of their local financial market through technical assistance.<sup>45</sup>

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<sup>41</sup> W. P. De Groen, “The different legal and operational structures of banking groups in the euro area and their impact on banks’ resolvability” (Brussels: European Parliament, 2016), [http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/587378/IPOL\\_IDA%282016%29587378\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/587378/IPOL_IDA%282016%29587378_EN.pdf).

<sup>42</sup> Wright, “International Regulatory and Supervisory Challenges in a Fragmented World”.

<sup>43</sup> V. Dombrovskis, “VP Dombrovskis Opening Keynote”.

<sup>44</sup> European Commission, “EU equivalence decisions in financial services policy”.

<sup>45</sup> Wright, “International Regulatory and Supervisory Challenges in a Fragmented World”.

Although both the EU and the Asian countries agree on the liberalisation of the market for financial services, there are different views on the extent and speed at which the markets should be liberalised. The Asian countries would like a more conservative and gradual approach towards market liberalisation to avoid financial instability due to contagion risks.<sup>46</sup>

## CONCLUSION AND POLICY RECOMMENDATIONS

To conclude, there are divergent views on multilateral cooperation in Asia and the EU. The Asian view on multilateralism is primarily relations-oriented, whereas the EU is more rules-oriented. This general difference in approach towards multilateral cooperation is reflected in both the internal and external cooperation in the area of financial services of the EU and the Asian countries. The Asian cooperation mostly consists of non-binding commitments, whereas the EU's consists of powerful enforceable international regimes.

Although the most important international standards and codes are implemented across Asia and the EU, this does not mean that the rules and enforcement are the same. There is variance in the implementation of the standards and codes, which means that the EU and Asian countries cannot just rely on subscription to the standards and codes for mutual recognition.

The Asian countries have tackled this with several joint initiatives focused on the development of local currency bond markets and to a lesser extent on other capital markets, banking and insurance. In turn, co-operation at the EU level is more intrusive with the same or similar regulations, with limited discretion for national legislators in the implementation. Moreover, the financial institutions authorised in one EU member state can conduct activities in other EU member states without additional authorisation.

The EU equivalence provisions allow non-EU financial institutions of equivalent regimes to obtain direct access or under less stringent conditions and visa-versa. The provisions are, however, limited in scope and equivalence decisions are currently only covering the major economies and financial centres in Asia. Most of the financial institutions will therefore be authorised locally to provide financial services. In particular, in some Asian countries there are still restrictions in place limiting the possibilities for EU financial

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<sup>46</sup> A. C. Robles, "EU Trade in Financial Services with ASEAN, Policy Coherence for Development and Financial Crisis," *Journal of Common Market Studies* 52(6) (2014):1324-1341.

institutions to establish themselves in the markets. The Asian financial institutions will require authorisation in at least one EU member state to conduct activities in the entire EU. The cross-border activities require cross-border cooperation between authorities in supervisory colleges and crisis management groups to address systemic risk.

Despite all these forms of cooperation, there is still ample room for further integration in the area of financial services. Most notably, strengthening of the enforcement mechanisms for international regimes, broadening of the EU equivalence regime as well as liberalisation and privatisation of the financial services sectors such as banking in Asian countries where this is not already the case. These measures should be designed and implemented in such a manner that ensures financial stability in both the EU and Asia.

Although both the EU and the Asian countries included in RCEP have agreed on integration, there are divergent views on the scope and speed at which the convergence should take place. Technical assistance and policy dialogues will continue to be important to contribute to this, especially in developing and emerging countries. But more might be required to ensure the full commitment of both the EU and Asian countries in this process. In particular, fairer representation in international bodies such as FSB and BCBS could contribute to this.

**Willem Pieter de Groen** is Research Fellow and Head of the Financial Markets and Institutions Unit at the Centre for European Policy Studies (CEPS), Brussels, Belgium; Associate Researcher at International Research Centre on Cooperative Finance (IRCCF) of HEC Montréal, Montreal, Canada; and doctoral student at Tilburg University, Tilburg, The Netherlands.

**Bas Hooijmaaijers** is Assistant Professor and Chenhui Research Fellow at the School of Advanced International and Area Studies, East China Normal University, Shanghai, China; Free Research Associate, Leuven International and European Studies Institute, KU Leuven, Leuven, Belgium; Assistant Director Mr. & Mrs. S.H. Wong Center for the Study of Multinational Corporations (Wong MNC Center), California, United States.

# Geopolitical Cooperation with East Asia At Work

*Michael Reiterer*

The 2016 Global Strategy of the European Union (EUGS)<sup>1</sup> advocates that the Union strengthen its coordination and unity in order to meet the challenges inside and outside the Union. The Union has had no option but to expand and deepen its international engagement.

Thus, “the Global Strategy’s push for a European Union of security and defence, in complementarity with NATO and all our partners, anticipated the debate on the military burden sharing across the Atlantic. In a moment when the crucial role of the United Nations’ system, the importance of development cooperation, or the reality of climate change is put into question, the Global Strategy has been a reminder of the European Union’s strategic interest in a cooperative world order.”<sup>2</sup>

The nexus of internal and external security plays a particularly important role, not only in the immediate neighbourhood but specifically in relation to Asia, which is of importance for the European Union (EU) whether measured in trade, investment or geopolitics:

There is a direct connection between European prosperity and Asian security. In light of the economic weight that Asia represents for the EU—and vice versa—peace and stability in Asia are a prerequisite for

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<sup>1</sup> *A Global Strategy for the European Union’s Foreign And Security Policy* (2016), [https://eeas.europa.eu/archives/docs/top\\_stories/pdf/eugs\\_review\\_web.pdf](https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf).

<sup>2</sup> European External Action Service (2017), “From Shared Vision to Common Action: Implementing the EU Global Strategy—Year 1,” Federica Mogherini, foreword, p. 6, <http://europa.eu/globalstrategy/en/implementing-eu-global-strategy-year-1>. See also Michael Reiterer (2017), “Die Globale Strategie der Europäischen Union—den Visionen Taten folgen lassen,” *Integration*, Nr. 1/2017.

our prosperity. We will deepen economic diplomacy and scale up our security role in Asia.<sup>3</sup>

The EU is a very important economic actor in Asia. The EU is China's biggest trading partner, the third largest for Japan and the fourth most important export destination for South Korea. The EU is the largest investor in Asia—China, Japan, South Korea and India account for one quarter of total EU external trade (2016). If you take into account, it is only natural that the EUGS highlights that European prosperity and Asian peace and stability are closely intertwined. The nexus between economy and security as well as between development and security brings the EU closer to the Asia-Pacific than public opinion either in Europe or Asia has so far recognized.

There is, however, a new element which changed this perception dramatically: The nuclear and missiles crises on the Korean Peninsula, for example, the disrespect by the Democratic People's Republic of Korea (DPRK) for international law, its missiles and nuclear tests, and the verbal threats exchanged between North Korean leader Kim Jong-un and United States (US) President Donald Trump, have thrust Asian security onto front pages and therefore on the minds of many, raising awareness not only in the international media but also among policymakers.

United Nation Secretary-General (UNSG) Antonio Guterres warned that “for the first time since the end of the Cold War we are now facing a nuclear threat.”<sup>4</sup>

*The Economist*, not known for hot-blooded comments or panic statements, sounded the alarm bells:

The pressing danger is of war on the Korean peninsula, perhaps this year. Donald Trump has vowed to prevent Kim Jong Un, North Korea's leader, from being able to strike America with nuclear-armed ballistic missiles, a capability that recent tests suggest he may have within months, if not already. Among many contingency plans, the Pentagon is considering a disabling pre-emptive strike against the North's nuclear

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<sup>3</sup> EUGS, p. 37. See also Michael Reiterer (2016), “Regional Security Architecture in the Asia-Pacific: What Role for the European Union?,” The ASAN Forum, Special Forum: Urgent Call for a Common Agenda between Europe and Asia, 30 June 2016, <http://www.theasanforum.org/regional-security-architecture-in-the-asia-pacific-what-role-for-the-eu/>.

<sup>4</sup> “World At Risk Of ‘Nuclear Confrontation,’ UN Chief Warns,” Radio Free Europe, 16 February 2018, <https://www.rferl.org/a/un-guterres-world-at-risk-of-nuclear-confrontation-cold-war/29044113.html>.

sites. Despite low confidence in the success of such a strike, it must be prepared to carry out the president's order should he give it.<sup>5</sup>

This sombre assessment was echoed in the 2018 Security Report by the Munich Security Conference:

Trump vowed to respond to North Korean threats with “fire and fury like the world has never seen.” But if neither deterrence nor diplomacy are seen as viable approaches by the administration that has stressed it would never accept a nuclear-armed North Korea, a military option becomes more likely. US National Security Advisor H.R. McMaster recently argued that the risk of war with North Korea was “increasing every day.”<sup>6</sup>

Likewise the Preventive Priorities Survey 2018 of the Council on Foreign Relations<sup>7</sup> maintained a “military conflict involving the United States, North Korea and its neighbouring countries” in Tier I, the highest of three tiers, with high impacts on US interests, while the likelihood is judged as moderate.

## **THE EU'S POLICY OF “CRITICAL ENGAGEMENT”**

These developments have pushed the EU out of its comfort zone: Simply following other major players by rapidly implementing UN Security Council and autonomous sanctions at a new-found speed will not be enough. The North Korean nuclear and missile programme brings with it a legacy of thirty years of efforts to prevent and stall it.

The EU supported implementation of the 1994 Agreed Framework through financial contributions to the Korean Energy Development Organisation (KEDO) project, a failed attempt to trade off a plutonium-producing plant for less-proliferation-prone light water reactors.

The successive implementation of sanctions in the crises that have ensued since 2006 has not prevented North Korea from acquiring technology and materials to develop long-range missiles and nuclear weapons. The Six Party

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<sup>5</sup> *The Economist*, “The next war,” 27 January 2018 (leader; online edition).

<sup>6</sup> Munich Security Report 2018, “To the Brink—and Back?,” <https://www.securityconference.de/en/discussion/munich-security-report/munich-security-report-2018/>.

<sup>7</sup> Paul B. Stares (2017), “Preventive Priorities Survey 2018,” Council on Foreign Relations/Center for Preventive Action, Washington.

Talks and the 2005 September Agreement presented the hope of a multilateral solution, but this soon evaporated.

The Trump Administration formally ended the Obama doctrine of *strategic patience*, at least in name, and is applying a policy of *maximum pressure*. This doctrine is being implemented with mixed or confusing signals emanating from different parts of the Administration: National Security Council officials lean towards a more hardline approach, speaking about including military options (such as pre-emptive or preventive strikes, bloody nose), while the State Department, supported by the Pentagon, prioritises a diplomatic solution with military preparedness as a strong supportive tool. The recent change in the leadership of both institutions will certainly change the dynamics.

Preserving peace on the peninsula and avoiding another war, including the horrors of nuclear or conventional attacks on the metropolis of Seoul, is the priority of the South Koreans and their President, Moon Jae-in. This goal is shared by the EU, which advocates a diplomatic solution as the only viable one while supporting maximum pressure on the regime.

This EU commitment finds its expression in its policy of “Critical Engagement”.<sup>8</sup> The EU can play a constructive role, especially in assisting in setting up and accompanying negotiating processes which are crisis prone and need long-term management.

The Olympics charm offensive by the North, drawing diligently on the Olympic Truce, has been taken up by the Republic of Korea, and now apparently by the US, as a chance to re-establish dialogue—irrespective of whether the North is pursuing the charm offensive out of tactical calculation or because sanctions are hurting.

Therefore the EU supported<sup>9</sup> quickly the latest twist in the crisis cycle, which reminds one of the swine circle in economics: More or less out of the blue, or rather “white” as it happened in the White House in Washington, President Trump accepted a summit with North Korean leader Kim Jong-un when being debriefed by South Korean envoys about their what appears to

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<sup>8</sup> “Council Conclusions on the Democratic People’s Republic of Korea,” 17 July 2017, <http://www.consilium.europa.eu/en/press/press-releases/2017/07/17/conclusions-korea/>.

<sup>9</sup> “Speech by High Representative/Vice-President Federica Mogherini at the European Parliament plenary session on peace prospects for the Korean Peninsula in the light of recent developments,” 13 March 2018, [https://eeas.europa.eu/headquarters/headquarters-homepage/41269/speech-high-representativevice-president-federica-mogherini-european-parliament-plenary\\_me](https://eeas.europa.eu/headquarters/headquarters-homepage/41269/speech-high-representativevice-president-federica-mogherini-european-parliament-plenary_me).

have been a successful counter-visit to Pyongyang. After sports diplomacy<sup>10</sup> at the highest level—the de facto head of state of the DPRK, Kim Yong-nam, and the sister of the leader, Kim Yo-yung, led the North Korean delegation to the PyeongChang Olympics as part of a well-orchestrated charm offensive—the special envoys of President Moon received a warm reception and most importantly the message that in addition to a bilateral intra-Korea summit in April, a summit with President Trump would be acceptable to discuss the denuclearisation of the peninsula, while voicing for the first time understanding for the joint-US-Korean drills; plus the assurance to refrain from testing during talks.

As everybody was taken by surprise, it is at the time of writing too early to guess about outcomes. However, the third inner-Korean summit on 27 April 2018—certainly a success in terms of symbolism—laid the groundwork for the US-DPRK summit. High-level contacts between the two parties, like the secret visit of then CIA director Pompeo to meet Chairman Kim in Pyeongyang to prepare the summit, add a dose of optimism. This needs, however, a counter-dose of realism: previous summits in 2000 and 2007 produced optimistic declarations which failed during implementation. Furthermore, the definition and nature of the core problem, “denuclearisation”, remains open and bridgeable at best, antagonistic and unbridgeable at worst. Summitry had picked up when Kim Jon-un paid a surprise visit to President Xi in March 2018 in an effort to strengthen his bargaining position for the upcoming summits and to take out a Chinese insurance policy in case of failure.

Helping to keep the main protagonists, the DPRK and the US, at the negotiating table could be a task for the EU to crack, especially if the talks run into (inevitable) difficulties. The EU’s experiences from the Balkans, Aceh, and Mindanao and in facilitating the agreement with Iran are best-practice examples to draw on.

President Moon sent a special envoy to Brussels soon after his election victory to express his interest in looking at lessons that could be learned from the EU’s experience in keeping the main protagonists at the table during the negotiations that led to the Joint Comprehensive Plan of Action (JCPOA) with Iran. In drawing on the experience with the latter, verification of any agreement on denuclearisation will be crucial—an area where the EU

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<sup>10</sup> Michael Reiterer (2018), “Make sport, not war,” <http://www.korea.net/NewsFocus/Column/view?articleId=154410>.

could be helpful, also in cooperation with the International Atomic Energy Organisation.

EU leaders are now far more focussed on the Korean peninsula than was the case just a few years ago. The issue is regularly discussed by Foreign Ministers, including their informal “*Gymnich*” meeting, and included in Council Conclusions. South Korean Foreign Minister Kang Kyung-wha joined the 19 March 2018 Foreign Affairs Council upon invitation by High Representative/Vice-President Federica Mogherini for a direct interaction with her European counterparts. This had been preceded by an unusual visit of North Korean Foreign Minister Ri Yong-ho to Sweden,<sup>11</sup> which represents not only the US in consular matters in the DPRK but has also been particularly active in track 2 and track 1.5 activities.

This is testimony to a new policy awareness of the EU in highlighting the concern and the importance attached to this hotspot. It is clearly understood that a major crisis would have severe repercussions on Europe. Just one economic example of this would be the fact that South Korea is the main source of semiconductors for the global IT industry. A crisis on the peninsula would immediately have worldwide consequences. Indeed, when China imposed de facto sanctions on South Korea because of the deployment of the US THAAD anti-missile system, it continued nevertheless importing semiconductors, and even in increased quantities, as production lines resist to a certain degree political tensions.

The crisis on the Korean peninsula is not the only issue bringing Asian security issues onto European front pages and the desks of policymakers. In addition, there are concerns about the security situation in the South China Sea<sup>12</sup> and the piracy problems in Asia and at the Horn of Africa—the vital sea-link between Asia and Europe.

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<sup>11</sup> Reuters (17 March 2018), “Sweden, North Korea talks end, may help pave way for Trump-Kim encounter,” <https://uk.reuters.com/article/uk-northkorea-missiles-sweden/sweden-north-korea-talks-end-may-help-pave-way-for-trump-kim-encounter-idUKKCN1GT0M3>.

<sup>12</sup> “Declaration by the High Representative on behalf of the EU on Recent Developments in the South China Sea,” 11 March 2016, <http://www.consilium.europa.eu/en/press/press-releases/2016/03/11/hr-declaration-on-bealf-of-eu-recent-developments-south-china-sea/>. “Declaration by the High Representative on behalf of the EU on the Award rendered in the Arbitration between the Republic of the Philippines and the People’s Republic of China,” 15 July 2016, <http://www.consilium.europa.eu/en/press/press-releases/2016/07/15-south-china-sea-arbitration/>.

## GEONOMICS AT WORK

Trade and economics are part of the great-power competition in the region. As the largest market in the world the EU is strongly involved in competition with China, Japan and the US. In the Asian region the European Union is a late comer to the free trade talks, having banked on the World Trade Organisation (WTO) and the completion of the Doha Round longer than others. However, the EU has had to change gears: While a region-to-region EU-Association of South East Asian Nations (ASEAN) free trade agreement (FTA) had to be put on temporary hold, the EU concluded a comprehensive FTA with South Korea and with one ASEAN member, Singapore. Negotiations are underway with India, Malaysia, Thailand, Vietnam, Australia and New Zealand. These FTAs will be complemented by political cooperation agreements. In addition, the recent de facto conclusion of a FTA/Economic Partnership Agreement and a Strategic Partnership Agreement with Japan has a strong economic security element. It also underlines the attachment of the EU and Japan to the multilateral trading system and liberal order, which is itself an important policy statement.

The EU stands by South Korea and the seven-year-old FTA which has increased trade in both directions. This stands in contrast to the US, which is renegotiating after heavy pressure the bilateral United States-Korea Free Trade Agreement (KORUS FTA), the so-called “worst deal ever”, according to the mercantilist attitude of President Trump.

Further engaging with China to keep it within its professed attachment to the liberal order has become a major policy challenge; again *The Economist* put it succinctly on the cover of its 3 March 2018 edition: “How the West got China wrong”. President Xi, now allowed life-long “re-election”, has put China clearly on a course to implement the two centennial goals—2021 “moderately prosperous society” to commemorate the founding of the Party; 2049 “fully developed nation” to honour the founding of the People’s Republic—which will make it an established global player in political and economic terms. Its rise will make it necessary to find a new equilibrium in the international system.

For instance, China and the EU have agreed to negotiate a bilateral investment agreement. The EU has a vital interest in ensuring the compatibility of an emerging network of bi-, pluri- and inter-regional agreements with international trade rules and to work with all partners to assure open regionalism.

The Belt and Road Initiative (BRI) is in this context a tool to strengthen China's grip on the Eurasian continent in re-establishing and modernising traditional trade routes, and also for political purposes. On the one hand, this challenges Russia, which regards former Soviet republics in Central Asia as still being in its sphere of influence. On the other hand, this is a challenge for the EU, not only in terms of Central Asia but also in terms of candidate and member states which are part of BRI.

The Global Strategy proposed to strengthen Europe's relations with a „connected Asia.“ Therefore, there is a need to develop a way to upgrade connectivity between Asia and Europe in a sustainable and rules-based way. A policy paper in the form of a Joint Communication to determine the EU's approach to connectivity is under preparation for 2018. It takes a broad view on connectivity—transport infrastructure and services by land, sea and air, digital and energy links, as well as people-to-people contacts. While China focuses on infrastructure, the EU's objective will be to enhance the governance of Euro-Asian connectivity and help meet the sizeable financing gap, while ensuring the sustainability of the projects and a level playing field for EU businesses. There is also a strong political and security component, thereby accentuating the need to maintain EU solidarity in terms of infrastructure in general and transport and energy in particular. Strings attached to financing BRI projects or the threat of being excluded from the scheme has already impacted the attitude of some EU Member States and affected their domestic politics.

There are also strong voices advocating the vetting of Chinese investments in the EU beyond infrastructure, including from a national security angle—investments in the solar industry or accumulating large shares in the European automotive industry are just two examples of many.<sup>13</sup>

## **GEPOLICIES TO FOLLOW**

This volatility in Asia is further enhanced by the uncertainty about the future distribution of power between the US and an aspiring China (Thucydides trap), the legacies of the past nourishing the competitive nationalisms in China, Japan and South Korea, the lack of a viable regional security architecture as

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<sup>13</sup> European Parliamentary Research Service (2018), “EU framework for FDI screening,” <http://www.europarl.europa.eu/EPRS/EPRS-Briefing-614667-EU-framework-FDI-screening-FINAL.pdf>.

evidenced by the various maritime disputes, the uncertainty caused by the largely non-transparent rise of Chinese military expenditure, and the US's answer to China's rise in abandoning Obama's pivot as well as its economic leg, the Trans-Pacific Partnership (TPP). Stepping in, the abandoned eleven partners continued talks and succeeded in signing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP),<sup>14</sup> taking their economic and political interests into their own hands and hedging against China.

The US's replacement policy is not clear yet. It ranges from strengthening the hub and spoke alliance system on the one hand, while sending mixed signals to China on the other hand, ranging from political cooperation to reining in the DPRK to threatening a trade war, resulting in repercussions on many allies, including the EU. Combined with the above-mentioned political brinksmanship of the DPRK leadership and its preparation for the final steps in developing a nuclear and missile capacity, the South China Sea island building occasionally challenged by freedom of navigation operations (FONOPs) and finally—looming in the background—the unresolved issue of Taiwan—all of these issues demand multilateral diplomatic efforts in order to maintain peace.

As the US and China are in the process of re-evaluating their relationship, Russia is trying a comeback to the international scene by cooperating with China in areas where their interests merge. India is cozying up to the US while trying to establish itself as a regional power.

Within this context, the relative influence of Europe has diminished while the influence of Asia in global governance has increased. China is the Asian permanent member in the UN Security Council; India and Japan have ambitions for a permanent seat; the EU will lose a seat with BREXIT. Asian membership in the Organisation for Economic Co-operation and Development (OECD) has increased: Japan is no longer the only Asian member (1964), but has been joined by Australia (1971), New Zealand (1973) and South Korea (1996). It is the same in the G20: while Japan was the sole Asian representative in the G7, China, India, South Korea, and Indonesia have joined Japan in the G20; South Korea was the first Asian country to host a G20 summit, in 2010, before Japan and China followed, as well as the first Asian country to host a Nuclear Security Summit, in 2012.

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<sup>14</sup> Matthew P. Goodman (2018), "From TPP to CPTPP," CSIS, 8 March 2018, <https://www.csis.org/analysis/tpp-cptpp>.

The EU is, in turn, entertaining strategic partnerships with middle powers like South Korea and Japan and enhancing relations with Australia.

The relationship with India is getting back on track as shown by the successful and substantive EU-India Summit in October 2017. A dedicated India Strategy (Joint Communication and Council Conclusions) is under preparation for adoption in 2018. It will lay out the policy for an effective long-term engagement with India. This will help the EU to strengthen its engagement in the Indian Ocean, the strategically important transport connection between Asia and Europe. Furthermore, the concept of the “Indo-Pacific” got traction recently through the Trump Administration, not least as a means to counter China’s BRI initiative, which is focused on the Asia-Pacific. The US, India, Japan and Australia (Quad) floated the idea of a “Free and Open Indo-Pacific Strategy based on respect for freedom of navigation on the seas, observance of the rule of law, and support for inclusive economic cooperation,” potentially supported by means to “fund infrastructure projects across the Indo-Pacific and as far afield as African states bordering the Indian Ocean.”<sup>15</sup>

Sharing the Eurasian continent and the improved connectivity that might come about through the improved infrastructure envisaged by the BRI demands a rethinking about the holistic approach of the EU Neighbourhood Policy, the Central Asia Strategy and the relationship with Russia. Realists thinking in zones of influence could re-erect the fences of the past which disappeared almost thirty years ago.

In working towards establishing a “strategic partnership” with ASEAN<sup>16</sup> the EU supports another expression of multilateralism and a rules-based approach to international relations. As a longstanding member of the ASEAN Regional Forum (ARF), the EU participates in the, so far, most important security forum in Asia, but change is in the making: While contributing to strengthening the ASEAN approach to regional integration and organisation, the East Asian Summit as well as the system around it (ministerial meetings, including ASEAN Defence Ministers Meeting-Plus [ADMM+]) command

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<sup>15</sup> Alan Chong and Wu Shang-su (2018), “‘Indo-Pacific’ vs ‘Asia-Pacific’: Contending Visions?,” RSIS Commentary, no. 34, 28 February 2018. See also Eva Pejsova (2018), “The Indo-Pacific—A passage to Europe?,” EUISS Brief March 2018, <https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%203%20The%20Indo-Pacific.pdf>.

<sup>16</sup> “The EU and ASEAN: a partnership with a strategic purpose,” Joint Communication to the European Parliament and the Council, JOIN(2015) 22 final, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=JOIN:2015:22:FIN&from=EN>.

attention as this system furthered by ASEAN potentially plays a larger role in security policy. It complements the ARF, which is on the level of foreign ministers, through a meeting of heads of state or government.<sup>17</sup> As part of the celebration of 40 years of EU-ASEAN cooperation, President Tusk was invited in 2017 as guest of the chair (Philippines), and efforts are underway to maintain this model with Singapore in 2018, as this country will also be in charge of EU-ASEAN relations. ASEAN's problem-solving capacity is being tested again: In Myanmar the treatment of Rohingyas is a very serious problem. The EU has been strongly involved in and supported the democratic transition in the country. However, the serious human rights violations creating a dramatic outflow of nearly 700,000 refugees to Bangladesh are destabilising the sub-region and endangering the success of an ambitious democracy-building project of the EU. The EU Foreign Affairs Council took a clear position in its Council conclusions on Myanmar/Burma of 26 February 2018: "The Council condemns ongoing widespread, systematic grave human rights violations committed by Myanmar/Burma military and security forces, including rape and killings. It also reiterates its condemnation of attacks by the Arakan Rohingya Salvation Army (ARSA) and other militant groups."<sup>18</sup> Nevertheless, the fourth Myanmar-EU Human Rights Dialogue was held in Nay Pyi Taw on 5 March 2018, where the Myanmar authorities explained their views in response to the concern voiced by the Council.<sup>19</sup>

A regional rules-based framework would be a stabilising factor much needed in the present circumstances in Asia. Drawing on the EU's recognised experience, its success as an economic power and extensive experience in non-traditional security could contribute not only to the stability of the region but also beyond, as topics like cyber security, water, arable land, climate change, counter-terrorism or implementing the Maritime Security Strategy and its Work Plan, to name just a few examples, would have an impact beyond the region.

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<sup>17</sup> Asia Policy Institute (2017), "Preserving the Long Peace in Asia. The Institutional Building Blocks of Long-Term Regional Security."

<sup>18</sup> "Council conclusions on Myanmar/Burma 6418/18," 26 February 2018, <http://data.consilium.europa.eu/doc/document/ST-6418-2018-INIT/en/pdf>.

<sup>19</sup> "Joint Press Release: Myanmar and the European Union hold 4th Human Rights Dialogue," 5 March 2018, [https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/41089/JOINT%20PRESS%20RELEASE:%20Myanmar%20and%20the%20European%20Union%20hold%204th%20Human%20Rights%20Dialogue](https://eeas.europa.eu/headquarters/headquarters-homepage_en/41089/JOINT%20PRESS%20RELEASE:%20Myanmar%20and%20the%20European%20Union%20hold%204th%20Human%20Rights%20Dialogue).

Recognising the impact of geopolitics, the important roles played by the military in some countries, like the People's Liberation Army (PLA) in China, the evaluation of security (Korean peninsula), and the increasing spending on armaments, the EU is looking into establishing military-to-military contacts, for example, by making use of an additional diplomatic tool through an EU Military Staff which would complement and enhance links between EU Member States' military officers and third powers'. This is in line with the beefing up of security and defence policy<sup>20</sup> within the EU. The Permanent Structured Cooperation (PeSco) agreed in 2016 "against the magnitude of the security challenges Europe is confronted with now"<sup>21</sup> is one of the tools. "PeSco...can generate common public goods also well beyond Europe,"<sup>22</sup> which includes Asia. On 6 March 2018 the Council met for the first time in the PeSco format.<sup>23</sup>

Developing existing strategic partnerships for cooperation not only in the region but also beyond in other continents like Africa and the Middle East could provide shared experiences of a common learning process which in turn could feed back positively into regional cooperation.

In pursuing multilateralism as a guiding principle of the international order a more active engagement based on a common policy by the EU is warranted—in addition to the other multilateral institutions like the WTO, World Bank and International Monetary Fund (IMF). Reforming these organizations to make them more resilient while including new institutions like the Asian Infrastructure Investment Bank to strengthen their multilateral character are in line with the policy of reforming the liberal order on which the present system is built and, important to recall, which has allowed aspiring powers to emerge. Part of this policy has to be the lending of support to regional initiatives like the trilateral cooperation on the Korean peninsula

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<sup>20</sup> Marc Leonard and Marc Rötgen (2018), "A New Beginning for European Defence," ECFR Commentary, 14 February 2018, [http://www.ecfr.eu/article/commentary\\_a\\_new\\_beginning\\_for\\_european\\_defence](http://www.ecfr.eu/article/commentary_a_new_beginning_for_european_defence).

<sup>21</sup> Daniel Flott, Antonio Missiroli and Thierry Tardy (2017), "Permanent Structured Cooperation: What's in a name?," European Institute for Security Studies, Paris, Chaillot Papers Nr. 142, November 2017, p. 53.

<sup>22</sup> *Ibid.*

<sup>23</sup> Foreign Affairs Council (Defence), 6 March 2018, [https://www.parlementairemonitor.nl/9353000/1/j9tvqajcor7dxyk\\_j9vvij5epmj1ey0/vkrmfq1sagadm?ctx=vhshnf7snxu9&tab=1&start\\_tab1=5](https://www.parlementairemonitor.nl/9353000/1/j9tvqajcor7dxyk_j9vvij5epmj1ey0/vkrmfq1sagadm?ctx=vhshnf7snxu9&tab=1&start_tab1=5).

among China, South Korea and Japan, a weak plant requiring sunlight; processes like Northeast Asia Peace and Cooperation Initiative (NAPCI);<sup>24</sup> and the Ulaanbaatar Dialogue for trust building. This includes the Shanghai Cooperation Organisation (SCO) and organisations in South Asia.

As the host of the 2018 ASEM Summit, the EU is interested in valorising the potential of this 22-year-old, 53-participants comprehensive bi-continental dialogue forum. Security and connectivity are two topical issues for discussion in this unique Asia-Europe set-up.

As foreseen, the various dialogue and political and strategic consultation fora<sup>25</sup> and meetings with Asian powers, in particular the ones with the four strategic partners, should serve as the base for a genuine policy dialogue and help to organise meaningful summits. Drawing on its foreign policy box as outlined in the EUGS, the EU and the Member States can enhance the common impact on these fora and influence decisions.

## CONCLUSIONS

Being outside the comfort zone entails the risks that come from standing up for values and interests, as well as the potential to be in conflict with existing policies, priorities and values.<sup>26</sup> However, these are necessary ingredients for the foreign policy of a “grown-up” and will in the end contribute to the credibility of the EU.

The potential for disagreement with China on governance, human rights issues and economic issues is clearly there. Disagreements will also occur with like-minded countries with which the EU is in competition on trade, norms

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<sup>24</sup> Michael Reiterer (2017), “Supporting NAPCI and Trilateral Cooperation: Prospects for Korea-EU Relations,” Istituto Affari Internazionali (IAI), Rome, Working Papers 17/01, January 2017, p. 11, <http://www.iai.it/sites/default/files/iaiw1701.pdf>, as well as in: Nicola Casarini (ed.), “Promoting Security Cooperation and Trust Building in North East Asia—The Role of the European Union,” IAI, Rome, 2017, pp. 183-193.

<sup>25</sup> Nicolò Casarini (2017), “How Can Europe Contribute to Northeast Asia’s Security?,” *The Diplomat*, 21 September 2017, <https://thediplomat.com/2017/09/how-can-europe-contribute-to-northeast-asias-security/>.

<sup>26</sup> Michael Reiterer (2016), “Regional Security Architecture in the Asia-Pacific: What Role for the European Union?,” The ASAN Forum, Special Forum: Urgent Call for a Common Agenda between Europe and Asia, 30 June 2016, <http://www.theasanforum.org/regional-security-architecture-in-the-asia-pacific-what-role-for-the-eu/>.

and standards. These conflicts will have to be solved within a rules-based system, by fostering the rule of law and multilateralism, by stemming the pressures of nationalism and authoritarianism, and by rekindling trust and problem-solving capacity in democratic structures. The EU's credibility will depend on the extent to which it is prepared to stand up for this system in the face of pressure from all partners—mature relationships must be able to bear the brunt of criticism.

Given the budgetary and physical constraints and the importance of dealing like any other major power with its own neighbourhood, the setting of priorities and the attribution of sufficient time and means to them are necessary. Implementing a few priorities<sup>27</sup> on the global level, enriched by bilateral ones, will bring results and credibility as opposed to trying to do everything and to comment on everything.

Finally, I would like to make a strictly personal proposal: While others invest in arms and build artificial islands or other military bases, the EU could bundle its offers to Asia in setting up as a flagship project an “Academy for Diplomacy and the Rule of Law” in Asia and a related fund. Drawing on the professed EU experience within Europe and beyond, it could work with Asian partners to overcome the legacies of the past, build trust and cooperative structures, link experts in establishing networks of networks, foster governance, offer conflict prevention courses, get involved through experts in conflict mediation, and explain civil-military cooperation in post-conflict situations. Thereby the EU could live up to its promises in the sharing of best practices as well as know-how in regional and multilateral cooperation, conflict management and institutions building. Compared to the costs of tensions, arms race, and re-construction after upheavals and wars, this would be a small investment, fully in line with a values-based and comprehensive foreign policy, and would serve as testimony of turning words into deeds.

**Dr. Michael Reiterer**, Adjunct professor for international politics, EU Ambassador to the Republic of Korea, contributes this paper in his private capacity.

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<sup>27</sup> Michael Reiterer (2016), “Asia as part of the EU’s Global Strategy: Reflections on a more strategic approach,” in Olivia Gippner (ed.), *Changing Waters—Towards a new EU-Asia Strategy*, London School of Economics - Dahrendorf Forum, LSE Ideas, Special Report, April 2016, pp. 62-70, <http://www.lse.ac.uk/IDEAS/publications/reports/pdf/Changing-Waters-LSE-IDEAS.pdf>.

# **Searching for Renewed Climate Leadership: The EU, China and India as Engines of Paris Implementation?**

*Dennis Tänzler*

## **1 THE CURRENT STAY OF PLAY OF INTERNATIONAL CLIMATE POLICY AFTER THE PARIS CONFERENCE**

Time is running short for the global community to tackle climate change. Donald Trump's election as United States (US) president and the US's withdrawal from the Paris Agreement has cast a long shadow over international climate cooperation and diplomacy. The world community is looking to the European Union (EU), China or India to help fill the leadership vacuum in international climate politics. But what are the prospects for these players to take the lead and what are pathways for cooperation between the EU on the one hand and China and India on the other? In the following, we describe major current challenges of international climate politics and explore if climate policy ambition, status of Paris Agreement implementation and international engagement in the EU and Asia are likely to maintain the promising momentum of climate diplomacy which was prevalent in the run-up to and during the landmark Paris climate conference in 2015.

### **1.1 From Paris to Bonn—a changing political climate**

Between the signing of the Paris Agreement at Conference of Parties 21 (COP21) in 2015 and the latest climate negotiations in Bonn in November 2017 at COP23, a number of important developments on the international and European stages have created new challenges and opportunities for European climate diplomacy.

In Europe, the US and elsewhere, political candidates, parties and groupings that are more openly defiant or hostile towards international agreements, institutions and trade have experienced greater political success in recent years. This has led to a more difficult multilateral environment and arguably also shrunk the room to manoeuvre for climate diplomacy. A key indicator for this at the international level was the US's announced withdrawal from the Paris Agreement. This does not necessarily mean that the US will fail to deliver on their actual pledge announced in the run-up to Paris: In 2017, fossil fuel-fired electricity generation declined in the United States for the first time since the 2008 financial crisis, as wind and solar reached record shares in the electricity mix, and 6.3 GW of coal-fired capacity was shut down, despite the Trump Administration's attempts to boost coal usage. Renewables and gas are expected to increasingly replace coal in electricity generation. US emissions projections even decreased slightly through the early 2020s according to the most recent Climate Action Tracker calculations.<sup>1</sup> However, the Federal outlook on climate action has not improved, given a set of crucial decisions by the Trump Administration, including the increase in tariffs on imported solar cells, the Environmental Protection Agency (EPA)'s consideration of a new and weaker rule to replace the Clean Power Plan and its plan to weaken fuel efficiency standards for cars and truck.

Against the backdrop of this situation, there are increasing hopes that initiatives like the "We Are Still In" campaign, where at least 21 states have set emission reduction targets, could take a dynamic that helps the US to meet its Nationally Determined Contribution (NDC) commitments. However, the US target under the Paris Agreement would be "insufficient" anyway to limit warming to below 2°C, let alone below 1.5°C. This brings us to another worrying development: the increasing disconnect between the pledges and targets outlined by countries in their NDCs, and the policies, legislation and action being taken by many to drive their overall economic development. The eighth edition of UNEP's *Emissions Gap Report*, released in autumn 2017, warned "that as things stand, even full implementation of current national pledges makes a temperature rise of at least 3 degrees Celsius by 2100 very likely."<sup>2</sup> Equally, climate finance flows still fall significantly short of the US\$100 billion a year target promised in Copenhagen in 2009, and reiterated in Paris,

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<sup>1</sup> Climate Action Tracker, accessed 9 May 2018, <https://climateactiontracker.org/countries/usa/>.

<sup>2</sup> United Nations Environment Programme, *UNEP's Emissions Gap Report* (Nairobi: UNEP, 2017).

let alone the strong call in the Paris Agreement decision text to developed countries to scale up their level of financial support and provide US\$100 billion annually by 2020.

## **1.2 The need for new leadership initiatives and coalitions**

Conversely, the steps taken by some governments, notably the Trump administration, to distance themselves from multilateral institutions and the Paris Agreement have elicited a defiant response from other actors and galvanised new and existing stakeholders, partnerships and coalitions to increase their commitments for more ambitious climate action. Already, a first step in this direction was the establishment of the High-Ambition Coalition in the run-up to Paris Conference 2015 (see below). A prime example today is the “We Are Still In” coalition of American non-federal leaders already mentioned. And there are other ambitious approaches like the Powering Past Coal Coalition, an initiative announced at COP23 in Bonn which aims at promoting rapid decarbonisation processes. More than 20 countries are part of this coalition (including France, Canada, and Mexico), which also brings together a wide range of businesses and civil society organisations that have united for climate protection. Already, one year previously, the Climate Vulnerable Forum (CVF), around 50 of the most vulnerable countries in the world, announced the intention to exit the use of fossil fuels. In addition, there are increasingly ambitious action being taken at city level though initiatives like the Covenant of Mayors for Climate and Energy.

These initiatives have presented European climate diplomacy with a landscape of new and evolving strategic opportunities for building and deepening its cooperation with actors at various governance levels, as well as with non-state actors.

## **2 THE EU SEARCHING FOR PARTNERS TO TAKE THE LEAD ON PARIS AGREEMENT IMPLEMENTATION**

### **2.1 EU climate diplomacy as a pillar for the Paris deal**

The European Union has played the role of international agenda setter in global climate governance for decades and enacted policies to put it at the

forefront of efforts to mitigate the effects of climate change.<sup>3</sup> Even after the failure of the Copenhagen climate conference in 2009, the EU was flexible enough to adopt a changed negotiation focus, shifting from a top-down obligations approach to one based on bottom-up contributions. This shift was the key to enabling the comprehensive nature of the Paris Agreement.<sup>4</sup> The Paris Agreement was the landmark achievement of EU climate diplomacy to date, with EU Climate Action and Energy Commissioner Miguel Arias Cañete hailing the deal as “a great success for the EU’s climate diplomacy” and “a major win for Europe and its allies.”<sup>5</sup>

The concerted efforts of the EU and its lobbying partner countries in the months leading up to the negotiations led to the brokering of the High-Ambition Coalition, which ultimately helped deliver the Paris Agreement and a major victory for multilateral diplomacy at large. The High-Ambition Coalition in the Paris conference consisted of 79 African, Caribbean and Pacific countries, the US and all of the EU member states. Major emerging economies such as China and India did not join the coalition but in the final days of the Paris negotiations the US, Canada, Brazil, a number of other Latin American countries and Japan did. Particularly in the six months preceding COP21, European Commission officials nurtured the alliance in discreet “informal ministerial gatherings” with a growing number of officials from progressive countries to formulate a strategy to build pressure and alliances for higher levels of ambition in the negotiations—including a legally-binding agreement, a clear long-term goal in line with scientific advice, a mechanism for reviewing countries’ emissions commitments every five years and a unified system for tracking countries’ progress on meeting their carbon goals.<sup>6</sup>

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<sup>3</sup> Miranda Schreurs and Yves A. Tiberghien, “Multi-Level Reinforcement: Explaining European Union Leadership in Climate Change Mitigation,” *Global Environmental Politics*, Vol. 7(4) (2007): 19-46, 23.

<sup>4</sup> Stephan Wolters, Dennis Tänzler, Gerald Stang and Teresa Ribera, “Climate Change and European Foreign Policy after COP21,” *Climate Diplomacy Brief* (Berlin/Brussels/Paris: adelphi/EUISS/IDDRI, 2016).

<sup>5</sup> European Commission, “Historic climate deal in Paris: EU leads global efforts,” Press Release, 12 December 2015.

<sup>6</sup> Karl Mathiesen and Fiona Harvey, “Climate coalition breaks cover in Paris to push for binding and ambitious deal,” *The Guardian*, 8 December 2015, accessed 25 April 2018, <http://www.theguardian.com/environment/2015/dec/08/coalition-paris-push-for-binding-ambitious-climate-change-deal>.

As stated by German environment minister Barbara Hendricks: “Every day new members joined...And then it was clear that the old bipolarity was broken open—that was the defining moment.”<sup>7</sup> In tearing down the “firewall” between developed and developing countries, the coalition, and thus in part the EU, constructively overcame the cleavage that had dominated the United Nations Framework Convention on Climate Change (UNFCCC) negotiations from the very beginning. The divide between developed and developing countries thus turned into a divide between those advocating high ambition and those who did not. This created a normative incentive to be seen as an ambitious, progressive actor and join the coalition—and led to the landmark success of climate diplomacy in Paris. However, the current debates on the operationalisation of the Paris Agreement have witnessed some throwbacks, indicating that the firewall has still some potential to return.

## **2.2 Current state of play of implementing the Paris Agreement in the EU**

The political environment in many EU member states has changed significantly since 2015. The pressures resulting from the refugee influx into the EU have tested the solidarity of the EU and its member states. Overcoming this challenge will require significant political and financial resources. In particular, it has destabilised governments trying to contain the rise of populist movements that threaten domestic policies as well as the willingness for cooperation—the United Kingdom (UK) and Brexit being only the starkest example. The UK decided in a referendum in June 2016 to leave the EU—bringing significant uncertainty into both UK and EU political environments, and weakening economic prospects. Such developments can impact climate diplomacy efforts by complicating the space for compromise on EU climate action and making it harder to ensure climate diplomacy is a political priority. Both by weakening member states’ ability to agree on further steps, and by undermining their capacity to implement existing climate policy decisions and instruments—such as the EU NDC or the EU emissions trading system (ETS).

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<sup>7</sup> Kalina Oroschakoff, Sara Stefanini and Andrew Restuccia, “How the Paris climate deal got done,” *Politico*, 14 December 2015, accessed 25 April 2018, <http://www.politico.eu/article/how-the-paris-climate-deal-got-done>.

Although there has been some progress since Paris, the European Union has not yet effectively proposed an adequate policy framework to meet its 2030 target but is still discussing a comprehensive package of measures. The situation is similar in most member states. Obviously, the EU long-term climate strategy to be prepared by 2019 offers a window of opportunity to increase the ambition and the EU can position itself as a leader by example. In addition, the draft multi-annual financing framework (2021-2027) presented by the Commission in early May suggests an increase in the share of climate-relevant spending from 20% to 25% of the overall budget.

A crucial example is the progress in the power sector: emissions have been significantly reduced here but in 2017, coal still accounted for nearly two-thirds of the emissions. Some member states (Austria, Denmark, France, Finland, Italy, Portugal, Sweden, the Netherlands and United Kingdom)—accounting for about one quarter of the coal consumption in the EU—introduced phase-out goals by 2030. Germany is about to establish a commission to address this issue whereas Poland is planning the construction of new coal-fired power plants. The EU is currently taking measures to address the role of coal through regulation (e.g., through the reform of the EU emission trading system) but it remains to be seen if these efforts will be effective and also accompanied by measures in other crucial sectors such as transport. The current status of activity is hardly promising: the EU is losing ground compared to countries such as China and India when it comes to increasing the fleet of electric vehicles.

### **3 CHINA**

Though China was not a member of the High-Ambition Coalition in Paris, the country is at present one of the few remaining driving forces keeping the Paris momentum.

#### **3.1 Ambition level of China's climate action**

In its Nationally Determined Contribution, China outlined to peak CO<sub>2</sub> emissions by 2030—or even earlier if possible. To this end the country intends to increase the share of non-fossil energy sources in the total primary energy supply to around 20% by 2030. In addition, the country states that it will lower the carbon intensity of GDP by 60% to 65% below 2005 levels by

2030. An independent analysis of the NDC<sup>8</sup> indicates that China is on track to meet or exceed its 2030 NDC under the Paris Agreement with current policies. However the rating is nevertheless “highly insufficient” since the overall target is not ambitious enough to limit warming to below 2°C, let alone to below 1.5°C.

China’s CO<sub>2</sub> emission declined from 2014 until 2016 but rose to a record high in 2017. The increase was due to an increase in coal use for the first time in three years and a rising demand for oil and gas.<sup>9</sup> However, according to China’s top climate official, Xie Zhenhua, China will meet its 2020 carbon intensity target before 2020 under current policies. And, with current policies, China is also on track to meet or exceed its NDC under the Paris Agreement. This is also due to substantial efforts to introduce a new regulatory framework to support decarbonisation. China launched its national pilot emission trading scheme in December 2017, which covers the power sector only. Already, in recent years, pilot systems have been established at the sub-national level. Also, in 2017, China announced that it would invest \$360 billion in renewable energy by 2020 and that it would scrap plans to build 85 coal-fired power plants.<sup>10</sup> According to the Institute for Energy Economics and Financial Analysis (IEEFA), China is the world leader in domestic investment in the renewable energy and associated low-emissions-energy sectors with an investment of \$103 billion in 2015.<sup>11</sup>

### 3.2 Prospects of climate leadership

The climate performance of China in recent years indicates that the country is still willing to play a positive role when it comes to reducing the use of fossil fuels and expanding renewable energies significantly in the years to come.

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<sup>8</sup> Climate Action Tracker, accessed 9 May 2018, <https://climateactiontracker.org/countries/china/>.

<sup>9</sup> Ibid.

<sup>10</sup> Michael Forsythe, “China Aims to Spend at Least \$360 Billion on Renewable Energy by 2020,” *New York Times*, 5 January 2017, accessed 11 May 2018, <https://www.nytimes.com/2017/01/05/world/asia/china-renewable-energy-investment.html>.

<sup>11</sup> Institute for Energy Economics and Financial Analysis, “Chinas-Global-Renewable-Energy-Expansion IEEFA Report,” January 2017, accessed 25 April 2018, [http://ieefa.org/wp-content/uploads/2017/01/Chinas-Global-Renewable-Energy-Expansion\\_January-2017.pdf](http://ieefa.org/wp-content/uploads/2017/01/Chinas-Global-Renewable-Energy-Expansion_January-2017.pdf).

Insights from China's G20 presidency in 2016<sup>12</sup> also suggest China's constructive role in promoting a more integrated climate and energy approach—with a strong role in accelerating green finance issues. China has already played a joint leadership role with the US in the successful cultivation and early entry into force of the Paris Agreement<sup>13</sup>—quite in contrast to the Copenhagen climate conference in 2009 where both countries were among the ones most obviously not capable of serving as climate leaders. However, in that joint effort to shape the new international climate regime, the US was viewed as the main proactive actor while China was considered to be somewhat more passive (as was also indicated by its unwillingness to join the High-Ambition Coalition). After the climate exit of the Trump Administration, China clearly indicated that it will not follow the US example—simply due to the fact that its climate policy position is not a result of the respective US positions but of an intra-Chinese decision-making process.<sup>14</sup>

It is also worth considering China's leadership potential against the backdrop of its overall foreign policy ambition. Since President Xi Jinping took power in 2013, China's foreign policy strategy has undergone some major changes. "The Xi administration's overall foreign policy strategy is to present China as a responsible great power that participates in international rule-making and shapes the global order."<sup>15</sup> This strategy is accompanied by the pressing need for the country to transition to a more sustainable growth model. As a result, China's approach of being a constructive shaper of global governance seems more than reasonable in the climate area although there are also more pessimistic observations in this regards after COP23 in Bonn.<sup>16</sup>

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<sup>12</sup> Lina Li, Julia Melnikova and Dennis Tänzler, "The Climate-Energy Nexus and the G20: Compatible or mutually exclusive?," Climate Diplomacy Discussion Paper, December 2016.

<sup>13</sup> The White House, "U.S.-China Joint Presidential Statement on Climate Change," 31 March 2016, <https://www.whitehouse.gov/the-press-office/2016/03/31/us-china-joint-presidential-statement-climate-change>.

<sup>14</sup> Li et al., "The Climate-Energy Nexus and the G20."

<sup>15</sup> Lina Li, Stephan Wolters and Yang Fuqiang, "China and its climate leadership in a changing world – from passive follower to constructive shaper of the global order," Climate Diplomacy Discussion Paper, July 2017.

<sup>16</sup> Susanne Dröge and Vijeta Rattani, *International Climate Policy Leadership after COP23* (Berlin: Stiftung Wissenschaft und Politik, 2018).

## 4 INDIA

### 4.1 Ambition level of India's climate action

India announced, with some delay in 2015, as part of its NDC that it aims to reduce its emissions intensity of GDP by between 33% and 35% by 2030 compared to 2005 levels. One pillar to achieve this target is to increase the share of non-fossil-based energy resources to 40% of installed electric power capacity by 2030. This target is conditional in the sense that India has asked for international support through transfer of technology and low-cost international finance, including from the Green Climate Fund (GCF). In addition the NDC outlines that India intends to create an additional (cumulative) carbon sink of 2.5-3 GtCO<sub>2</sub>e through additional forest and tree cover by 2030. Such an approach, if successfully implemented, is considered as compatible with the 2°C target according to the analysis of Climate Action Tracker.<sup>17</sup>

With currently implemented policies, India is expected to achieve its climate action targets. However, if India also fully implements its Draft Electricity Plan, it could achieve its target of 40% non-fossil-based power capacity by 2030 as early as 2020, which means a full ten years earlier. It is thus obvious that India could strengthen and still achieve its NDC during the ongoing Talanoa Dialogue. As a result the Indian contribution towards the 1.5°C target would be significant and a major step towards assuming global climate leadership.<sup>18</sup> At the instrument level, the various so-called National Missions addressing climate sensitive sectors along with key energy-related incentive structures such as the PAT (Perform, Achieve and Trade) Scheme in the area of energy efficiency, a coal tax in the form of coal cess and the Renewable Energy Certificates Market (REC) indicate important dynamics in the regulatory area which will be crucial also to guiding the overall energy transitions of the country. The respective processes will be influenced by the expected declining costs of solar and renewables storage. This can help to foster low-carbon investments even beyond the \$10.2bn investment in renewable energy and associated low-emissions-energy sectors back in 2015.<sup>19</sup> India is

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<sup>17</sup> Climate Action Tracker, accessed 9 May 2018, <https://climateactiontracker.org/countries/india/>.

<sup>18</sup> Ibid.

<sup>19</sup> Frankfurt School-UNEP Centre/BNEF, "Global Trends in Renewable Energy Investment 2016," accessed 8 May 2018, [http://fs-unep-centre.org/sites/default/files/publications/globaltrendsinrenewableenergyinvestment2016lowres\\_0.pdf](http://fs-unep-centre.org/sites/default/files/publications/globaltrendsinrenewableenergyinvestment2016lowres_0.pdf).

also trying to establish itself as a global leader in other crucial sectors such as transport.

## **4.2 Prospects of climate leadership**

As outlined by Dröge and Rattani, India is too important to be ignored in climate policies.<sup>20</sup> Even though India intends to play an active and relevant role, it does not necessarily seem to be equipped diplomatically to climb into the driver's seat on international climate change policy. This is also due to the fact that the country has “a really young climate policy that is yet to take a solid shape due to developmental constraints and the lack of political will.”<sup>21</sup> In other words, the current national climate agenda of India is more about building and strengthening institutions at the national level and enabling a bottom-up policy thrust that can complement national policies instead of dedicating too much energy to an international climate leadership role. There is no reason to believe that India will not be able to take the role of a global leader as soon as it has gained some expertise and profile in a certain issue area. A good example is the International Solar Alliance (ISA) where India has translated the initial success of expanding photovoltaic usage within the country to global action. The ISA is conceived as a coalition of solar resource-rich countries to address their special energy needs and provides a platform to collaborate on addressing the identified gaps through a common, agreed approach. The ISA was launched at the Paris Declaration on 30 November 2015. A further key area of action is to mobilise more than US\$1000 billion of investments needed by 2030 for massive deployment of solar energy.

## **5 CONCLUSIONS: PROSPECTS OF THE EU, CHINA AND INDIA TO REVISIT THE PARIS SPIRIT**

While the international climate negotiations are calling for renewed leadership, it goes without saying that any country or country group will examine the potential benefits of such a position besides providing global public goods.

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<sup>20</sup> Dröge and Rattani, *International Climate Policy Leadership after COP23*.

<sup>21</sup> Dhanasree Jayaram, “India’s ‘Red Lines’ and Climate Policy Imperatives,” 28 September 2015, accessed 25 April 2018, <https://library.ecc-platform.org/news/india%E2%80%99s-%E2%80%99Cred-lines%E2%80%9D-and-climate-policy-imperatives>.

In other words, although climate change is a global issue in which all countries have a shared stake, all nations will also act in their own national interests. However, based on reflecting upon the three leadership environments outlined above, the overall political dynamics and the obvious economic benefits of a proactive transition process, especially in China and India, there is much reason to expect greater engagement by the EU on the one side and China and India on the other side to enter into meaningful collaboration. From an EU perspective, some of the new multi-stakeholder initiatives will be a key entry point for further collective climate action. In addition to these activities, however, it will be reasonable to further explore the potential of the partnership instrument with China and India respectively, which have already in the recent past saw some dynamic developments:

The EU and China have a long-standing cooperation on climate change and have agreed to further step up joint efforts. Since 2005, the EU-China Partnership on Climate Change has provided a high-level political framework for cooperation and dialogue. This was confirmed in the 2010 Joint statement and enhanced in the 2015 Joint statement where both sides committed to embarking on low-carbon development and cooperating in the context of the UN climate convention in view of the ambitious agreement at the Paris conference. The focus areas agreed on are: domestic emissions reduction policies, carbon markets, low-carbon cities or carbon capture and storage (CCS), greenhouse gas emissions from the aviation and maritime industries, and hydrofluorocarbons (HFC).

The EU aims to achieve more meaningful cooperation through intensified talks with India. With the EU-India Clean Energy and Climate Partnership, the partners emphasised in March 2016 their intention to continue their climate and energy cooperation with a strong focus on NDC implementation but also drew some attention to the role of sustainable cities. In the initial phase in 2016 and 2017, multi-stakeholder workshops on NDC implementation in Delhi were among the first activities organised by the European Union and the Ministry of Environment Forests and Climate Change, Government of India. Among the topics discussed were the role of green cooling, scenarios and modelling to inform long-term strategies and the increasingly important role of cities in climate action.

If the EU is able to use these partnership approaches to support NDC implementation processes on the one hand and to translate the respective

progress into new momentum for the international negotiation process on the other (thereby inspiring the next round of NDC updates as a result of the currently ongoing stocktaking and review process), then a next round of EU climate leadership will be more likely than it appears today.

**Dennis Tänzler** is Director International Climate Policy at adelphi. His research focuses on climate and energy policies as well as on peace and conflict studies. In 2007 and 2008 he served the Policy Planning Unit of the German Foreign Office as an expert on climate and energy policies. Dennis Tänzler has nearly twenty years of experience in the fields of global environmental policy, climate and foreign policy. As one of his most recent activities, he led a project supporting the EU India Clean Energy and Climate Change Dialogue on behalf of the European Commission from 2016 until 2018.

# The Challenge of Migration Governance\*

*James F. Hollifield*

## MIGRATION AND GLOBALIZATION

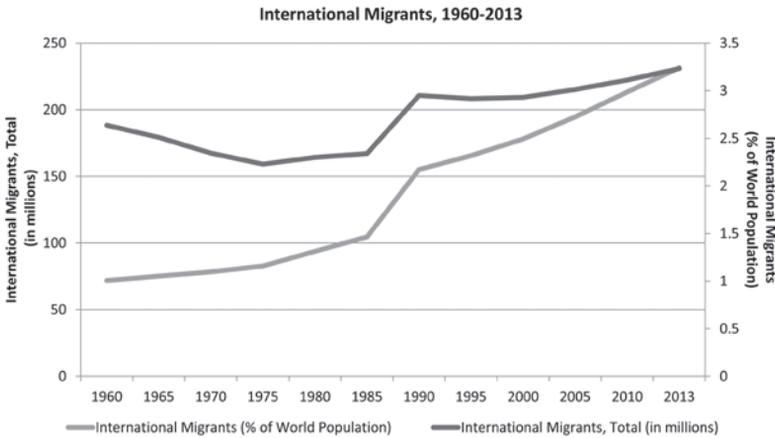
International migration has been steadily increasing in every region of the globe since the end of the Second World War. Today approximately 244 million people reside outside of their country of birth and over the past half-century individual mobility has increased at a steady pace (see Figure 1). Tens of millions of people cross borders on a daily basis, which adds up to roughly two billion annually. International mobility is part of a broader trend of globalization, which includes trade in goods and services, investments and capital flows, greater ease of travel, and a veritable explosion of information. While trade and capital flows are the twin pillars of globalization, migration is the third pillar or the third leg of the stool on which the global economy rests.<sup>1</sup>

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\* Paper prepared for the EU Centre in Singapore and the Regional Programme Political Dialogue Asia of the Konrad-Adenauer-Stiftung. April 2018, revised 7 May 2018.

<sup>1</sup> James F. Hollifield, "Migration and International Relations," in *The Oxford Handbook of the Politics of International Migration*, eds. Marc R. Rosenblum and Daniel J. Tichenor (Oxford: Oxford University Press, 2012).

Figure 1: Trends in International Migration



Source: World Bank Data 2015

Migration is a defining feature of the global era in which we live. It is in many ways connected to trade and investment, yet it is profoundly different. *People are not shirts*, which is another way of saying that labour is not a pure commodity. Unlike goods and capital, individuals can become actors on the international stage (they have agency) whether through peaceful transnational communities or violent terrorist/criminal networks. In the extremely rare instances when migrants commit terrorist acts, migration and mobility can be a threat to the security of states. However, the benefits of migration far outweigh the costs. Immigrants bring new ideas and cultures (diversity) to their host societies and in liberal democracies, they come with a basic package of (human and civil) rights that enables them to settle and become productive members of society, if not citizens of their adoptive countries. Conversely, they may return to their countries of origin where they can have a dramatic impact on economic and political development.<sup>2</sup>

Lest we forget, not all migration is voluntary—in any given year millions of people move to escape political violence, hunger, and deprivation, becoming refugees, asylum seekers, or internally displaced persons. In 2017 the number of “persons of concern” to United Nations High Commissioner for

<sup>2</sup> James F. Hollifield, Pia Orrenius, and Thomas Osang, eds., *Trade, Migration and Development* (Dallas: Federal Reserve Bank of Dallas, 2006); Philip L. Martin, Susan F. Martin, and Patrick Weil, *Managing Migration: The Promise of Cooperation* (Lanham, MD: Lexington Books, 2006).

Refugees (UNHCR) was 65.6 million, including 22.5 million refugees, 2.8 million asylum seekers, and 40.3 million internally displaced people.<sup>3</sup> Wars in the Middle East (especially Syria and Iraq), East and West Africa, and South Asia continue to feed a growing population of forced migrants. One of the most recent and fastest exoduses of people from their place of origin was the movement of Rohingyas from the Rakhine State in western Myanmar into neighbouring Bangladesh. Europe (as in the European Union) and Germany in particular have struggled to cope with the latest waves of forced migration—almost 1 million asylum seekers arrived in Germany alone in 2015. Because it is so complex and multi-faceted, migration of all types poses a challenge for individual states, for regional integration processes like the European Union (EU) and the Association of Southeast Asian Nations (ASEAN), and for the international community as a whole.<sup>4</sup>

## MIGRATION AND GLOBAL GOVERNANCE

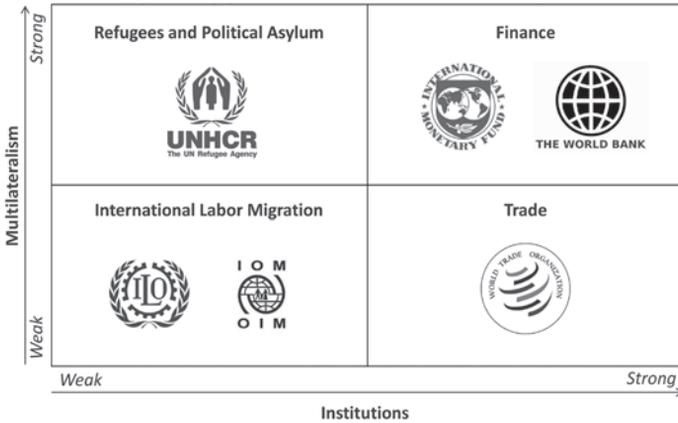
To illustrate the difficulties of international cooperation in regulating migration, I have constructed a simple typology of international regimes. This typology, depicted in Figure 2, points to a clear distinction between the regulation of capital, goods, and services on one hand and migrant labour or refugees (people) on the other. The figure highlights the inadequacies of global migration governance compared to international trade and finance. Admittedly, the typology does not capture fully the ongoing negotiations over the Global Compacts on Migration and Refugees or previous attempts to construct a global migration regime, such as the 1990 Convention on the Rights of Migrant Workers and their Families; but the fact remains that no international/multilateral regime for migration has emerged, and we must ask why?

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<sup>3</sup> <http://www.unhcr.org/ph/persons-concern-unhcr>.

<sup>4</sup> James F. Hollifield, Philip L. Martin, and Pia M. Orrenius, eds., *Controlling Immigration: A Global Perspective*, 2nd ed. (Stanford, Calif: Stanford University Press, 2014).

Figure 2: A Typology of International Regimes



Of the two “regimes” dealing with migration, one for labour migrants and the other for refugees, clearly the refugee regime (UNHCR) is the more effective and comes closer to providing a global public good. For instance, the European states, together with the United States (US) and other liberal democracies, are respecting the letter, if not the spirit, of international refugee law. Although the principles of the refugee regime are widely recognized, UNHCR as an institution remains weak and heavily dependent on a few “client states,” especially Sweden, the Netherlands, and other small European democracies. The Japanese also contribute a lot of money to UNHCR, and the Americans support it and use it as a tool for managing refugee crises around the world, especially when American national interests are concerned.

The regime for international labour migration is weakly institutionalized (see Figure 2), with no central norm, and its principal organs, the International Labour Organization (ILO) and the International Organization for Migration (IOM), based in Geneva, have little regulatory or institutional capacity. Nation-states rather than intergovernmental organizations like the United Nations (UN) still set the rules of entry and exit. However, both ILO and IOM are active in setting standards. For developed states in particular, the costs of participating in a regime for international labour migration outweigh the benefits, and a short-term strategy of unilateral or bilateral regulation of migration is preferred to a long-term, multilateral strategy. This is less true for the refugee regime because the more powerful liberal states need this regime for situational exigencies—to manage refugee flows that can destabilize governments and, in some cases, entire regions, as is happening in the Middle

East in the 2010s. When such crises strike close to home, as in Europe in 2015, the utility of the refugee regime goes up. When the crisis is past, it drops again.

The major exception is the EU, which has a strong institutional base and strong multilateral agreements in the fields of labour migration (treaties of European Union and the Schengen Agreement) and refugee/asylum policies (Dublin agreement). The Schengen system reflects a regional governance approach among independent nation-states to labour migration and freedom of movement, but functions only for nationals of the member states (it is a club good), not (or at least not yet) for third-country nationals. The impending British exit from the EU and the debates surrounding “Brexit” together with the refugee crisis that began in 2014 have undermined the Schengen Agreement for the relaxation of internal borders, threatening the core principle of free movement, one of the four fundamental freedoms.

Through the Dublin system, the EU built a multilateral regime for refugees, which required asylum seekers to register and request asylum in the first EU country in which they arrived. All EU member states plus Switzerland and Norway are considered safe third countries. This arrangement was put in place to help member states restrict secondary movement and to prevent “asylum shopping.” The Dublin system is consistent with the Geneva Convention: If an individual transits through an EU country, they can be *refoulés* (sent back to that third country). The result was that—at least in theory—many of the states along the EU’s southern and eastern borders turned into buffer states. Spain and Italy initially bore the brunt of movements across the Mediterranean with Greece becoming the primary point of entry for migrants and refugees in the 2010s. However—in contrast to the Dublin Regulation—these countries could not carry all the responsibility and—as cries for help were not heard in Brussels—they turned a blind eye on arriving migrants, allowing them to continue their journey to other EU states. Even before the “crisis” in 2015, the Dublin system was flawed, but the wave of asylum seekers in 2015 and 2016 demonstrated the dysfunctionality of the EU system for all to see. Since then the EU has been struggling to reform the Dublin Regulation and find a mechanism to distribute asylum seekers more evenly across the member states. Yet, the EU has been successful in setting up hotspots to process asylum seekers, and member states have stepped up cooperation for policing external borders, with help from transit-countries outside the EU. Despite setbacks and limitations, the EU’s experience with

the Schengen and Dublin systems provides useful lessons for both regional and global governance approaches to migration.

To date, unwanted labour migration is more of a nuisance, especially from a political and security standpoint. Labour migrants are not fundamentally threatening. They can be controlled unilaterally and on an ad hoc basis. The payoff from international cooperation in the area of unwanted labour migration therefore is negative, and opportunities for defection from a global migration regime are numerous. The possibilities for monitoring, enforcing, or developing some core principle of non-discrimination are minimal at this point, and there is little or no reciprocity. That brings us back to the domestic level in our quest to understand migration governance and to explain why states risk openness.

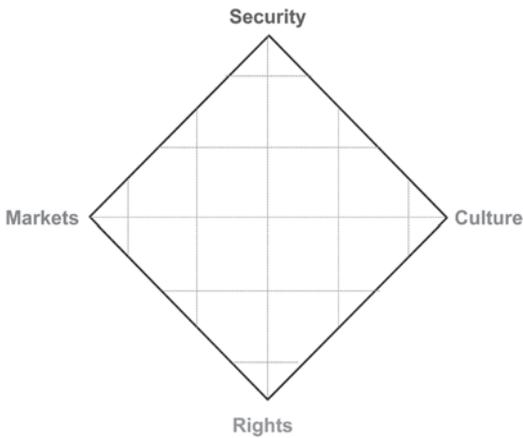
The four factors driving migration policy—security, cultural and ideational concerns, economic interests, and rights—must be studied on a case-by-case basis (see Figure 3). National security—the institutions of sovereignty and citizenship—and economics (markets) and rights are all part of a multi-dimensional game in migration policymaking. In “normal” times, the debate about immigration control in liberal democracies revolves around two poles: markets (numbers) and (status) rights, or how many immigrants to admit, with what skills, and what status? Should migrants be temporary (guest) workers, allowed to settle, bring their families, and get on a “path to citizenship?” Is there a trade-off between rights and numbers (markets) as Martin Ruhs and others suggest?<sup>5</sup> All good questions—but cultural concerns (where should the immigrants come from, which regions of the globe, with which ethnic characteristics, and issues of integration) often trump markets and rights, and the trade-offs are more intense in some periods and in some countries than in others.

With the September 11, 2001 terrorist attacks in the US and again with the November 13, 2015 attacks in Paris, France, immigration and refugee policymaking has been dominated by a national security dynamic (with a deep cultural subtext, fear of Islam) and the concern that relatively open borders pose a serious threat to the nation and to civil society. In times of war and political crises, the dynamic of markets and rights gives way to a culture-security dynamic and finding equilibrium (compromise) in the policy game is much harder—this is the policy dilemma facing leaders across the globe.

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<sup>5</sup> Martin Ruhs, *The Price of Rights: Regulating International Labor Migration* (Princeton, NJ: Princeton University Press, 2013).

Figure 3: The Dilemmas of Migration Governance



If this domestic four-sided game is not complicated enough, it becomes more difficult by virtue of the fact that migration control has important foreign policy implications. The movement of populations affects international security and in some instances it can change the balance of power. Hence, political leaders are always engaged in a two-level game,<sup>6</sup> seeking to build domestic coalitions to maximize support for policy but with an eye on the foreign policy consequences. Migration is an important factor driving economic interdependence and creating an international labour market. The first rule of political economy is that markets beget regulation. Hence, some type of a stronger global migration regime is likely to develop. What will be the parameters of such a regime, and how will it evolve?

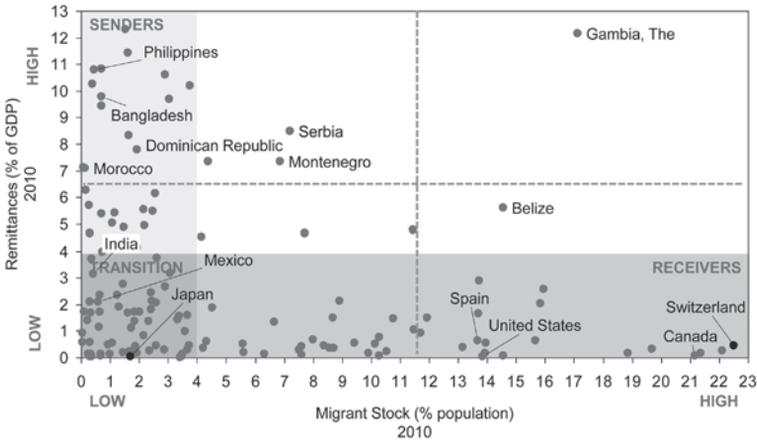
## MIGRATION INTERDEPENDENCE AND INTERNATIONAL COOPERATION

One of the principal effects of economic interdependence is to compel states to cooperate. Increasing international migration is one indicator of interdependence, and it shows no signs of abating. From Figure 4, we can see levels of migration interdependence, with states in Europe, North America, and Asia relying heavily on migration for national development, whether through

<sup>6</sup> Robert Putnam, "Diplomacy and Domestic Politics: The Logic of Two-level Games," *International Organization* 1988/42: 427-460.

labour migration (both high- and low-skilled) or income generators via remittances. As the international market for skilled and unskilled labour grows, pressures to create an international regime will increase. We can identify two ways in which states can overcome coordination problems in the absence of a multilateral process that can build trust and reciprocity and overcome asymmetries: (1) through the centralization of regulatory power and pooling of sovereignty, and (2) suasion or “tactical issue linkage.”

Figure 4: Migration Interdependence



We already have seen an example of the first strategy at the regional level in Europe. The EU and, to a lesser extent, the Schengen and Dublin regimes were built through processes of centralization and pooling of sovereignty. This was easier to do in the European context because of the symmetry of interests and power within the EU and the existence of an institutional framework (the various treaties of the European Union). It is much more difficult to centralize control of migration in the Americas or Asia, for example, where the asymmetry of interests and power is much greater, and levels of political and economic development vary tremendously from one state to another. Different from the European Union, it is unlikely that regional trade regimes like the North American Free Trade Agreement (NAFTA), Asia-Pacific Economic Cooperation (APEC), or the Trans-Pacific Partnership (now Comprehensive and Progressive Agreement for Trans-Pacific Partnership) will lead quickly to cooperation in the area of migration. Nevertheless, the regional option—multilateralism for a relevant group of states where migration governance is a

club good—is one way to overcome collective-action problems and to begin a process of centralization of regulatory authority.

Most international regimes have had a long gestation period, beginning as bilateral or regional agreements. It is unlikely, however, that an international migration regime could be built following the genesis of the International Trade Organization/General Agreement on Tariffs and Trade /World Trade Organisation or the example of the International Monetary Fund and the World Bank, which provide a certain level of multilateral governance for the other two pillars of globalization. In the area of migration governance, it is difficult to fulfil the prerequisites of multilateralism: indivisibility, generalized principles of conduct, and diffuse reciprocity. The norm of non-discrimination (equivalent of Most Favoured Nation [MFN]) does not exist, and there are no mechanisms for punishing free riders and no way of resolving disputes. In short, as depicted in Figure 2, the basis for multilateralism is weak, and the institutional framework is not well developed. However, this has not prevented the international community (via the UN) from moving forward with a Global Compact for Migration, built around the principle of “safe, orderly and regular migration.” The challenge of course will be to convince the most powerful states, especially the US, to support a multilateral process for global migration governance. For the moment, the US and other powerful countries (like the UK) are moving in the opposite (nationalist and unilateral) direction.

With the asymmetry of interests and power between developed (migration receiving) and less developed (migration sending) countries, *suasion*, including financial incentives, is the only viable strategy for overcoming collective-action problems, whether at the regional or international level. This game follows several steps:

Step one is to develop a *dominant strategy*, which can be accomplished only by the most powerful states, using international organizations (like the UN) to persuade or coerce smaller and weaker states. From the standpoint of receiving countries, the orderly movement of people, defined in terms of rule of law and respect for state sovereignty, should be the principal objective of the powerful liberal states. From the standpoint of the sending countries, migration for development, taking advantage of remittances and returns (brain gain) or circular migration, should be the principle upon which an international regime is based.

Circular migration encompasses a wide range of migrants: low-skilled seasonal workers, medium and high-skilled professionals, students, trainees,

researchers and entrepreneurs. Several countries in Europe have experimented with circular migration on the assumption that it will stimulate trade, enterprise networks and investments by diaspora, often called co-development schemes; and Japan has an extensive trainee or guest worker programme. These agreements have taken the form of mobility partnerships and regional consultative processes (RCPs).

Step two is to persuade other states to accept the dominant strategy. This will necessitate *tactical issue linkage*, which involves identifying issues and interests not necessarily related to migration and using these as leverage to compel or coerce states to accept the dominant strategy. This is, in effect, an “international logroll.” Such tactics will have only the appearance of multilateralism, at least initially. Tactical issue linkage was considered in negotiations between the US and Mexico over the NAFTA agreement and migration issues have figured prominently in negotiations between the EU and new member states in East Central Europe, as well as with the candidate countries in the Western Balkans and Turkey.

In such instances, reciprocity is specific rather than diffuse. Individual states are rewarded for their cooperation in controlling migration, as Turkey was for its willingness to cooperate in stemming the flow of refugees from the Middle East into Europe in 2016. Again, we have seen many bilateral examples of this type of strategic interaction between the states of Western and Eastern Europe, and more recently between the US and Mexico to control the movement of Central Americans. The tenuous deal struck between Turkey and the EU in 2016 to stem the flow of asylum seekers from the Middle East and Africa is a perfect example of suasion (an international logroll). In this agreement, the EU promised to pay Turkey to stop the flows, to reopen EU accession talks and provide for a visa-free access to the EU on the condition that Turkey pursues legal and political reforms. However, liberal-democratic states face a problem of credibility in pursuing these types of strategies. They need international organizations to give them greater legitimacy (cover) and to facilitate these logrolls. With respect to forced migration, the UNHCR often has played this role.

The third step for dominant states is to move from what is an essentially one-sided, manipulative game to a multilateral process, and eventually to *institutionalize this process*. The long-term benefits of such a strategy for receiving states are obvious. It will be less costly to build a multilateral migration regime than to fight every step of the way with every sending state, relying

only on unilateral or bilateral agreements. Multilateral processes may entail some short-term loss of control/sovereignty (such as larger numbers of visas, or higher quotas for the sending states; the case of Turkey in 2016 again comes to mind) in exchange for long-term stability and more orderly/regular migration. The ultimate payoff for liberal states is the establishment of a regular migration based upon rule of law, respect for state sovereignty, ease of travel, and the smoother functioning of international labour markets. The payoff for sending states is greater freedom of movement for their nationals, greater foreign reserves and a more favourable balance of payments (thanks to remittances), increased prospects for return (brain gain) migration, and increases in cultural and economic exchange, including technology transfers—potentially a “win-win-win” for sending and receiving states, and especially for the migrants themselves. However, once again we must remind ourselves that terrorist attacks, increasing economic and social polarization within host, erstwhile liberal societies can upset this delicate equilibrium and give way to more protective and nationalistic politicians/policies, ultimately resulting in defections from multilateral regimes. For example, the US has considered the suspension of its visa-waiver programme with European states because of the terrorist threat, and since 2016, the US has been pursuing a “beggar-thy-neighbour” policy to seal the southern border with Mexico.

Changes in the international system with the end of the Cold War have altered this game in several ways. First, it has made defection easier. Since 1990, states have been more likely to pursue beggar-thy-neighbour policies by closing their borders and not cooperating with neighbouring states in the making of migration and refugee policies. The Schengen process itself is a kind of beggar-thy-neighbour policy on a regional scale. Second, the new post-Cold War configurations of interests and power, both at the international and domestic levels, make it more difficult to pursue a multilateral strategy for controlling international migration. Rights-markets coalitions of left- and right-wing parties (for example, civil rights Democrats and Wall Street Republicans in the US) have broken apart in liberal societies, increasing polarization and politicization over immigration and refugee issues. Yet liberalization and democratization in formerly authoritarian states have dramatically reduced the transaction costs for emigration. Initially, this caused panic in Western Europe, where there was a fear of mass migrations from east to west. Headlines screamed: “The Russians are Coming!” Even though these massive flows did not materialize, Western states began to hunker down and

search for ways to reduce or stop immigration. The time horizons of almost all Western democracies are much shorter because of these changes in domestic and international politics since the end of the Cold War; and the terrorist attacks of the 2000s and 2010s have exacerbated these fears, as migration and mobility have come to be perceived as greater threats to national security, especially in the post-9/11 strategic environment.

If the US or the EU were to defect from the liberal refugee and migration “regimes,” such as they are, it could mean the collapse of these regimes. In game theoretic terms, such defections would fundamentally alter the equilibrium outcome, and it would be very costly to all states and to the international community. The process of globalization of exchange and increased mobility could be reversed. To prevent the collapse of the liberal migration and refugee regimes the US and other liberal states must pursue an aggressive strategy of multilateralism, taking the short-term political heat for long-term political stability and economic gain, much as Angela Merkel and Germany did in the face of the refugee crisis of 2015-16. This (cooperation) happened in the areas of international finance, with the collapse of the Bretton Woods system in the early 1970s and the creation of the G7, and in trade, with the Latin debt crisis of the 1980s and Asian crisis of the 1990s. Without the kind of leadership exhibited in international trade and finance, irregular migrations will increase and become ever more threatening, to national and international security. The current trend is to move away from liberal regimes in favour of nationalistic, beggar-thy-neighbour (America First) strategies for migration governance.

## **CONCLUSION**

Migration is both a cause and a consequence of political and economic change. International migration, like trade, is a fundamental feature of the postwar liberal order. As states and societies became more liberal and open, migration increased. Will this increase in migration be a virtuous or a vicious cycle? Will it be destabilizing, leading the international system into greater anarchy, disorder and war; or will it lead to greater openness, wealth and human development? Much will depend on how migration is managed by the more powerful states, because they will set the trend for the rest of the globe. To avoid a domestic political backlash against immigration, the rights of migrants must be respected and states must cooperate in building an international migration regime. I have argued that the first, halting steps

towards such a regime have been taken in Europe, and that North America is likely to follow.<sup>7</sup> As liberal states come together to manage this extraordinarily complex phenomenon, it may be possible to construct a truly international regime, under the auspices of the United Nations. We have seen steps in this direction with the Global Compact on Migration. However, I am not sanguine about this process, because the asymmetry of interests, particularly between the developed and the developing world, is too great to permit states to overcome problems of coordination and cooperation. Even as states become more dependent on trade and migration, they are likely to remain trapped in what I have called elsewhere a liberal paradox,<sup>8</sup> needing to be economically open and politically closed, for decades to come.

**James F. Hollifield** is Ora Nixon Arnold Chair in International Political Economy, Professor in the Department of Political Science, and Director of the Tower Center at Southern Methodist University (SMU) in Dallas, Texas, as well as a member of the New York Council on Foreign Relations and a Global Fellow at the Woodrow Wilson International Center in Washington, DC. Hollifield has served as an Advisor to various governments in North and South America, Europe, East Asia and the Middle East and Africa, as well as the United Nations, the World Bank, the Inter-American Development Bank (IDB), the OECD, the ILO, the IOM, the EU, and other international organizations. He serves on the International Advisory Board of the National Center for Competence in Research (NCCR for Migration and Mobility) of the Swiss National Science Foundation. He has been the recipient of grants from private corporations and foundations as well as government agencies, including the German Marshall Fund of the United States, the Social Science Research Council, the Sloan Foundation, the Owens Foundation, the Raytheon Company, and the National Science Foundation.

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<sup>7</sup> James F. Hollifield, "Should Countries Liberalize Immigration Policies? Yes," in *Controversies in Globalization: Contending Approaches in International Relations*, eds. Peter M. Haas, John A. Hird, and Beth McBratney (Washington, DC: CQ Press, 2010).

<sup>8</sup> James F. Hollifield, *Immigrants, Markets and States* (Cambridge, Mass.: Harvard University Press, 1992).







