

## **The Emerging Balance of Institutions in the Asia-Pacific: a game on two chessboards?**

It is generally recognized that international institutions promote peace and security by facilitating dialogue and cooperation, creating shared norms and rules as well as fostering collective identity. Although Northeast Asia (NEA) is still lagging behind many other regions in building multilateral institutions, some noticeable progress has been made over the recent years. We can observe a trend towards a two-tiered structure of multilateralism in the region.

The first level is represented by the Six-Party Talks on the North Korean nuclear issue, which were initiated in 2003, involving China, North and South Korea, Russia, Japan and the U.S. The nuclear problem has not yet been resolved, but the Six-Party process, as many believe, might potentially lead to a Northeast Asian regional organization to manage political and strategic security. Despite periodic walkouts by North Korea, the Six-Party Talks have already become a de facto permanent consultative mechanism in NEA, albeit with a mandate confined to issues related to the Korean Peninsula.

The second layer of Northeast Asian multilateralism is embodied in the trilateral cooperation of the “core” regional states – Japan, China and the Republic of Korea. Their informal trilateral summits have been regularly held since 1999, but until recently they took place on the sidelines of ASEAN Plus Three meetings. December 2008 saw a watershed event, when the first Northeast Asian summit was held on its own, attended by Japan’s prime minister, China’s premier and the Republic of Korea’s president. CJK summits now seem firmly institutionalized and are held each year. A permanent secretariat was established in Seoul in 2011. The sides are negotiating a trilateral investment agreement and studying a trilateral FTA.

To be sure, institutionalization of this trilateral interaction is still in its nascent stages. It is too early to speak of a new economic bloc born in NEA. However, the trend is clear. Necessary economic prerequisites are in place. China, Japan and South Korea have become mutually crucial trade partners. Their trilateral trade accounts for 17 percent of the global trade volume and 90 percent of the total East Asian trade<sup>2</sup>. Another major driving force is big business, especially in Japan and South Korea, which has a stake in economic integration and pushes for further development of trilateral cooperation.

For a trilateral economic grouping to come into being, it is critical that China and Japan come to agreement. The two biggest economies in NEA have to resolve their differences, particularly on the issue of regional leadership. There are essentially only two options. They could decide on joint management of the integration grouping in NEA, as well as East Asia at large. Or else Japan might accept China’s economic leadership. The latter seems increasingly more likely, especially with China overtaking Japan as the second biggest economy in the world in 2010.

So far it has been China that acted as the principal promoter of Northeast Asian integration. In 2002, Chinese Premier Zhu Rongzi proposed a plan for the trilateral free

---

<sup>1</sup> Artyom Lukin is Associate Professor and Deputy Director at the School of Regional and International Studies, Far Eastern Federal University (Vladivostok, Russia), email: [artlukin@mail.ru](mailto:artlukin@mail.ru)

<sup>2</sup> Xinhua, “A milestone & new starting point for China, Japan, ROK,” *Xinhua* (11 October 2009), at [http://news.xinhuanet.com/english/2009-10/11/content\\_12209114.htm](http://news.xinhuanet.com/english/2009-10/11/content_12209114.htm) (searched date: 9 June 2011).

trade area. Japan was unwilling to support this plan at that time, fearing that it could strengthen China's positions in the region. However, after the Democratic Party of Japan came to power in 2009, Tokyo reversed its stance on the issue. Prime Minister Yukio Hatoyama emphasized the importance of East Asian integration, calling for an East Asian Community, with China, Japan and Korea as its collective core. It appears that Hatoyama's regional initiatives were not only his personal preferences, but also reflected interests of powerful sectors in Japan's political and economic elites. Therefore, despite his resignation in June 2010, the idea of East Asian economic community, based on a China - Japan - Korea partnership, is likely to stay relevant to Japan, even if it means closer ties to China<sup>3</sup>.

Meanwhile, America's economic presence in the region has significantly decreased, although it is still quite noticeable. The U.S. remains a key export market for Northeast Asian countries and a major source of vital technologies. Washington is seeking to promote its own neoliberal version of regional integration, which, although so far not successfully, attempts to challenge China-centered regionalism in East Asia. America's strategy is, in particular, based on the recently launched Trans-Pacific Partnership as well as bilateral FTAs, the most substantial one to date being the Korea - US FTA.

However, even if the U.S. were ultimately to lose the competition in *economic* regionalism to China, this would not automatically entail the advent of Sino-centric *political* institutions in the region. Economic integration does not necessarily lead to stronger political (intergovernmental or supranational) arrangements. Indeed, when integration makes great progress in the economic area, member-states may deliberately constrain it in other, especially political, spheres, so as not to put their national sovereignty at risk. Even the European Union's experience testifies to such a hedging strategy<sup>4</sup>.

East Asian countries, including Japan and the Republic of Korea, are well aware of the risks inherent in their high economic dependence on China. Therefore, they are seeking to offset such risks by maintaining political and strategic ties to the actors capable of balancing a rising China, especially the U.S. Both Tokyo and Seoul have no intention of abandoning their alliances with Washington. Indeed, they are even strengthening their strategic cooperation with America in some areas, as well as enhancing political collaboration between themselves<sup>5</sup>. There are reasons to believe that even North Korea is wary of growing China's might and might be interested in the U.S. acting as a balancing force<sup>6</sup>.

Russia, although its regional clout is much less than America's, can be seen as another independent player, performing a balancing function. In other words, the Six-Party process, and a prospective institutionalized mechanism with full American and Russian membership, might be viewed as a vehicle to maintain balance of power and prevent Chinese dominance in NEA.

---

<sup>3</sup> Yoichi Funabashi, "Japan locks into China," *East Asia Forum* (19 July 2011), at <<http://www.eastasiaforum.org/2011/07/19/tokyo-has-no-option-but-to-cleave-to-china/>>, (searched date: 25 September 2011).

<sup>4</sup> Irina Busygina, Mikhail Filippov, "Evrosoyuz: ot chastnogo k obschemu" [European Union: from the particular to the general], *Russia in Global Affairs* (28 February 2010), at <[http://www.globalaffairs.ru/number/n\\_14566](http://www.globalaffairs.ru/number/n_14566)> (searched date: 10 April 2010).

<sup>5</sup> Ryo Sahashi, "North Korea: why Seoul-Tokyo cooperation is necessary," *East Asia Forum* (9 February 2011), at <<http://www.eastasiaforum.org/2011/02/09/north-korea-why-seoul-tokyo-cooperation-is-necessary/>> (searched date: 12 February 2011).

<sup>6</sup> See, for example, Andrey Lankov, "How to stop the next Korean War," *Foreign Policy* (16 December 2010), at <[http://www.foreignpolicy.com/articles/2010/12/16/how\\_to\\_stop\\_the\\_next\\_korean\\_war?page=full](http://www.foreignpolicy.com/articles/2010/12/16/how_to_stop_the_next_korean_war?page=full)> (searched date: 25 December 2010); John Feffer, "North Korea: why engagement now?" *38 North* (12 August 2010), at <<http://38north.org/2010/08/north-korea-why-engagement-now/>>, (searched date: 22 August 2010).

In a nutshell, NEA is going to witness the evolution of a dual institutional architecture in the foreseeable future. On one hand, economic integration linking China, Japan, and the Republic of Korea will deepen and expand, which is likely to result in their economic community. On the other hand, this economic process will be paralleled by the development of political multilateralism originating from the Six-Party Talks, with the active involvement of the U.S. and Russia. Thus “the balance of institutions” is likely to emerge whereby China’s influence will be pre-eminent in regional economic cooperation, but significantly diluted within the political multilateral arrangement—a kind of Northeast Asian concert of powers<sup>7</sup>.

NEA’s evolving institutional architecture reproduces what has already been going on in the wider East Asia, where China-centered, exclusively Asian and economically focused ASEAN Plus Three coexists with the ASEAN Regional Forum, ASEAN Defense Ministers’ Meetings Plus Eight and the East Asia Summit that are characterized by more inclusive membership and security agenda.

NEA not just replicates this—it may well be becoming the most crucial part of Asia-Pacific’s institutional order. Indeed, it is hard to imagine that Asia-Pacific/East Asian multilateral institution building will succeed unless Northeast Asian countries form a viable system of collective cooperation and dialogue. Thus, a likely future scenario can be drawn up in which the Six-Party-based “Northeast Asian concert” would act as the primary core for the Asia-Pacific security and political cooperation, while in a region-wide context it is supplemented by ARF, ADMM+8 and EAS<sup>8</sup>. In a similar manner, the prospective China-Japan-Republic of Korea FTA would function as a center for the region-wide economic integration, enveloped by a multitude of bilateral, minilateral and multilateral arrangements in the Asia-Pacific (see Figure 1).

True, this emerging institutional structure may be seen as yet another arena for interstate rivalry, as evidenced by the competition between the Chinese and American visions of Asia-Pacific regionalism. Evolving balance of institutions in the form of the dual regional architecture is part of soft balancing in the Asia-Pacific, whose primary aim is to hedge against strategic uncertainties associated with the rise of China. Yet it is not only about constraining China’s assertiveness. This new institutional architecture will also result in limiting America’s unilateralism and bilateralism. Furthermore, it will empower the second-rank players in NEA and the Asia-Pacific, such as Russia, Japan, South Korea, ASEAN, and India. Overall, this kind of institutional order, based on economic interdependence and geopolitical considerations, will help build a more stable balance of power in NEA and the Asia-Pacific.

---

<sup>7</sup> Concert can be defined as joint management of international affairs by great powers on the basis of certain common goals, values, and interests. The concert type of international order combines elements of power balancing and elements of collective security (Muthiah Alagappa, “The Study of International Order: an analytical framework,” in Muthiah Alagappa, ed., *Asian Security Order: instrumental and normative features* (Stanford: Stanford University Press, 2003), p. 55.

<sup>8</sup> Until recently EAS has been primarily concerned with economic, environmental, and social issues. However, following the addition of Russia and the U.S., the forum is clearly beginning to pay more attention to strategic and security issues.

**Figure 1. Emerging balance of institutions in the Asia-Pacific: political concert of Asian and non-Asian Powers vis-a-vis China-dominated economic integration.**

