EAST ASIA INSIGHTS
TOWARD COMMUNITY BUILDING

JCIE Japan Center for International Exchange Vol. 3 No. 4 | September 2008

# The Crisis of Global Governance and the Rise of East Asia

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*With the November US presidential election quickly approaching and the attention of the foreign policy community turned toward East Asia's rise, JCIE is releasing a special edition of* East Asia Insights. *This issue incorporates and expands upon a number of elements raised in previous issues, examining them in the context of the global governance system and the expectations for US leadership in reforming that system.*

A dramatic transformation of the global system is taking place as the distribution of power shifts from West to East. Ongoing crises over Iraq, Afghanistan, Iran, and North Korea and the sharp rise of oil and food prices as a result of the swift upsurge in demand for primary commodities in the emerging economies have thrown systemic problems in the current global system into sharp relief. Viewed from Tokyo, these developments, together with the recent decline in US global leadership, have cast doubt on the future sustainability of the existing network of international institutions. The most recent G8 Summit in Hokkaido, which involved the limited participation of a number of emerging economies and intergovernmental organizations, provided ample evidence that the advanced democracies are no longer capable of solving global challenges by themselves.

Henceforth, global leaders must carry out far-ranging reforms so that obsolescent institutions more accurately reflect contemporary realities and are better able to deal with emerging 21st century challenges. To achieve this objective, the global order must be reshaped to incorporate and constructively engage a host of rising powers—most prominently China and India, but also others such as Brazil, Russia, and South Africa.

A necessary component of this effort is the development of a regional architecture in East Asia, a region that is rapidly becoming a central player in world affairs and is currently in the midst of a remarkable—and potentially destabilizing—transformation. The rise of China and India, coupled with a vast number of emerging regional challenges, makes it clear that a more stable regional order will not only complement efforts to strengthen global governance but will also be an integral building block for the future global system. It is crucial for regional powers to more proactively contribute

to the consolidation of a regional and global order. Although Japan, as the leading advanced democracy and economic power in the region, is the nation best positioned to lead this effort, it will not be able to do so alone; close cooperation between Tokyo and Washington will be essential.

Under a new administration, the United States has the opportunity to reengage East Asia and the rest of the international community and reestablish its global leadership. Although the nature of this leadership must necessarily adapt to changing international circumstances, there is no doubt that the world is better off with an imperfect United States behind the helm than no leader at all.

## Shifting Global Power

Although the recent weakening of global governance derives from a number of causes, two developments stand out as being particularly influential: the systemic shift in the global balance of power from advanced democracies to emerging developing nations, and the gradual evaporation of US leadership. Both of these trends have served to steadily undermine the efficacy of the global system.

The rapid economic growth currently taking place in China and India is only the most impressive example of the shift in balance of power, and most available indicators suggest that this is not a short-term phenomenon. That these countries will pass Japan to become the number two and three economies in the world is no longer a question of "if" but of "when." In the meantime, these two Asian giants—representing 2.6 billion people—will continue to pull along the other emerging economies in East Asia (in particular Southeast Asia and its 575 million people). Their rise carries with it the rising fortunes and expectations of more than 3 billion people.

Although East Asia may be leading the charge, the current transformation is clearly a global phenomenon. Not only have the economies of Russia, Mexico, and Brazil grown significantly in recent years, but the economies of a number of African nations, long characterized by widespread collapse and stagnation, seem to be finally catching up with the rest of the world. According to a 2007 World Bank report, average growth in sub-Saharan Africa was 5.4 percent in 2005 and 2006, and more than a third of Africans live in nations that have maintained annual GDP growth rates of over 4 percent for the past 10 years.

The changes brought about by this rapid economic development, however, have had serious ramifications for the effectiveness of global governance. For example, while at the time of its formation in 1976 the G7 members accounted for 64 percent of global GDP, that number has now fallen to 56 percent. Meanwhile, the economies of the so-called G5 nations—Brazil, China, India, Mexico, and South Africa—have expanded and now account for approximately 12.7 percent of global GDP, a figure that will continue to rise in the coming years. Taken together, this expansion—the most rapid and wide-scale in history—heralds a fundamental shift in economic transactions away from the West.

The significance of this particular current economic expansion in the developing world, however, lies not only in its massive scale. A comparison with the emergence of Japan and Germany in the postwar era proves useful in clarifying why the current transformation has implications that extend far beyond the realm of economics.

Japan and Germany emerged from the Second World War with their economies in tatters. However, with substantial assistance from the Western powers, both states were able to reconstruct their economies. Building on past experiences with democracy, they developed liberal and accountable political systems and eventually regained the trust of the international community by aligning themselves with the US-led Western order and actively participating in the institutions of global governance. The fact that both states were enmeshed in security alliances with the United States from an early stage and shared similar threat perceptions throughout the Cold War ensured that neither state's emergence had a negative impact on global stability. Furthermore, US security guarantees not only allowed both states to avoid constructing costly and destabilizing military deterrents, they

also ensured that neither would become a nuclear power. Although relations were not without occasional economic frictions, neither state was seen as a challenge to the United States' preeminent position in global political and security affairs or to the Western system as a whole.

In stark contrast to the circumstances surrounding the rise of Japan and Germany, current economic growth in the developing world is spearheaded by China, a state whose existing political institutions seem to be incongruous with the existing global order. Additionally, not only are the so-called BRIC nations (Brazil, Russia, India, and China)—with the lone exception of Brazil—independent nuclear powers, but their threat perceptions also often differ greatly from those of the Western nations. Although these countries have more or less embraced the Western economic system, there is no guarantee that they will fully adopt Western norms of behavior in the international community.

This seeming incompatibility provides yet another reason why an increasing number of observers have begun to question the continuing relevance of existing international institutions in the new century. For example, one need only look back to the G7's response to the surge in oil prices following the second oil shock in 1978–1979—essentially an agreement among the seven members to voluntarily impose import ceilings on oil and restrain domestic consumption—to realize how much the world has changed. Even if the G8 were to pass such an agreement now, which is highly unlikely, the absence of any binding effect on China, India, and many other key developing states would dramatically limit its impact. In short, it is abundantly clear that current problems demand new solutions and institutions capable of effectively tackling 21st-century challenges.

## The Decline of US Leadership

The second major factor behind the weakening of global governance in recent years has, ironically, been the foreign policy of the nation primarily responsible for creating the current international system: the United States. Although a relative decline of US power on several traditional measures of national strength may be inevitable, there is no doubt that diminution in US influence overseas has been exacerbated by fallout from several of its recent foreign policy decisions.

Although the United States' history of unilateralist tendencies certainly predates September 11, 2001, its actions in the seven years since have had a negative impact on its image overseas and have severely damaged its moral authority to act as the "leader of the free world." The US decision in 2003 to take military action against Iraq without definitive United Nations Security Council (UNSC) approval undermined the solidarity of the Western alliances, and the war itself has failed to achieve its goal of introducing stability into the Middle East.

Continuing US intransigence over climate change—sure to be one of the most significant challenges of the 21st century—has sparked serious debate about two related issues: first, to what extent the United States is able to look past narrow national interests and act for the wellbeing of the international community and second, whether the United States is still qualified to be the global leader. Particularly damaging was the US rejection of the Kyoto Protocol, an act that not only demonstrated to the rest of the world that the United States—until 2007, the world's largest emitter of $CO_2$—could not be counted on to lead the fight against global warming, but also provided an excuse for other major $CO_2$ emitters to shirk their responsibilities as well. The failure of the United States to step up to the plate and proactively confront emerging challenges such as global warming has done incalculable damage to both the world's confidence in its leadership and many of the institutions of global governance.

## Restoring Global Leadership

There is an emerging consensus both overseas and within the US foreign policy community that the global unipolar moment is at its end and that the challenges of the 21st century will increasingly require leadership that is asserted not by demonstrations of military might but through diplomacy and multilateralism. With sufficient will in Washington

under a new administration, the United States can reestablish its global leadership by working to rebuild its damaged alliances and reengage the outside world as an internationalist power.

It is an unfortunate reality of international relations that the ability to lead and influence global affairs continues to depend heavily on military strength, and limited use of force may occasionally be necessary to maintain global peace and stability. Internationally sanctioned use of preventive force to forestall a terrorist attack, hinder the proliferation of weapons of mass destruction, or stop a gross violation of human rights (e.g., genocide) is one example of "legitimate force." It is abundantly clear, however, that the use of force has a very disruptive impact on international stability. While the United States is the preeminent military power and thus the nation best situated to exercise force, force must always be treated as a last resort, only to be used after all diplomatic means have been exhausted and unequivocal international legitimacy has been acquired.

The dramatic shift in the US approach to the outside world that emerged during the second term of the Bush administration, which reintroduced multilateralism and diplomacy into its foreign policy toolbox, is a positive sign. The resulting progress in the Six-Party Talks is a clear manifestation of the advantages of this diplomatic approach. Far from being limited to the North Korea issue, a multilateral and comprehensive approach should be applied to all global challenges, such as the international community's current attempt to achieve a resolution to the Iran nuclear issue. Both US presidential candidates have already publicly endorsed this kind of foreign policy approach. While it of course remains an open question whether this shift heralds a fundamental transformation in US foreign policy, the widespread use of such rhetoric on the campaign trail is a welcome development.

The issue of legitimacy, however, presents a far more frustrating challenge. Although a number of international meetings have been held among foreign policy intellectuals in recent years in an attempt to define "international legitimacy," anything approaching a consensus remains distant. A variety of proposals for new institutions have emerged from these meetings, ranging from a plan to undertake a comprehensive overhaul of existing international institutions to calls for the establishment of new values-based and exclusive institutions, such as a league of advanced democracies. While each of these proposals has its merits, it is abundantly clear that many of the challenges brought about by the systemic transformation of the global balance of power can only be effectively addressed with action legitimated by inclusive institutions such as the United Nations.

At the same time, however, the UNSC represents one of the major institutions of global governance in need of comprehensive reform. The Security Council's permanent membership is an anachronism, reflecting the global power distribution of 1946 rather than 2008. The international community must reform this institution to more accurately reflect contemporary realities of the global system, such as the expanded influence of global powers like Japan, Germany, India, and Brazil. It is incumbent upon the United States to aggressively lead the charge for reform. Although this will no doubt prove to be an arduous task, the world cannot afford to allow the UNSC to descend into irrelevance.

At the same time that the United States must aim to reform and expand inclusive global institutions, it must also work to consolidate links among advanced democratic powers and ensure that this group does not forsake its integral role as the driving force behind global governance and international peace and prosperity. The direction and moral leadership necessary to achieve this goal can only be provided by advanced democracies and only the United States is capable of reconsolidating the ties among this group of countries. To this end, the United States must work to strengthen existing relationships, in particular its global network of bilateral alliances and NATO. Additionally, the G8 must adopt a more proactive role in coordinating the economic, political, and security policies of its members in order to provide a model for the norms and principles that should underpin the future global system.

## East Asia's Challenge and Global Governance

Efforts to revitalize global governance are inexorably linked to developments in East Asia. The region's newfound status as the primary driver of global economic growth and its rapidly increasing influence in world affairs make it abundantly clear that the manner in which East Asia evolves in the coming decades will have a substantial impact on global governance, for better or for worse. In order to minimize the potentially deleterious effects of East Asia's transformation, it is imperative that the international community work to fortify existing institutions and design novel frameworks capable of effectively addressing emerging challenges. Going forward, it is in the interests of all nations with concerns in the region—in particular Japan and the United States—to ensure that the region emerges in a manner compatible with the norms and principles of the current global system.

Although East Asia receives considerable attention for its remarkable growth rates and expanding intraregional economic interdependence, the numerous challenges it faces outside of the economic sphere—the rapidly changing balance of power within the region and the emergence of a growing number of transnational threats to stability—also have very important implications for global stability. These developments pose a direct threat not only to the security of individual states in the region but also to the sustainability of economic growth. The longer the region continues to lack an effective mechanism to tackle these issues, the greater the possibility of disruptive spillover into the global system will become.

Perhaps the most significant challenge in East Asia is presented by the rise of China, a nation whose rapid economic growth and increasingly assertive foreign policy have transformed the geopolitical landscape in the region. This development has presented a unique challenge for policymakers in many neighboring countries, many of whom seek policies that balance cooperation and engagement with "hedging" against uncertainty concerning China's future course.

India is also experiencing rapid development and a concomitant increase in global economic and political influence. Although India has traditionally been perceived as lying on the periphery of East Asia, its linkages with the region are growing and many governments see it as a potential contributor to regional stability, a view manifested most clearly in the successful campaign to invite India to participate in the East Asia Summit. Nevertheless, continuing instability on the Indian subcontinent leaves India in a somewhat precarious position.

Although the international press devotes the greatest amount of attention to the rise of China and India, the transformation of East Asia is not limited to those two countries. In Northeast Asia, Japanese domestic opposition to a more assertive role in the region is on the decline in response to changing threat perceptions toward its neighbors. As a result, Japan's security policy has undergone a significant transformation as Tokyo seeks a more proactive and "normal" role. Meanwhile, the long-term implications of rising nationalism in China, Japan, and South Korea, and of festering resentment among these countries over unresolved territorial disputes, remain unclear. Finally, despite seeming progress toward a resolution of the North Korea nuclear issue, until verifiable denuclearization is achieved, the situation on the Korean Peninsula will most likely remain a potentially destabilizing security and geopolitical flashpoint for several years. In Southeast Asia, several ASEAN countries continue to struggle with serious domestic governance issues. As seen in other parts of the region as well, in several Southeast Asian countries economic growth has come hand in hand with corruption, environmental degradation, and an expanding disparity between rich and poor.

Throughout East Asia, transnational environmental challenges including global warming and air pollution, health challenges such as HIV/AIDS and avian influenza, and nontraditional security issues such as human trafficking and maritime security all pose grave threats to national and regional stability.

## Establishing a Regional Architecture

The rapidly expanding influence of China and India, coupled with the significant challenges illustrated above, make clear that the rise of East Asia presents the current global system with a serious challenge. The first step to ensure that this development does not seriously disrupt global stability will be to establish a regionwide architecture that is compatible with the existing rules and norms of the international system. Enmeshing East Asian nations in such a rules-based system will lead to a more stable and prosperous region and facilitate further reform of global governance. World leaders must begin by asking themselves what kind of regional architecture would most effectively forestall the materialization of any of these potential threats to regional and global stability and then stipulate a list of clear principles to guide the process.

Unfortunately, however, the United States continues to be distracted by issues in the Middle East and has failed to play an active leadership role in shaping East Asia's transformation. The conspicuous absence of any sort of long-term vision for the region's emergence or explanation of the kind of role the United States plans to play in its evolution militates against the future prospects for the United States to influence its outcome. In addition to making a greater effort to elucidate its preferences, Washington must also make clear to the world—particularly to Japan and its other friends in the region—that the United States continues to see East Asia as a region of strategic importance.

Although the spread of liberal democratic political systems throughout East Asia would certainly expedite East Asia's integration into the existing global system, the current reality is such that democracy must remain a long-term objective. For the time being, the focus should be on two complimentary fronts: working to prevent the materialization of existing threats—i.e., minimizing risks—and working to deepen trust and increase prosperity by maximizing opportunities that have emerged as a result of widespread economic liberalization and regional integration.

In order to minimize risks, existing US bilateral security alliances with states in the region, in addition to "minilateral" institutions such as the trilateral fora for strategic dialogue among Japan, the United States, and Australia and among Japan, the Republic of Korea, and the United States, should be used as a hedge against the materialization of potential "traditional" security threats.

At the same time, leaders should expand multilateral cooperation on functional issues through inclusive regionwide frameworks. When combined with multilateral dialogue in the context of existing regional fora, proactive and cooperative action to address issues of common concern will go far toward strengthening intraregional ties and consolidating trust and confidence among nations. Doing so will allow all nations in the region to benefit from the opportunities created by East Asia's rise.

## A Functional Approach

Given the vast diversity of values, religions, and political systems among East Asian nations, it is clear that a regional architecture must be predicated on a recognition of common interests rather than divisive issues. In other words, what is necessary at this point in time is an innovative framework of initiatives that place emphasis on "functions"—i.e., specific tasks or practical objectives—rather than shared values. This kind of approach will be the most effective way to consolidate peace and stability in East Asia and can constitute the keystone of an eventual regionwide, rules-based architecture.

In efforts to ensure regional security, the United States and Japan should champion an action-oriented approach and proactively collaborate with China and other East Asian powers. One key aspect of this approach would be the creation of a new East Asia Security Forum, discussed in previous issues of *East Asia Insights*, to tackle transnational security issues such as maritime piracy, resource scarcity, disaster relief, environmental degradation, infectious disease, and nuclear proliferation. Taking the Proliferation Security Initiative as a model, this new forum would adopt a proactive and operational approach to regional security. Member states would be bound together by rules and operations and cooperatively address shared threats through joint operations. It

should be stressed that the proposed forum is not intended as a replacement for the ASEAN Regional Forum (ARF). Rather, it would be designed to serve as a complement to—or even possibly as part of—the ARF, which has played an important role in facilitating regular regionwide ministerial dialogue for well over a decade. After all, the primary objective is not to create superfluous institutions but to engage regional states in substantive and action-oriented cooperation.

In order to ensure that the new forum's mandate is not spread too thin, membership should be restricted to the ASEAN+6—i.e., the 10 nations of ASEAN plus China, South Korea, Japan, Australia, New Zealand, and India—and the United States. Given that the United States is not geographically situated in Asia, its membership may be met with some resistance from other nations in the region. However, it is abundantly clear that US participation is a prerequisite for this kind of action-oriented security institution to have a legitimate chance of success. In order to mitigate resistance, the United States should make a strong case for its inclusion in the forum. It can do so by demonstrating a clear commitment to continuing its role as East Asia's primary security guarantor and by resolutely silencing fears that it intends to withdraw from the region. Japan, for its part, must make every effort to convince regional actors to welcome US involvement, for example by encouraging Washington to sign a Treaty of Amity and Cooperation and accede to the East Asia Summit as soon as possible.

Recent progress in talks over the North Korea nuclear issue have demonstrated the important contribution that subregional forums can provide to regional stability. It has also manifested the integral role that the United States plays in regional security affairs and the importance of its leadership. Although the Six-Party Talks mechanism was created to deal specifically with North Korea's nuclear problem, it can continue to make a valuable contribution to regional stability even after resolution of the nuclear issue as a subregional forum for addressing other security concerns on the Korean Peninsula. As stipulated in the February 2007 Joint Statement, a number of obstacles remain before North Korea can be fully brought into international society, such as normalization of Pyongyang's relations with the United States and Japan, a formal peace treaty to officially end the Korean War, and North Korea's economic development. Continued interaction among the six states in pursuit of solutions to these issues, which may take a considerably longer time than was originally expected, will not only lead to a final resolution of the issues themselves, but also serve as a valuable confidence-building measure.

Although inclusive multilateral frameworks will play an integral role in efforts to improve the security environment within East Asia, this undertaking is sure to fail without close cooperation among the region's great powers. In light of the essential role that the United States, Japan, and China must play as guarantors of East Asian peace and stability, annual trilateral security summits should be initiated as soon as possible in order to provide a venue for discussing the various security challenges facing the region. Regular dialogue would also serve to reduce mutual suspicions, increase transparency, and consolidate trust among the three global superpowers.

Finally, in the field of economics, the gradual embrace of the market mechanism in East Asia has led to remarkable progress toward economic integration. Since the turn of the century, an impressive array of free trade agreements have been signed and still more are currently under review. The task ahead for leading states is to ensure that the region becomes further integrated and that the economic ties between countries are rules-based and linked to global institutions such as the WTO. In order to ensure that this community does not evolve into an isolated bloc, stronger linkages must be developed between East Asia and North America through the APEC framework and between Asia and Europe within the context of the Asia-Europe Meeting.

In sum, policymakers in Washington, as well as in Tokyo, can best contribute to peace and stability in East Asia by actively encouraging regional cooperation and working with regional partners to consolidate a multilayered security architecture: strengthening existing bilateral security arrangements and minilateral strategic links and dialogues,

extending and expanding the subregional Six-Party Talks mandate beyond the nuclear issue, and leading the charge for the creation of an East Asia Security Forum as a regionwide, inclusive mechanism for proactive efforts to combat nontraditional security threats. Stability in East Asia will complement efforts to strengthen global governance and be an integral building block of the future global system.

The US-Japan relationship can and should play a central role in efforts to address these challenges. Although Japan's relative influence as an economic superpower is bound to decline in the coming decades, its qualitative value as an advanced Asian democracy with prowess in the fields of industry and technology is sure to increase. The two allies have overcome many difficulties over the past 60 years—ranging from economic frictions to disparate views on security—and the challenge of engaging each other to create a stable regime in East Asia will once again provide a formidable test of the strength of their relationship.

The existing global system faces a number of serious challenges. It is abundantly clear that a proactive effort must be made to reinvigorate global governance so that this dramatic transformation does not foment global instability. The creation of a new rules-based architecture in East Asia will be an integral aspect of global governance in the 21st century. As part of this process, renewed leadership from the United States under the next administration and close cooperation between Tokyo and Washington will be sine qua non.

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## *East Asia Insights*

*East Asia Insights* is an occasional newsletter focusing on East Asia community building from the Japanese perspective.

Published by: Tadashi Yamamoto, President, JCIE

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