

THE
**CENTRE
OF GRAVITY**
SERIES

**RINGING IN A NEW ORDER?
HEGEMONY, HIERARCHY, AND
TRANSITION IN EAST ASIA**

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EXECUTIVE SUMMARY

- Regional institutions have been created not only to socialise China, but also to legitimise the United States' continuing role in East Asia.
- East Asian regionalism poses a limited challenge to the US-led global order.
- There remains significant regional demand for the US to define and prioritise public goods and how they are provided, especially in managing conflicts on the Korean peninsula and in the South China Sea.
- The continuing divorce between China and Japan facilitates US regional leadership.
- We have witnessed the parallel strategic resurgence of both the US and China in East Asia.
- East Asian states have been renegotiating the US hegemonic order to incorporate China as a constrained, pro-status quo power.
- This hierarchical order framework points to urgent strategic choices beyond balancing, bandwagoning and 'hedging'.

POLICY RECOMMENDATION

- Australia should persuade Washington to recognise China's legitimate growing interests and to negotiate shared responsibilities for regional order.
- Australia should help to cultivate regional constituencies to legitimise the US role, and to negotiate acceptable terms for China's legitimate inclusion.
- Australia should consult with and learn from the experiences of its East Asian neighbours.
- Australia should overcome the artificial divide between the economic and security realms in strategy formulation and policy coordination.

THE POST-COLD WAR strategic order in East Asia has been an inconvenience for scholars and analysts who favour parsimonious theories. Traditional expectations about changing power distributions, balance of power and potential power transition cannot account for the messy empirical realities in the region. On the one hand, the remaining super-power has suffered crises of identity and authority that those anticipating a 'liberal Leviathan' are too sanguine about. While the United States' military preponderance has increased and it is still functioning as the classic hegemon in the international political economy, its leadership has come under increasing scrutiny on the basis of both legitimacy and capability. On the other hand, China's remarkable economic growth has been accompanied by inflated expectations, increasing military expenditure, and a growing international political profile. Yet, Beijing has been more diplomatic, more cooperative, less overtly challenging of most international norms, but also less willing to shoulder great power responsibilities than many would expect from a rapidly rising power. At the same time, smaller states and non-state actors now play a more significant role in shaping international order. But non-great power states in East Asia also do not conform to theoretical expectations in their strategic choices: rather than balancing or bandwagoning, they hedge, proliferate multilateral institutions, and seem to have usurped a disproportionate ability to shape or hinder great power responsibilities.

How do we account for the continuing though changing character of US preponderance; the extent, potential, and meaning of China's rise; and what do non-great powers have to do with it?

The Evolving East Asian Order

We begin by taking stock of how the East Asian strategic order has changed over the last two decades. Four developments are particularly important:

Regional institutions to tame and harness power

East Asia and the Asia-Pacific are awash with bilateral, multilateral and ‘mini-lateral’ institutions promoting political, economic and strategic dialogue and cooperation. The general understanding is that such institutions mediate interstate conflicts by leveraging on common interest, increasing cooperation, and developing shared identity. But institutions are not stark alternatives to power politics; they are instruments of power and efforts to manage power.

In the immediate aftermath of the Cold War in East Asia, regional economic and security institutions became the prime sites for contesting and justifying which great powers would be involved in managing regional order, and how their power would be constrained and directed. Various spearheaded by the smaller states of Southeast Asia and middle powers like Japan and Australia, institutions like the ASEAN Regional Forum and APEC included as many great powers as possible, in part to allow these great powers themselves to monitor and countervail one another’s power within agreed rules and norms. As important as socializing China was the aim of using institutional membership to legitimize the US’ continuing role in the region. These regional security institutions supplement the reinvigorated bilateral treaties that bind the US to guaranteeing the security and autonomy of its allies and partners in the region, by committing it to managing regional order in a rule-bound way.

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In recent years, the institutional rivalry between the ARF, ASEAN+3, East Asia Summit and others is essentially a face-off between two different models of what the bargain ought to be: an ‘inclusive’ arrangement perpetuating the US-led security order but incorporating China into a condominium and retaining Japan’s supplementary role as supporter state; or an ‘exclusive’ new China-centred order that would require a strategic understanding between China and Japan as well as a wider regional bargain on how China’s power will be restrained. The current apparent stalemate reflects regional attempts to ensure that both bargains can coexist; the question is how this might be achieved.

The limited challenge from regionalism

Be that as it may, East Asian regionalism is often regarded as a significant form of resistance or potential challenge to the US-led global order. This is truer in the economic realm than the security, and most pronounced in the arena of financial regionalism after the Asian financial crisis of 1997. In particular, the exclusively East Asian ASEAN+3 grouping’s creation of a regional currency swap and regulation framework dubbed the ‘Chiang Mai Initiative’ has lent substance to regional financial cooperation and aspirations of economic integration.

Yet, East Asian financial regionalism is fundamentally impeded by two factors: a growing leadership struggle between China and Japan, and the resilient structures of the existing global order. On the one hand, the boundaries between the putative regional community and the global economic order are difficult to police. East Asian production networks are markedly dependent upon external markets, foreclosing the option of any ‘closed’ regionalism project. For the leading economies of China and Japan, regional re-negotiation of financial governance is also limited by their multiple aims in the on-going reforms of global economic governance – to limit exposure to different types of risk commensurate with their financial profiles, to block each other’s potential gains in status, and to preserve certain beneficial aspects of the existing order while reforming less desirable

elements. Japan and China each contribute the largest proportion of CMI reserve funds, but neither is ultimately willing or able to monopolise the supply of regional financial public goods. The US-led neoliberal economic order remains resilient in the face of crisis, not because its liberal ideology cannot be challenged, but rather because such hegemonic institutions are extremely costly to replace.

“ This record indicates strong and widespread regional preference for the US as regional security guarantor. ”

Thus, East Asian states returned quite quickly to partial support of the neoliberal economic orthodoxy and of international financial institutions shortly after the 1997 crisis. The CMI currency swap facility retains a vital link to IMF conditions; key East Asian economies chose not to use the CMI but rather to activate bilateral swap agreements especially with the US during the 2008-9 global financial crisis; and China and Japan have acted within the G8 and G20 to support the IMF and World Bank agendas. East Asian financial regionalism has been aimed mainly at mediating the adverse effects of globalisation by layering on regional financial safety nets as back-up for global arrangements in times of crisis, rather than undermining or replacing the global economic order.

Regional conflict management and great power authority

Meanwhile, the traditional obligation of great powers to provide security public goods and manage conflicts remains relevant and urgently required in East Asia. The major regional flashpoints on the Korean peninsula and in the East and South China Seas all embroil the US and China, and involve contestation about how to prioritise public goods and modes of conflict management. For reasons of efficiency and legitimacy, Washington has sought to share the burdens in conflict management with China, international institutions, and its allies – the prime example of this being the Six Party Talks and the role of the IAEA in dealing with North Korea. But to a significant extent, the US retains the right to define the nature and hierarchy of public goods and to determine how these goods are to be provided. For instance, the problem with North Korea is largely defined as nuclear proliferation, which has to be dealt with multilaterally and satisfactorily before addressing the more complex unresolved Korean War settlement or Korean reunification issues. Similarly, the US prevails in its prioritisation of ensuring freedom of navigation rather than solving territorial disputes in the South China Sea.



There has been consistent regional demand for the US to manage these conflicts. Most obviously, its forward military presence is regarded as providing the ultimate deterrence against nuclear threats and maritime adventurism. Since 2009, a combination of domestic political changes in key regional allied states, rising threat perceptions and confrontational behaviour and rhetoric in each of these flashpoints have renewed demands for US support. These involve tightening or reinvigorating allied and military relationships with South Korea, Japan and the Philippines, and more recently with Singapore and Australia as part of the Obama administration's 'rebalance' towards the Asia-Pacific. Regional states have also demanded political support from the US in managing these conflicts; for instance some ASEAN members' requests for high-level American rhetorical interventions on the importance of international law, peaceful dialogue and ASEAN's role in managing the South China Sea territorial disputes with China.

Taken together, this record indicates strong and widespread regional preference for the US as regional security guarantor. Other East Asian states largely continue to defer to and demand Washington's leadership for three reasons. First and most importantly, Washington has shown itself to be responsive to allied security concerns and requests for strategic support from other states. Secondly, American deterrence capabilities have not yet been disproven, unlike China's demonstrated inability to restrain North Korea or commit to serious conflict resolution in the South China Sea. Finally, in none of these flashpoints is there widespread political appetite for the difficult process of actually solving the conflicts, thus reinforcing the US role as guarantor of the status quo.

The fractured regional order

At heart, the dominant reason for most regional states' preference for US stewardship is because the East Asian order is fractured from the unresolved alienation between the two indigenous great powers, China and Japan. Japan's traumatic challenge to the Sino-centric regional order began during the Meiji Restoration and culminated in the Second World War, but this strategic divorce has never been settled between them. Instead, the United States interposed itself as ring-holder between China and Japan after the war, using Japan's security reliance and the bilateral alliance as the 'cork in the bottle' restraining and reassuring both sides. China's growing military capabilities and the strengthening and broadening US-Japan alliance arguably threaten to upset this state of affairs, reviving East Asia's most virulent security dilemma. What is less often recognised, however, is that US regional preponderance feeds off Sino-Japanese alienation. The combination of growing security dilemma and unresolved history and memory conflicts between Japan and China and Korea not only hamper efforts at regional integration; they also serve to reinforce these crucial Northeast Asian states' reliance on the US as ring-holder and guarantor.

A New Framework

Drawing these skeins together, my contention is that the contemporary East Asian strategic order is marked by three characteristics: hegemony, hierarchy, and order transition.

US hegemony

It is important to understand that we are dealing not with the rise of one great power and either the static incumbency or decline of the other; instead, East Asia has faced the parallel strategic resurgence of both the United States and China. Over the last two decades, alongside China's rise, the United States has recovered the strategic initiative in East Asia that was undermined by its defeat in Vietnam and undercut by the disappearance of the Cold War rationale. Hegemony is classically defined as extraordinary unequal power backed by a greater degree of consent than coercion. By this understanding, US hegemony has been established in post-Cold War East Asia not merely as a result of its preponderance of power, but mainly because of the complicity of key regional states, which prefer to sustain a regional order underpinned by US primacy and leadership. Hegemony is, as always, accompanied by active resistance, but Washington has been able to contain resistance by being relatively open to re-negotiating the terms of its hegemony. For instance, it has joined new regional institutions, signed up to ASEAN's Treaty of Amity and Cooperation, and renegotiated the scope and content of bilateral security treaties and agreements.

In general, regional states support or tolerate US hegemony because of their belief that the distribution of benefits, while not ideal, is preferable in this pluralist order than in any other alternatives they can devise. East Asian states might construct secondary safety nets – enmeshing China in the hopes of socialising it, cultivating regional community, inching towards memory reconciliation – but the strategic oxygen for such endeavours is perceived to flow from the hard deterrence and guarantor-ship that the US alone can provide. Regional negotiations with the US are not so much geared at taming its preponderant power as at harnessing and channelling it into binding security commitments. This sits in contrast to East Asian approaches to China, which concentrate on constraining and balancing it, and socialising it into a different type of power capable of making compacts in the first place. Indeed, US hegemony has been established in post-Cold War East Asia not in spite of, but partly because of, China's resurgence.

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Order transition

US hegemony has been consolidated not by the application of preponderant capabilities alone, but through a process of working out with regional partners the terms of this hegemony. The most important strategic changes in East Asia have reflected not balance of power challenges to US primacy, but rather a complex process of re-negotiating the consensus on values, rights and duties that underpins US hegemony vis-à-vis other states. These processes have included the all-important question of how to justify essentially Cold War-era security relationships in the contemporary era by identifying new shared threats and adjusting burden-sharing; how to integrate China into this regional order but at a level subordinate to the US or to US-led norms and rules; and how to at the same time ensure sufficient means for regional states to express autonomy and create alternative safety nets. Many crucial battles have been fought over strategic concepts, social norms, conflict management, justice claims and institutional bargains that constrain power, justify inequalities and permit governance in the region. In this sense, there has been a transition in the nature of order, rather than in the distribution of power.

Hierarchical order

In this process, East Asian states have reconstructed the US hegemonic order to incorporate a layered hierarchy. This order is hierarchical in the sense that US hegemonic authority persists; but it is also hierarchical in that it contains a rank ordering of other major powers below the US. Critically, this hierarchy integrates China as a constrained, pro-status quo second-ranked great power.

This accommodation of rising powers is arguably the most confounding element of the ongoing negotiation of order in East Asia. How could US hegemony have been consolidated precisely during a period when one historical great power, China, is resurgent and another, Japan, may be gradually normalising? The empirical record suggests that the answer lies in multiple practices of layering: attempts to integrate differentiated authority, functions and goals by easing them one on top of the other in order of priority. At



the most general level is a distinction between the global strategic and economic order dominated by the US and western liberal states, and the regional tier. East Asian states contribute to the widespread support undergirding the global order by not creating a regional order that challenges it. Rather, as encapsulated in the financial realm, the regional tier is developing as a support layer under the global.

Within the regional realm are further efforts at layering. China and Japan most actively engage in geopolitical and normative competition, and often act to deny each other status. Neither side regards the other as equal. Other regional states also often place greater priority and emphasis on managing their relationships with the US than they do those with China or Japan. The developing bargains over institutions and conflict management most clearly illustrate this landscape of tiered unequal power and gradations of authority.

These developments lead us to the conclusion that the East Asian hierarchical order is at least variegated at the top. The superpower overlay of the United States is obvious in terms of its preponderant capabilities, proven willingness to employ them in managing regional crises and affairs, and in the social recognition it receives within the region. China's status as the major regional great power is growing on these three fronts, but it still lags significantly behind the United States. Most notably, China receives recognition from regional states that do not deny it a

major regional role, even if they might not support it in a preponderant position. At the same time, Japan retains a prominent position in determining regional order, with its still-significant economic capabilities, and its security relationship with the US, which makes it a vital hegemonic supporter and potential 'swing' state. We may quibble about the exact rank ordering beyond the US and China, but there are two discernible breaks in this hierarchy: one dividing the US as hegemon from the rest, and the other dividing the US, China and Japan from the non-great power states.

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Implications

How does understanding this complex and evolving regional order help in formulating strategic policies?

Ditch false choices

This new hierarchical order framework pierces the illusion that our strategic choices are confined to balancing, bandwagoning or even 'hedging'. East Asian states, including Australia, are not primarily faced with a choice between the US and China because we are not returning to an epic Cold War-style struggle between rival international orders. China is not mounting a revolutionary challenge and has mainly been trying – with the aid of many East Asian states – to incorporate itself into the existing order with some adjustments. In any case, US allies like Australia have already chosen, often at significant cost, and it is simply disingenuous to claim otherwise. The crucial point, however, is that in the current hierarchical order, strategic support of US hegemony must be pursued *at the same time* as including and accommodating China – this is distinct from appeasing it, but it does entail some negotiation of the existing rules of the game.

So, we are left with twin strategic imperatives: (1) how to perpetuate the US alliance and the US-led regional order in a rapidly changing strategic context which may see US material preponderance narrowing; and (2) how to help China become a satisfied great power within the existing order with adjustments that others can accept.

Focus on the real challenges

As we enter a critical juncture in negotiating East Asia's strategic order, Australia has a unique capacity to influence this process. Its significance as a US ally was reiterated in the role it plays in the ongoing US 'rebalance', while its growing economic and political ties with China increase Australia's stake in and identification with East Asia's peace and prosperity. A number of very significant policy challenges flow from these imperatives.

The developing regional order contains two critical stress-points. The first is the mutual adjustment and accommodation necessary between the US and China at the top two levels of the hierarchy. Here, Australia can leverage on its position as the one US ally in East Asia that is not directly involved in a territorial conflict or unresolved war to help in two important tasks: (1) to persuade Washington to adopt a subtle but essential change in mindset that recognises China's legitimate growing interests and that is willing to 'share power' to some extent with it in exchange for China's greater stake in regional order; and (2) to cultivate the relevant regional constituencies in support of legitimising the US role and negotiating acceptable terms for China's constructive inclusion. The second stress-point in the developing hierarchy resides in the middle levels of the hierarchy, where conflict over rank and status particularly between China and Japan, have the greatest disruptive potential. How third parties can or ought to mediate in this critical relationship is a difficult question that demands more strategic consideration.



Australia unquestionably shares these strategic challenges with its neighbours in East Asia, and is arguably coming quite late to the business of managing US hegemony and China's rise that has dominated Southeast Asian, Korean and Japanese strategic planning for the last two decades. Australia needs to prioritise consultation and coordination with these neighbours, if only to learn from their successes and mistakes.

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Finally, for the purposes of strategy formulation and policy coordination, the developing hierarchical regional order encompasses a complex intermeshing of economic and security issues, and US hegemony and Chinese satisfaction both have to be negotiated across these realms. We must overcome the delusion that the economic and security realms are separate, and that growing economic interdependence with China can be happily counterweighed by continuing security reliance on the US. Contemporary strategic policy is about achieving policy goals using not just armed force but also economic instruments and diplomatic innovation. China's rise has forced other countries to think about how to coordinate and use the full spectrum of the tools of statecraft, and Australia cannot afford to be an exception.

POLICY RECOMMENDATION

- Australia should persuade Washington to recognise China's legitimate growing interests and to negotiate shared responsibilities for regional order.
- Australia should help to cultivate regional constituencies to legitimise the US role, and to negotiate acceptable terms for China's legitimate inclusion.
- Australia should consult with and learn from the experiences of its East Asian neighbours.
- Australia should overcome the artificial divide between the economic and security realms in strategy formulation and policy coordination.

THE STRUGGLE FOR ORDER

Hegemony, Hierarchy, and Transition in Post-Cold War East Asia

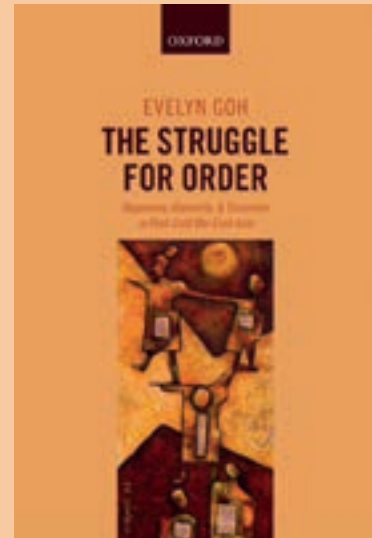
Evelyn Goh

How has world order changed since the Cold War ended? Do we live in an age of American empire, or is global power shifting to the East with the rise of China? Arguing that existing ideas about balance of power and power transition are inadequate, this book gives an innovative reinterpretation of the changing nature of US power, focused on the 'order transition' in East Asia.

- A major new analysis of international relations in East Asia
- Comprehensive survey of post-Cold War strategic debates and development
- Combines theory and concepts with empirical analysis to enable coherent understanding

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