

# Challenges to Effective Multilateralism: Comparing Asian and European Experiences

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## Introduction

East Asia's dynamism—in both economic and security affairs—has become a common starting point for analyses of the future of this region. A central feature of this dynamism—indeed, a driver of it—has been the growing attention to the dual processes of regional integration and multilateralism. Intra-Asian trade and investment have increased at a marked pace and multi-lateral structures have similarly been proliferating in recent years. These trends are emerging at a time when governments in East Asia are tackling a complex and overlapping array of traditional and nontraditional security challenges. The constellation of Asian institutions is decidedly fluid, and their ability to effectively manage new types of economic and security challenges remains unclear.

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The contrast between Europe's and Asia's experiences with regional integration and institution-building raises numerous questions about the changing nature of economic integration and multilateral cooperation in the 21st century.

These trends in Asia stand in contrast to those in Europe.<sup>1</sup> Europe is arguably the most economically integrated part of the world. Multilateral institutions and processes in Europe are more developed, having started earlier and been in place for many more decades. European institutions also have a proven track record of success: managing traditional state-to-state power rivalries; facilitating extensive economic integration; and expanding membership while maintaining overall cohesion. Yet, like Asia, the economic and security agendas of European Union (EU) institutions are changing. Globalized commodity, labor, and capital markets are challenging the competitiveness of many EU nations. Nontraditional security challenges require a reengineering of existing patterns of national security and defense cooperation among European nations.

The contrast between Europe's and Asia's experiences with regional integration and institution-building raises numerous questions about the changing nature of economic integration and multilateral cooperation in the 21st century. Similarities in these trends raise questions about the value of comparing the experiences of Asia and Europe.

To date little serious discussion and research about such a comparison has occurred, and dialogue between Asian and EU experts has been equally elusive.<sup>2</sup> The Stanley Foundation—in collaboration with the Stockholm International Peace Research Institute (SIPRI) and the Swedish School of Advanced Asia Pacific Studies of the Swedish Foundation for International Cooperation in Research and Higher Education—hosted a two-day conference in Sigtuna, Sweden in July 2008 on the topic of “Challenges to Effective Multilateralism: Comparing Asian and European Experiences.” The intention of the conference was to fill the gap in the literature, catalyze a more sustained dialogue, and generate policy-relevant recommendations for US policymakers.

To engage the diversity of expertise needed to address these issues, the conference brought together leading international scholars of Asian and European economic and security affairs. The participants in the conference focused on the following tasks:

- Identify the lessons that *both* Asians and Europeans have learned from regional integration and multilateralism: which European experiences could be instructive for managing regional dynamics in Asia and *vice versa*; this is intended to be a bi-directional conversation about past experiences and future steps.
- Examine how multilateral organizations in Europe and in Asia have or have not addressed pressing security, economic, and political challenges
- Generate productive intellectual interaction and cross-pollination between European and Asian experts and inform their future research on regionalism and multilateralism
- Explore the value of establishing new or expanded patterns of cooperation between Asian and European multilateral institutions
- Produce a concise report that outlines the themes of the conference and offers practical policy advice for US policymakers

The conference consisted of five panel discussions. The initial panel set the scene by discussing the role of multilateral political, economic, and security institutions in international affairs and their roles in Europe and Asia. The second panel compared and evaluated the functions, effectiveness, and the longevity of institutions of security multilateralism in Europe and Asia. The third and fourth panels adopted a similar approach to assess economic and political multilateralism in Asia and Europe, respectively. The final panel drew preliminary conclusions from the arguments from the previous panels and generated insights about the value of comparing these two regions.

### Setting the Scene: Understanding Regional Integration and Multilateralism in Europe and Asia

Comparing regional integration and multilateral institution building in Europe and Asia is a daunting analytical task. Scholars from both regions noted several complexities. First and foremost, it is important that European models of integration and institution building not be unilaterally applied to Asia—as if Asia is destined to follow Europe’s path. Rather, dialogue among regional experts should be bi-directional.

Against this backdrop, scholars from both regions compared and contrasted Asia and Europe, and agreed that such a comparison should not needlessly privilege one region’s experiences at the expense of the other. Much of the discussion focused on the few similarities and the myriad differences between Europe’s and Asia’s approaches to regionalism and institution building.

Participants highlighted several similarities. For example, both regions share a Cold War history of division caused by the rivalry between the United States and the Soviet Union. As a result, the United States has played a

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central role as an external source of security in both Europe and Asia. The United States continues to play this role in both regions, albeit in different manifestations and with different consequences. In addition, both regions contain both developed and developing states, industrial and postindustrial nations, and established and rising powers. Many of these states are also major regional powers with significant global influence.

Differences between Europe and Asia abound, however. Europe is a deeply integrated and institutionalized region; Asia is not. Along these lines, multilateralism is the main mode of operation among European nations; for them, sovereignty is a layered concept that can be negotiated among states. Additional differences include:

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- Europe was the source of many of the dominant international institutions, rules, and norms in the current international system. By contrast, many Asian nations, as postcolonial states, have struggled with the tension between adaptation and resistance to core global norms and institutions.
- Europe has a robust, well-organized, and active civil society; in Asia, civil society is in the process of uneven expansion because some Asian countries are more open than others. In broader terms, Europe is also more culturally cohesive than Asia.
- European multilateralism is more legalistic and institutionalized, whereas Asian multilateralism is more practice based and informal. This distinction, however, should not be overstated because it is less stark in practice.
- European nations, during the past five decades, leveraged US security protection to pursue their own project of regional economic integration. East Asian nations, for the most part, have not. In Europe, the United States acted as a catalyst for European integration beginning in the 1950s. In East Asia, the United States has not been a driver of regional integration; instead it has established itself at the center of a hub-spoke pattern of security relations while East Asia nations pursued distinct and autonomous paths to develop their national economies.
- In Europe, major powers—the Franco-German core—drove the construction of a multilateral order. This core exercised a magnetic attraction among its smaller neighbors. *If* East Asia followed the EU experience, then China and Japan would have to lead the way, following in the footsteps of France and Germany. Despite recent progress, neither Beijing nor Tokyo is there yet. Sustained Sino-Japanese rapprochement will be a key to political and economic integration in East Asia.

Moreover, EU multilateralism benefited from the similar social orders of its member states, which are democratic, open market economies, and with large middle and working classes. These similarities contributed to policy convergence and integration. In East Asia, the underlying social orders have been more diverse and incompatible, and each of the states has pursued a

distinct approach to economic development. Asia has a mix of industrial and agrarian states, closed state-centric economies and open decentralized economies, egalitarian political orders versus oligarchic orders.

In Asia, major power competition among states and the prospect of war still looms over the region; such adversarial competition is largely absent from Europe. These structural features limit the degree of regional integration and institution building in Asia.

According to several scholars from Asia, a variety of views, practices, and experiences has inhibited multilateral institution building. There is a strong emphasis on state sovereignty and nonintervention in the internal affairs of other states. Many Asian nations care more about process than results. Bilateral interactions are still a preferred way of managing state-to-state relations. Many Asian nations lack the state capacity to contribute to substantive multilateral cooperation. Current intra-Asian cooperation has largely resulted from event-driven as opposed to vision-driven interactions.

### Economic Challenges in Europe and Asia

Economic forces were, on balance, the main drivers of European integration, once major political/security issues were put into a stable framework in the 1950s. Multilateral agreements on trade policy (e.g., the customs union and the common agricultural policy) were the initial impetuses for regional integration, which were followed by regulatory liberalization and monetary integration. All these processes remain the principal manifestations of European integration today.

A conference participant outlined the fundamental importance of economic integration in the successes of the European Union.

Most scholars today argue that the strongest and most consistent motivation for European integration over 50 years has been to manage globalization by facilitating regional trade and investment and to position Europe in the global economy. We have seen that neither security motivations nor idealism played such a central role. (To the extent they may once have played a role, it has declined today.)

Interestingly, this high degree of economic integration occurred despite the fact that economic decision making was not highly centralized in Brussels. The EU is not a super-state that is deeply involved in governing its member-state affairs. During its first 35 years, the EU was little more than a customs union with a common agricultural policy. Regulatory liberalization and harmonization were added in the 1980s. Thus, the vast majority of EU policymaking has to do with a narrow set of issues concerning tariffs, quotas, agricultural levies, and regulations governing large multinational businesses. Major national-level policies concerning taxation, budget and spending, social welfare, education, defense, immigration, and infrastructure policies remain at the national or local levels of EU member states.

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## Asia

Asia's economic patterns and regional integration look far different from Europe's. Over the past several decades, East Asian economies have achieved high levels of development, growth, and increasing levels of interdependence through a mix of trade liberalization, structural reforms, and market-driven regional and global integration. In the 1990s alone, intraregional trade in East Asia has taken off, based in part on the nexus of trade and foreign direct investment that created a region-wide network of processing trade. Trade among East Asian nations has surpassed East Asia's trade with the United States, the traditional final destination for East Asian exporters. To be sure, conference participants noted that the recent downturn in the global economy, especially in the United States and Europe, could undermine the ability of Asian nations to generate continued growth through international trade.

A central driver of intra-Asian trade has been the global production chain of manufactured goods and especially China's emergence as a point of final assembly in that production chain. This has produced a "triangular" pattern of trade among East Asia, China, and the United States. As a result, East Asian trading nations have become increasingly tied to China for goods and services exports, and China has become tied to many of them for imports of raw materials and intermediate goods.

Despite these trends, East Asia lacks a strong multilateral organization to foster growth and prosperity. There are no mechanisms for truly regional market integration, trade or regulatory liberalization, or financial and monetary integration. There have been several attempts to start such an effort, but most have failed. Moreover, existing institutions have not been fostering sustained economic integration, even approaching EU levels.

Before the Asian financial crisis of 1997, the World Trade Organization (WTO), and to a lesser extent, Asia-Pacific Economic Cooperation (APEC) fostered an initial round of trade liberalization that benefitted many Asian nations. By the end of the 1990s, APEC's nonbinding trade liberalization regime had produced little additional progress beyond WTO-mandated gains; the easy and low-cost liberalization steps had been taken by that point. In addition, APEC lost much influence after it did little to respond—before or afterward—to the 1997 crisis. After the 1997 crisis, major Asian economies created two functional organizations to address possible balance-of-payments crises for developing nations: the May 2000 Chiang Mai Initiative (CMI) and the 2003 Asian Bond Market Initiative. Both are narrow in scope and function, and both remain untested in responding to a regional liquidity crisis.

Economists at the conference argued that a key factor affecting economic community building in East Asia is the proliferation of bilateral and multilateral Free Trade Agreements (FTAs). Before 2000, there were fewer than 10 FTAs, but now there are more than 60. The shortcomings of the WTO's liberalization efforts have been driving East Asian nations' pursuit of FTAs because such agreements can produce tariff liberalization where WTO has not.

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While some in Asia argue that a network of FTAs could be the foundation for an East Asian economic community, this has not yet occurred and prospects remain unclear. Many conference participants argued that the proliferation of FTAs is unlikely to foster high levels of regional cooperation and may inhibit such integration. While FTA participants gain initial advantages from generic trade liberalization, the proliferation of FTAs over the longer term will precipitate a set of overlapping and conflicting trade regimes filled with different rules of origin, tariff liberalization schedules, customs procedures, and preferential concessions in areas of commercial regulation (e.g., investment and intellectual property right protection).

These overlapping FTAs create a structural constraint on regionalism: it will be difficult to unify the differing types of FTAs, especially given that some have WTO-inconsistent provisions. The rules of origin vary so much among these agreements that they may distort the role of market forces in shaping nations' economic activities in favor of artificially determined rules of origin. At a minimum, the FTAs need to be upgraded to a customs union with common tariff rates. This would be the first building block in a regional economic community.

A final major challenge facing the development of an integrated economic community in East Asia is the lack of consensus on a regional-wide FTA or related institution for economic cooperation. China promotes the East Asian Free Trade Agreement (i.e., ASEAN +3); Japan advocates the Comprehensive Economic Partnership in East Asia (i.e., ASEAN + 6); and the United States supports the Free Trade Area for the Asia Pacific (i.e., an APEC-wide FTA). Among the major regional economies, thus, there is little agreement on how to begin building such an economic community.

## Security Challenges in Europe and Asia

### Europe

Conference participants agreed from the outset that in comparison to Asian security institutions, such institutions in Europe exhibit a very high degree of development and have consistently contributed in past decades to regional security. The commonly accepted approach of using "collective defense" (i.e., NATO) to deter well understood threats (i.e., the USSR and the Warsaw Pact) was central to the development and functioning of such security institutions in the last decade.

More specifically, Europe's success at building effective multilateral security institutions was due to several factors:

- The geographic proximity in Europe forced major powers to address the issue of regional security early in the process of institution building, in the 1950s.
- Western Europe's two major players (France and Germany) achieved rapprochement early on and then led the process of regional integration, which centered the European order and opened the door to economic integration.

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- Regimes in Western Europe were similar in type and orientation. They practiced institutionalized restraint domestically, making them suited to strategic restraint and cobinding in their statecraft. In some cases, such strategic restraint was a clear goal of their promotion of regional economic integration and creation of regional security institutions.
- The United States was an advocate of regional integration; it needed European integration to convince France to allow German rearmament.
- America's cultural affinity with Europe made Washington more comfortable with multilateralism and regional integration.
- European's nations were very willing and even eager to accept a major role for the United States as a security partner, given the presence of the Soviet threat during the Cold War

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As successful as EU security institutions have been at fostering economic and political integration, they face problems in the security realm. According to one participant, "Security institutions in Europe are in trouble. NATO, the EU (ESDP), and OSCE are not fulfilling their promise. NATO and the EU are in a process of 'competitive decadence', while the OSCE seems to suffer from a hopeless stalemate. Different sets of dilemmas affect these security institutions, some are as old as international politics, and others are linked to the new international security agenda. All demand renewed leaderships and commitments."

The ongoing shift from "collective defense" to "collective security" as the *modus vivendi* for NATO has been highly problematic for transatlantic relations. "The nature of contemporary threats is not conducive to an enhanced role of security institutions. Neither the EU nor NATO offer an obvious value-added. Despite the activation of NATO's Article 5 after 9/11, defense and foreign policy choices have been mostly decided on a national basis. Counterterrorism is a matter of national security rather than collective action." The role of the EU in counterterrorism cooperation has been largely symbolic.

As a result, EU nations are divided on the EU's role in the post-Cold War international security agenda and, specifically, their cooperation with the United States. A common European Security and Defense Policy (ESDP) has yet to take form, raising questions about its relevance in tackling contemporary security challenges. The EU and NATO both suffer from continued strategic ambiguity and a lack of consensus on the core functions of the EU and NATO.

### Asia

Asia specialists were, on balance, optimistic about long-term prospects for the development and of multilateral security institutions in Asia, while fully acknowledging their current limitations. Multilateral security institutions in Asia have several features:



- Security institutions in Asia are underinstitutionalized and underlegalized. But this limitation has been driving recent efforts to develop an ASEAN Security Community and the 2007 creation of the ASEAN Charter. Many participants noted that even these steps are quite limited in their contribution to enhancing the role of ASEAN.
- Asian multilateralism has been led by small states, and mainly by those within ASEAN. The role of major regional powers, such as China and Japan, in institution building is growing, but they disagree on the right models to pursue.
- Asia has no tradition of successful regional institutions that were specifically created and maintained by great powers. Many Asian states remain wary of heavy US or Chinese involvement in institution building. However, many of these same states want to continue the system of US bilateral alliances as a check against future threats to regional security.
- The oldest and most successful regional organization in Asia is the Association of Southeast Asia Nations (ASEAN), a group of small and relatively weak states. ASEAN has been the normative and institutional platform for most subsequent Asian regional security institutions, such as the ASEAN Regional Forum. Participants disagreed about ASEAN's value to promoting regional integration and further institution building; its mandate and influence are limited.
- Asian multilateralism was founded upon a shared commitment to state sovereignty and the principle of "noninterference in the internal affairs of other states." Centuries of colonial rule over the region ensured that the preservation of sovereignty and noninterference would be the key normative basis of Asian regional institutions. This is a constraint on further development of effective multilateral institutions in the region.
- US policymakers, in general, remain ambivalent about the potential contributions of security institutions in East Asia. While the US government rhetorically supports current regional institutions and calls for building new ones (such as in Northeast Asia), Washington seldom relies on them to shape regional security affairs—with the relatively recent six-party talks standing out as the exception which proves the rule. This could change as key US allies in the region, such as Japan and Australia, express support for a greater role in managing regional security questions.

Many of these limitations were by design. In past decades, Asian nations—as newly postcolonial states—did not want strong multilateral organizations for fear they would be dominated by the United States, India, or Japan. Keeping institutions informal and weakly legalized was a deliberate preference of Southeast Asia states. This provided small powers in Southeast Asia with the opportunity to guide such institutions and to establish norms and processes for managing regional affairs.

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Some participants argued that these preferences are lessening now because of more national development, growing confidence of many states, and the recognition that greater economic integration and diplomatic cooperation are needed to sustain current levels of growth and security.

While Asia's security institutions, such as ASEAN, ARF, and APEC, have been criticized as just "talking shops," developments in the last decade suggest that they are gradually assuming additional functions. ASEAN has expanded its membership to include all ten nations of Southeast Asia, widened its agenda to include security cooperation, spawned additional bodies such as ASEAN Plus 3 and the ARF, created the ASEAN Security Community, and adopted the ASEAN Charter. By the same token, the ARF has expanded its membership, agenda, and, mandate.

However, multilateral security institutions in Asia still exhibit multiple limitations, and many of these are structural constraints on active involvement in managing security affairs. Key weaknesses include firm support for the doctrine of noninterference in the internal affairs of states; limited economic and military resources for high-quality crisis management, disaster relief, and confidence building measures; lingering political suspicions and mistrust among regional actors (e.g., Singapore-Malaysia, Singapore-Indonesia, and Thailand-Burma); and limited contributions by civil societies in Southeast Asian states.

These are compounded by institutional deficiencies, such as the lack of an ARF secretariat and the fact that the East Asia Summit lacks a clear mandate and its role overlaps substantially with those of other organizations (i.e., APEC and ARF). The unclear role of major regional and external *powers* in these institutions is a further constraint. The United States is a member of some organizations, but not of others (e.g., East Asia Summit [EAS]), and it is currently most committed to APEC, not ARF. In the EAS, there is deep distrust between two major actors: China and Japan. Given these limitations, conference participants were more optimistic about the future of ASEAN than of the EAS.

Judging the effectiveness of multilateral security institutions in Asia is an inherently difficult task. Asia specialists noted that the success of European integration and institution building serves as an inspiration—but not as a model for replication—given European successes at managing balance-of-power dynamics and fostering collective defense. Participants raised three possible standards for evaluating the performance of security institutions in Asia: (1) ability to fulfill initial goals; (2) ability to promote rule-governed behavior; and (3) ability to contribute to avoidance of armed conflicts.

A final area of discussion was the value of increasing the interaction between bilateral alliances and multilateral security institutions to improve the value of both. The United States should make its alliances less exclusive and use them to facilitate the development and implementation of confidence-building measures in Asia. The agendas of both needs to converge to make US alliances look

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more predictable and to boost the capabilities of multilateral security institutions. Bilateral relations could be used to improve the quality of multilateral security organizations.

### Norm-Building and Political Institutions in Asia and Europe

This panel focused on the role of regional institutions in Europe and Asia in fostering good governance and accepted norms of state behavior. What role have institutions in these regions played in such processes? Have they been effective? Why have they succeeded or failed?

#### Europe

The process of European integration and the current functioning of the EU serve as positive examples of how norms of behavior can be established and propagated by a regional institution. The principles of the respect for democracy, human rights, and the rule of law are essential parts of the EU member states' belief of how states should be organized and function. Reference to these principles is included in the preamble of the Single European Act, the Treaty on the European Union, and the European Security Strategy. Conference participants agreed that the European integration process has been, and will continue to be, strongly influenced by this framework of norms.

EU member states have reiterated their commitment to strengthen the norms of human rights and democracy in EU foreign policy. The EU uses “conditionality” in its foreign policy to encourage other nations to abide by these norms. Fulfilling certain conditions about human rights, democracy and rule of law, for example, is used as an incentive for EU membership. This approach has been highly effective to date.

However, promoting these norms beyond the EU has been problematic and represents a real weakness of EU foreign policy. For example, the EU has applied different standards of norm promotion depending on the strategic importance of the country in question. As with the foreign policymaking of other major powers, the EU confronts difficulties balancing its material interests and principles in its global diplomacy.

#### Asia

Asia's experiences with norm-building through multilateral institutions differ from Europe in terms of the content of the norms and how they are promoted. Participants from Asia argued that Asian institutions seek to embody norms more than they actively create and promote them. They do so in a step-by-step manner and by using incentives, rather than by imposing them by such means of conditionality. The recent creation of the ASEAN Charter is one such example of trying to instantiate ASEAN norms by creating this document.

The norms most commonly articulated, both explicitly and implicitly, in Asian institutions are the primacy of economic development and good governance; the sanctity of state sovereignty; and the importance of the noninterference in the internal affairs of nations. In some parts of Asia, such as

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Singapore and China, there is a strong preference for economic development and good governance over democracy promotion.

The debate over Asian values in the early to mid-1990s was an important occasion for Asian leaders to articulate their views on the significance of economic development in relation to political and civil rights. Asian participants insisted that the principle of conflict prevention through confidence building measures was a consistent emphasis of multilateral security institutions in East Asia.

These norms are most commonly expressed in documents and statements by ASEAN and the ARF. East Asian nations have taken steps to promote them and encourage other states to accept them through such agreements as the Declaration on a Code of Conduct in the South China Seas and the Treaty of Amity and Cooperation.

Many participants agreed that a key mechanism for norm promotion in Asia is to embrace states, not to force norms on them. For example, Burma's membership in ASEAN in 1997 was not based on such conditions, though many participants disagreed about the wisdom, in retrospect, of admitting Burma to ASEAN without conditions. Among Southeast Asian participants, one of the successes of the ASEAN approach to multilateralism was embracing China's participation and encouraging China to become comfortable in multilateral venues. By dint of China's participation in ASEAN, ARF, and APEC processes, it has now become a highly capable actor in multilateral organizations, to the point that it poses new diplomatic challenges to other Asian nations.

The generation and promotion of norms is a key aspect of community building for ASEAN nations. These norms differ from those in Europe, and thus are expressed differently in policymaking. Existing ASEAN norms of economic development, sovereignty, and noninterference in states' internal affairs are core to the ASEAN identity. There are some incipient indications that, due to the challenges posed by nontraditional security threats, an absolutist notion of sovereignty may be lessening. The emerging changes are driven by the practicalities of responding to transnational security threats.

#### Analyzing Regional Integration Institution Building in Asia and Europe

In comparing the experiences of regional integration and institution building in Asia and Europe, conference participants arrived at six conclusions.

- *Europe is more like Asia than one might think:* Contrary to some of the assumptions of many Asia specialists, the EU is not a highly legalistic, centralized, unified, and idealistic actor. The EU is not a "superstate" deeply involved in the economic, social, and political affairs of its member states. The EU works mostly by consensus; EU infringements of state sovereignty are limited. European ideals, while strong in principle, are difficult to implement in policy terms, and the EU is unable (even unwilling) to foster cultural homogeneity.

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- *Pace vs. Trajectory of Regionalism:* While regional integration and institutions are clearly more developed in Europe than in Asia, a major question is whether Asia's integration is simply proceeding at a slower pace than Europe's or whether it is following an entirely distinct trajectory. Is the Europe of today going to be Asia in the future? Or will Asian regionalism and multilateralism evolve along a unique pathway toward its own distinct end state? Are there different routes to the same destination or perhaps different destinations as well? Conference participants were divided on these questions. Many Asian participants preferred to talk about European integration as an inspiration for Asia, but not as a model.
- *Sequencing Politics and Economics in Regional Integration:* The sequencing of political reconciliation and economic integration is central to sustained regional integration and institution building. Europe's history suggests that serious political/security questions (e.g., Franco-German reconciliation) need to be settled in order for economic integration to proceed, but then integration becomes largely an economically-driven phenomenon. The presence of an accepted external power providing security also guarantees help, as does the binding force of a pervasive external security threat. In East Asia, by contrast, economic integration is often treated as the leading edge of political reconciliation, setting the foundation for expanding mutual interests and building confidence among states. Security competition among major Asian states, such as China and Japan and to a lesser extent China and India, remains unresolved. It is unclear whether these dynamics will prevent deeper integration over the longer term.
- *External Forces and Regional Integration:* External forces (both positive and negative) played a pivotal role in fostering European integration. Security multilateralism was strongly motivated by the potent threat from the Soviet Union. The United States saw value in a more unified and cohesive Europe in the face of the Soviet threat, and encouraged Franco-German reconciliation and German rearmament after World War II. In Asia, the United States is somewhat skeptical of regionalism, and Washington remains comfortable with the current hubs-and-spokes model of bilateral security cooperation among its allies and the looser amalgamation of multilateral security groupings in the region. The most "successful" examples of security multilateralism in Asia to date—ASEAN and the six-party talks—were created in response to well defined and commonly perceived security threats. However, by and large, Asians do not currently view a strong external challenge, which is region-wide and demands more structured and formalized security multilateralism. In addition, the US security role in the region can be politically costly for some governments and even exacerbate certain regional security competitions.
- *State Capacity is Critical:* The material capacities of national governments to carry out their internal governance and external security functions are critical to the success of regional integration and institution building. Successful integration in Europe relied upon the capabilities of member

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states to perform core governance functions at home, such as fiscal, tax, and social welfare policymaking, and the ability to engage neighboring and likeminded states abroad. A core weakness of many Asian states is their limited national capabilities to contribute to multilateral cooperation, especially in diplomatic and security affairs. Even in some areas of functional economic cooperation, East Asian states possess limited capacity to contribute.

- *Process vs. Outcomes:* Both processes and outcomes are important to institution building. The distinction between the two can be artificial. European experts noted that there is far more process in the operation of the EU than many Asians assume. EU economic and security affairs operate through extensive consultation and consensus, including the use of informal rules. In Asia, process can function as a type of outcome (i.e., as a CBM), though more tangible outcomes are desired by most Asian states. Better compliance with ASEAN agreements was highlighted as a distinct goal. (Some estimate current compliance at about 30 percent.) The successes of the six-party talks and the recent efforts to make ASEAN a rules-based organization were both highlighted as identifiable outcomes of multilateral processes in Asia.

#### Recommendations for US Policy

The United States has been active in shaping Asian economic and security affairs for decades. It retains a strong national interest in continued and high-quality involvement in Asia, but the mode of US engagement has had to adjust to evolving regional realities. Trends toward greater regional integration and multilateralism demand that US strategy and actions change.

To date, US policymakers have been generally inattentive to these developments and their implications, both positive and negative, for US interests. As a result, US policy has been slow to respond. US economic and security diplomacy in the region needs to better reflect the scope, pace, and content of regional integration and institution building. Failure to respond to these trends, ultimately, will undermine US credibility, legitimacy, and influence in Asia. If done well, US policies that engage the regional penchant for integration and institution building can only bolster the US ability to shape East Asia's evolution in a direction consistent with US interests.

Based on the conference discussions and findings, a number of important recommendations for US policy arise. The United States should:

- Expand investment in diplomatic, intelligence, and general analytic capabilities to assess the degree of regional integration and multilateralism in Asia. What are the main drivers, how fast are these processes proceeding, what form are they taking, and what are the positive and negative implications, for US interests?
- Conduct a policy review of US positions on regionalism and multilateral institutions in East Asia. Current US policy lacks a systemic approach that

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leverages US economic, diplomatic, and military influence in the face of this changing strategic landscape. The US government needs to assess the relative value of participating in various regional institutions (such as APEC, ARF, and EAS), set US goals for participating, and then *prioritize* its attendance accordingly. This should be done in close consultation with regional allies, partners, and friends.

- Develop a comprehensive national strategy toward regional integration and multilateral cooperation in East Asia, following a policy review. This strategy should aim to dispel common perceptions that the United States is distracted from Asia and is opposed to regional integration. Such a strategy should also enhance the credibility, legitimacy, and predictability of US commitments to Asia's stability and prosperity. This should be embedded in and reflective of a broader East Asia strategy to emerge under the next administration.
- Develop a coherent plan for high level US engagement with multilateral organizations in Asia. The president should attend at least one major multilateral meeting *in Asia* each year. The secretary of state should always attend the annual meeting of ARF. The United States should evaluate the past prominence of APEC in US regional strategy, given APEC's increasingly marginal role in fostering greater economic liberalization and regional integration. At a minimum, the United States should participate as an observer in the East Asia Summit and seriously examine modalities for membership.
- Be transparent, inclusive, flexible, and ambitious in fostering greater regional integration and multilateralism. Do so in a way that leverages existing competencies of key Asian states, compensates for their weaknesses, and encourages them to lead in building new initiatives. Improve the civilian capacities of states, including (nongovernmental organization) NGOs and civil society, to participate in multilateral activities, such as humanitarian relief operations.
- Enhance the degree of US support for both formal and ad hoc multilateralism in its regional diplomacy. Past skepticism among East Asia nations toward US-led ad hoc multilateral solutions is waning. The United States should ensure that such efforts are, at a minimum, not inconsistent with existing alliances and, at best, mutually reinforcing. Two recent US-led ad hoc efforts, the six-party process and the Asia-Pacific Partnership on Clean Development and Climate Change, are widely regarded as successes within Asia.
- Encourage US allies and security partners in Asia to play an active role in multilateral security cooperation. The United States should promote such activities both inside and outside existing alliances, including tailoring the scope of alliance cooperation to better facilitate allies' multilateral efforts. US policies should nurture multilateral institution building in Asia in a manner that buttresses traditional US alliances.

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- Develop a pan-Asian mechanism for regular dialogue on regional trade, investment, and finance issues. Use this channel for information sharing, trading experiences with market transitions and related policy reforms, as well as crisis management. Ensure that current regional mechanisms, such as the Chiang-Mai Initiative, are sufficiently resourced to respond in the event of a regional liquidity crisis. Further research the possibility of forming an Asian G-7 among regional finance ministers.
- Strengthen the priority given to Asian regional integration in ongoing dialogues with key regional partners such as Japan, Australia, South Korea, and Singapore. Assure that the ongoing transatlantic dialogue on Asia is sustained and given greater priority in the next administration, and that Asian regionalism becomes a core aspect of those exchanges. The United States and European partners, both the EU and EU member states, should consult on their respective approaches to Asian multilateralism and integration and play a constructive role in shaping their evolution.

## Endnotes

<sup>1</sup> For the purposes of the conference and this conference report, Asia is considered to be the 27 member-states of ASEAN Regional Forum (ARF). Europe is considered to be the 27 members of the European Union.

<sup>2</sup> Excellent scholarship work on a related topic can be found in Amitav Acharya and Alastair Iain Johnston, eds., *Crafting Cooperation: Regional International Institutions in Comparative Perspective*, (Cambridge, UK: Cambridge University Press, 2007).

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The rapporteur, Evan S. Medeiros, prepared this report following the conference. It contains his interpretation of the proceedings and is not merely a descriptive, chronological account. Participants neither reviewed nor approved the report. Therefore, it should not be assumed that every participant subscribes to all recommendations, observations, and conclusions.



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