

## The Rise of Emerging Asia: Regional Peace and Global Security

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### Abstract

The rapid economic rise of China, India, and the Association of Southeast Asian Nations (ASEAN) could have several effects on regional peace and global security. The power transition perspective overstates the risk of conflict that results from convergence between dominant and challenger states. Rapid changes in economic and military capabilities can, however, have negative consequences for regional peace. Three features of the international environment—democratization, economic interdependence, and international institutions—provide weak insurance, at best, against conflict in Asia. Emerging Asian powers may also challenge existing global security regimes, a more indirect threat to global peace. The continuing contribution of Asia to global peace and security will require measures that will be difficult for newly empowered actors competing for status and influence.

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## INTRODUCTION

The economic rise of emerging Asia—China, India, and the Association of Southeast Asian Nations (ASEAN)—occurs in a regional setting of persistent peace and a global environment in which war among the major powers has been absent for nearly six decades. This “long peace” of the great powers and the not-so-long peace in East and Southeast Asia display few signs of stress despite US engagement in two wars of choice during this decade, one of which continues on the margins of Asia. South Asia, which has lagged the rest of Asia in achieving internal and interstate peace, may now be catching up, with the tenuous end of civil wars in Sri Lanka and Nepal and the latest efforts to promote trade between India and Pakistan. The peace that has been achieved and seems likely to persist is a peace of the prudent. However, it is one maintained by national governments that continue to rely on military force as a final arbiter in their disputes—states that are willing to wield the threat of force in the multitude of territorial and other disputes that dot the region. Emerging Asia is not populated by the post-modern states of Europe, nor is it a security community, in which preparation for war has become unthinkable. Nevertheless, maintaining this peace in a region that has become increasingly central to the world economy represents a major contribution that these states can make to global security.

Although little noted by specialists in international relations, the transition of emerging Asia from a zone of war to a zone of relative peace was an abrupt shift that cannot be explained by the imposition of dual hegemony by the Cold War superpowers or by the end of that hegemony, as was the case in Europe. The end of great power intervention in civil conflicts throughout the region—first on the part of the United States and then by China—is one source of the 30-year peace in East and Southeast Asia.<sup>1</sup> Rapid economic development, which contributes to the legitimacy and capacity of governments, may explain the more recent decline in intrastate (civil) wars in the region. Between 1980 and 2007, insurgents were not victorious against any government in East and Southeast Asia (Human Security Report Project 2011, 55). Even in South Asia, only the Maoists of Nepal, among a myriad of insurgent groups, succeeded in gaining a share of power.

Whatever the sources of regional peace, neuralgic points of conflict have lingered. Two divided countries—Korea and China/Taiwan—remain from the Cold War; each continues to produce militarized confrontations or the threat of such confrontations. Each has the potential to pit military powers armed with nuclear weapons against one another. Territorial disputes litter the region; many have provoked the use or threat of force. Thailand’s confrontation with Cambodia over Preah Vihear is only one recent example. The delineation of maritime boundaries and exclusive economic zones and agreement on the

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1. On the sources of Asia’s lengthening peace, see Human Security Report Project (2011, 47–55).

rules governing those zones has produced tensions in the East China Sea, the Japan Sea/East Sea, and the South China Sea.

Several possible effects of the rapid economic rise of China, India, and ASEAN on regional peace and global security are evaluated in the sections that follow. More attention is devoted to China and India, since they are national entities with military and political resources at their disposal. The members of ASEAN do not represent a coherent actor in the same sense. ASEAN's economic development and its institutional design have had an influence on the regional and global security environment, however. In assessing the implications of emerging Asia's economic rise for regional peace and global security, my perspective is based on developments during the two post-Cold War decades and extends forward over the next decade (i.e., to 2020).

First, the power transition view of future great power conflict, which argues that power convergence among dominant states produces heightened risk of conflict, is examined and largely discounted. A more rigorous treatment of the causes of war and militarized disputes, however, suggests that rapid changes in economic and military capabilities can, under certain conditions, produce situations in which Asia's regional powers and key outside actors, particularly the United States, run higher risks of military confrontation and conflict. Three candidates for dampening the risks of conflict in Asia are then considered in turn: democratization, economic interdependence, and international institutions. Each of these is found to have potential weaknesses. Excessive reliance on their ability to reduce the risk of militarized conflict may lull Asian (and American) decision-makers into a false sense of security. Emerging Asian powers may also challenge existing global security regimes, a more indirect threat to the foundations of peace.

Emerging Asia is hardly on the brink of renewed military conflict, but it has not built a regional infrastructure that will support peace in the uncertain decades to come. To secure the peace of the past three decades will require more active measures, difficult to implement among newly empowered actors jostling for status and influence. The final section is devoted to those measures.

## **POWER TRANSITIONS AND REGIONAL CONFLICT**

Economic convergence by emerging Asia on the industrialized world is generally portrayed as beneficial. Economic convergence also has implications for foreign policy: Since China, India, and ASEAN have made intensive engagement with the global economy a centerpiece of their economic strategies, they have also made substantial and growing investments in the existing international economic order. Successful economic convergence implies effective, if not always rhetorical, embrace of the status quo.

For one strand of analysis in international politics, convergence represents risk rather than opportunity. Shifts in economic weight and consequent changes in military power produce the conditions

for conflict and, in one reading of history, for global or hegemonic war. Rapid convergence in power capabilities on the incumbent power by a dissatisfied challenger leads to eventual conflict between the dominant power, now in relative decline, and its coalition partners on the one hand, and the challenger. The outcome of the conflict is a reordering of the international hierarchy of prestige and power, a concentration of power in the hands of new dominant power, and replication of the cycle.<sup>2</sup> Peaceful change in world politics is difficult, particularly at the pinnacle of global prestige and power.

Although power transition theory has a specific theoretical content, its influence is far more pervasive, particularly in contemporary debates surrounding the rise of China and the response of the United States. Aaron Friedberg's recent analysis (Friedberg 2011, 39–40) of US-China relations, for example, notes that

World history is replete with examples of the troubled, often violent, relations between fast-rising states and their once-dominant rivals. . . . As they begin to assert themselves, rising powers usually feel impelled to challenge territorial boundaries, international institutions, and hierarchies of prestige that were put in place when they were still relatively weak. . . . the resulting disputes have seldom been resolved peacefully.<sup>3</sup>

### **Emerging Asia: From Economic Weight to Usable Capabilities**

Despite the widespread use of the power transition frame in discussions of Asia's—and particularly China's—rise, the approach has many flaws of logic and evidence. First, estimates of capabilities are difficult to make across issue-areas. Emerging Asia's rise is typically measured by an indicator or set of indicators based on a combination of GDP, trade, and financial flows (for example, Subramanian 2011). Calculations of military power are less straightforward: Military spending may be opaque (as in the case of China); technologies may be unproven in battle; and military capabilities designed for one end may not be easily transferred to another. In moving from narrow definitions of military power to broader notions of national power, the indices become even more controversial. In his telling critique of power transition theory, Steve Chan notes, for example, that standard measures of power often inflate the status of emerging Asia by weighting territorial size and population heavily (Chan 2008, 19).

More important than the ambiguity of measuring capabilities are the domestic political constraints that affect any translation of growing economic scale into usable capabilities. First, any prospective challenger to a dominant power must overcome substantial political and institutional obstacles to military

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2. The two major variants are Organski and Kugler (1980) and Gilpin (1983).

3. Friedberg's analysis of US-China conflict is not based solely on power differentials; he also gives weight to ideological and regime differences between the two countries.

expansion and adaptation. Both China and India have confronted such obstacles. For China to build a navy that could operate outside the Asian region, Bernard D. Cole estimates the navy would require a growing share of military spending within a military budget that continues to grow at double-digit annual rates and a budgeting process dominated by the Army (Cole 2010, 198). Despite unprecedented increases in defense spending over the past decade, India's military faces similar obstacles to rebalancing among the services, a dysfunctional defense acquisition system, and severe deficits in civilian defense expertise (Cohen and Dasgupta 2010, 5, 16–17, 143).

A version of the guns-versus-butter tradeoff is particularly pressing for emerging Asian economies. Because of their large populations, their per capita advance toward rich-country status is far slower than the rise of their economies in relative size. Despite middle-income status (in per capita terms), these countries will continue to have large populations of poor citizens. Five middle-income countries are now home to two-thirds of the world's poor; four of these—China, India, Pakistan, and Indonesia—are emerging Asian economies (Sumner 2011, 1). Even if these populations are underrepresented politically, pressure to devote resources to poverty alleviation, in the interests of political and social stability, is likely to remain high.<sup>4</sup>

### **Dissatisfied Powers? Emerging Asia and Preferences over Outcomes**

The power transition frame and its predictions of military conflict ultimately depend on an identification of dissatisfied challengers to the established order. In emerging Asia, both assumptions—dissatisfaction and a clear status quo—are questionable. If existing rules of the game have benefited the emerging powers of Asia (as they clearly have), why should they seek to overturn those beneficial arrangements? Defining a status quo power has seldom been undertaken systematically, however (for one approach, Johnston 2003). As Chan (2008) suggests, it was the United States that was viewed as challenging the status quo after the terrorist attacks of September 11, 2001, most notably in a preventive war that it waged in Iraq. A recent report on United States policy toward China's periphery notes, almost in passing that “during the past ten years, the level of U.S. involvement in countries neighboring China has grown significantly and in ways that were unforeseen at the beginning of the century” (Stares et al. 2011, 1).

Defining *whose* status quo is particularly difficult in territorial disputes, since legal claims and de facto control of territory are often at odds. In a careful investigation of China's behavior regarding territorial disputes, Taylor Fravel argues that, as China has grown more powerful, it has not used military force more frequently to settle territorial disputes. Instead, China has used force in those circumstances when its claim to a particular territory seemed under threat, in other words, when it perceived a challenge to a valued status quo (Fravel 2008, 308–309). An evaluation of China's recent “assertiveness” with regard

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4. On the social and environmental problems in China and India, see Bardhan (2010).

to maritime territorial issues suggests continued reliance on conflict avoidance coupled with a clear-cut stand against efforts by others to undermine China's territorial position. China's perception of itself as a status quo power does not reduce the risks of future conflict, however. Its growing naval forces, coupled with domestic political changes—an attentive media, a nationalist public, and actors who are not entirely under central control—and actions by other regional powers, may provoke militarized confrontations (Swaine and Fravel 2011, 14–15).

### Emerging Asia and Power Transition Theory

Only a very selective reading of history and contemporary international relations can award much credence to power transition as a central theoretical vehicle for understanding the international implications of emerging Asia's rapid economic rise. The perspective of power transition theory focuses almost entirely on challenger and incumbent powers, in the contemporary case, China and the United States. Other Asian emerging economies, despite their own rapid economic progress, are set aside. Even the most pessimistic observers, however, do not view China as an immediate military challenger to the United States at the global level. In overall military capabilities, the international order remains unipolar and is likely to remain so for some time. The risk of large-scale conflict between the United States and China is also diminished by a key technological change: nuclear weapons, one of the explanations advanced for the long great power peace since 1945. China did not award a high priority to military modernization in the first decade of its economic reforms. For 15 years, however, its military modernization has proceeded, with the end result that the regional military balance in East Asia may have shifted for the first time since 1945.<sup>5</sup>

Power transition theory tells us little about regional dynamics; by narrowing attention to a presumed global rivalry between the first and second largest economies in the world, the effects of large, rapidly growing economies on Asia's regional security environment are slighted. In labeling China the dissatisfied challenger, other Asian emerging economies with their own programs for building and extending national capabilities are also ignored. Those potentially rapid shifts in relative capabilities at the regional level present a greater risk of conflict and a larger threat to regional prosperity than a Sino-US confrontation.

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5. For a more pessimistic (or hawkish), perspective, see Friedberg (2011): “. . . the PLA is approaching the point where it may have (or its leaders may *believe* that they have) a real chance of knocking U.S. forces out of the Western Pacific, at least in the opening stages of a war. . .” (224) Others place China's regional military status in a more tentative future tense: “. . . this trajectory puts the PLA on a path to becoming for the first time one of the most operationally capable military forces in the Asia-Pacific region, yet one whose ultimate strategic goals remain uncertain or at best a work in progress.” (Bergsten et al. 2008, 198)

## BARGAINING FAILURES AND CONFLICT: RAPID CHANGE AND ITS RISKS

Projecting conflict because of rapid convergence begs an important question: Why do the rising power and the incumbent not strike a peaceful bargain rather than engaging in costly military conflict? If war is the costly result of a bargaining failure, explanations for such failures can account for the occurrence (and the risks) of war. The bargaining or rationalist theory of war offers two causes for failing to reach a peaceful bargain. The first centers on the role of information: Adversaries have private information about the costs of fighting or their resolve and incentives to misrepresent that information. For example, contestants in a dispute may bluff or may feign weakness in order to win an advantage in bargaining, actions that also increase the risk of war. The second set of problems concern the ability to commit to bargains that might avoid military conflict. States may not be able to commit credibly to follow through on the bargains that are made, given the absence of an arbiter or accepted enforcement mechanism in international politics. A state may also have clear incentives to renege on a bargain in the future as its capabilities or those of its adversary change. In these circumstances, even under conditions of complete information, states may choose to fight rather than settle.<sup>6</sup>

Despite the rich research agenda that it has produced, the rationalist theory of war suffers from several shortcomings. It is difficult to test empirically, and efforts to demonstrate its power run the risk of post hoc examples: War has occurred, therefore one should be able to find bargaining failures (and one usually does). If explaining too much is one flaw of this approach to conflict, then not explaining enough is another. In the most prominent bargaining failure of the past decade—the Iraq War—David Lake (2011) carefully catalogues the strengths and weaknesses of this approach as an explanation. Drawing on the extensive historical record, he documents that critical features in the bargaining between Iraq and the United States were not captured by the existing theory: Failure to adequately incorporate post-invasion costs, prior beliefs about the Iraqi regime, signaling to multiple audiences, and cognitive biases produced self-delusion rather than misrepresentation to the adversary.

Nevertheless, this more expansive frame is far more useful than power transition theory for estimating and lowering the risks of conflict in Asia, where the translation of rapid economic growth into national power and military capabilities can produce uncertainty and a greater likelihood of bargaining failures of both types. Information deficits flow from several sources. First, as noted above, the translation of greater economic scale into other national capabilities is uncertain. Second, even if those capabilities have increased, given the long peace in Asia, their effectiveness in conflict may be relatively unknown;

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6. Key statements of the rationalist or bargaining theory of war are Fearon (1995), Powell (1999), and Powell (2006). A third cause for bargaining failure, indivisibility in the stakes, was suggested by Fearon (1995); Powell (2006) argues that it is best considered as commitment problem. For an excellent recent discussion in the context of the Iraq War, see Lake (2011).



added to genuine uncertainty is the incentive to misrepresent capabilities under such conditions. Finally, as Chan (2008, 43) points out, private information “matters more in situations where contestants’ capabilities are becoming more equally matched (or when changes in relative national capabilities create a fluid and therefore more uncertain situation).”

Deficiencies in the ability to commit are even more likely to arise in situations of rapid change in capabilities. A power in relative decline (whether globally or locally) may choose to use force rather than bargain with its increasingly powerful adversary, since any bargain could be easily overturned as the power shift continues. This is the logic of preventive war or preemption as well as issues that concern future bargaining power. In these cases, “inefficient conflict results from large, rapid shifts in the distribution of power” (Powell 2006, 171).<sup>7</sup> In contrast to the power transition view, the initiator of the use of force in such cases is likely to be the “status quo” power facing relative decline. This is the pattern of Chinese use of force in territorial disputes that is described by Fravel; it is also a possible scenario for a future confrontation between the United States and China over Taiwan (Fravel 2008; Chan 2008, 98; Goldstein 2011). The risk of confrontation between two rapidly modernizing militaries, such as India and China, is also heightened according to this logic.

The possibility of bargaining failures does not mean that they will occur. This perspective on conflict suggests conditions or zones of heightened risk without attempting point predictions of future conflict. Asia in an era of large, rapidly growing economies presents the possibility that shifts in capabilities, occurring rapidly and without transparency, may heighten insecurity, a risk of military confrontation, and even war. Of course, the bargaining approach also makes clear that the more costly the conflict (assuming that those estimates are shared by both sides), the more unlikely that bargaining will fail. The extreme costliness of modern warfare, both nuclear and non-nuclear, is undoubtedly one reason that interstate war has become an increasingly rare event. Rare, but not absent, as the wars of the past decade demonstrate. In increasingly interdependent Asia, even an increase in militarized disputes, over territorial or other claims, could produce significant economic costs.

## **OFFSETTING THE RISKS OF CONFLICT: DEMOCRACY, ECONOMIC INTERDEPENDENCE, AND INTERNATIONAL INSTITUTIONS**

Given the possibility that Asia may be entering an era in which bargaining breakdowns are more likely to occur, not only between the United States and China, but among Asian states with unresolved disputes and rapidly shifting relative capabilities, are there also features in the Asian regional order that may offset this increase in risk? In recent assessments of conflict, three counters to conflict receive a prominent place: democracy, economic interdependence, and international institutions. Each of these can be evaluated in

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7. Powell 1999, chapter 4 suggests that the speed of power shifts should not make war more likely.



the context of emerging Asia; each, in its current form, is probably a weaker brake on military conflict than is often believed.

### **Democracy, Democratization, and the Probability of Conflict**

The democratic peace is one of the few strong relationships discovered in international politics: Democracies rarely, if ever, make war on one another. The finding is dyadic: Democracies are not notably less war-prone than autocracies; indeed, they are more likely than autocracies to initiate disputes and wage war on non-democratic states (Bennett and Stam 2004, 128–131). The peaceful character of relations among democracies has been attributed to both normative and institutional sources, but the most plausible causal accounts are institutional. One variant emphasizes that democratic political competition helps to overcome some of the informational problems that cause war. Another set of arguments center on the risk of war to democratic office-holders and the greater effort that democracies therefore devote to war, making democracies unattractive targets for those initiating conflict, particularly other democracies (Schultz 2001; Bueno de Mesquita et al. 1999; Bueno de Mesquita et al. 2003). Although the democratic peace finding has been subjected to efforts at qualification, few have held up under scrutiny. For example, democratizing (rather than fully democratic) regimes with weak domestic institutions have been viewed as particularly prone to initiate conflict, a variant of diversionary war (Mansfield and Snyder 2005). Recently, a re-examination of the data effectively refuted that widely accepted claim (Narang and Nelson 2009, Bennett and Stam 2004, 117–118).

Contemporary Asia is unlikely terrain for a democratic peace. On the one hand, many of the largest Asian polities, measured by population, are democratic. The longstanding inverse relationship between size and democracy seems to have been broken or neutralized.<sup>8</sup> Since those states are typically the most powerful in military terms, the democratic dyads among them should have a future of lower engagement in militarized disputes and much lower risk of war. On the other hand, Asia's population of political regimes is very heterogeneous, ranging from autocratic to competitive democratic. In particular, a cluster of single-party communist regimes (North Korea, China, Vietnam, Laos) has proven to be far more resilient than many of the military-backed regimes in the region. Unlike Latin America or Europe, democratic dyads are not likely to dominate, particularly in contiguous states. China alone shares land borders with fourteen neighbors, matched in number only by Russia.

The political heterogeneity of Asia raises questions about the foreign policy behavior of authoritarian or quasi-authoritarian regimes. Many of these regimes, if not democratic, are increasingly responsive to

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8. Seven of the 12 most populous countries are in Asia; of those seven only one, China, is not a democracy (however imperfect). Among non-G-8 members of the G-20, the largest emerging economies, only China and Saudi Arabia are not democracies. Changing Russia's classification could expand the authoritarian group in both cases.

their populations. Authoritarian leaders must be attentive to their selectorates, who can punish them politically, as well as their wider attentive populations. The Chinese leadership has used nationalist street protests as a credible means of signaling resolve during international bargaining; a wider survey of authoritarian regimes contests the argument that democracies, for institutional reasons, have an advantage in using domestic politics to signal to other governments (Weiss 2010, Weeks 2008). Do these changes toward greater political responsiveness indicate a convergence with democracies and the emergence of a “semi-democratic peace”? Or does the uncertainty surrounding both political process and influential domestic actors add an additional measure of uncertainty to bargaining between states with different political regimes?

Urbanization, and particularly an urban middle class that is responsive to nationalist appeals, is a feature of many Asian societies, both democratic and non-democratic. The Bharatiya Janata Party (BJP) in India is an organized manifestation of that phenomenon, as are many of the netizens of China. Recurrent conflicts over the interpretation of national histories in East Asia are further confirmation of the ability of nationalist appeals to complicate foreign policy and regional international relations. Although the mobilization of nationalist political forces is often advantageous in international bargaining, the credibility of this instrument is based on the possibility that the government, even an authoritarian government, may lose control of “the street” (Weiss 2010). Uncertainty surrounding the actual influence of domestic “hawks” can complicate bargaining and lead to miscalculation. As Lake points out, domestic constituencies may value a particular outcome more strongly than society as a whole; if those constituencies exercise disproportionate influence, they can certainly narrow the feasible set of bargains by reducing the effective cost of fighting, an outcome that may be invisible to those outside the domestic setting. As Lake also documents in the case of Iraq, signaling that is directed to a domestic audience as well as an international audience may also undermine efforts to credibly commit to one or the other (Lake 2011, 29–31, 40–43).

Although some parts of Asia may enjoy a democratic peace, the combination of regime heterogeneity, the mobilization of new actors into domestic politics, and uncertain institutional settings in both new democracies and authoritarian regimes are likely to complicate international bargaining, even if they do not propel societies to war.

### **Economic Interdependence as Uncertain Insurance Against Conflict**

In emerging Asia, economic interdependence is a much likelier candidate for restraining governments that might otherwise engage in militarized disputes or war. Economic interdependence can reduce the likelihood of conflict and enhance security in three ways. Two of these causal pathways operate through the costs incurred if dense relationships of cross-border trade and investment are disrupted. The simplest

relationship to conflict reduction is through an increase in the costs of military conflict. These heightened economic costs may directly influence the calculus of political elites or they may impose political costs, as domestic economic interests mobilize to prevent or sanction military action. A second avenue of influence on interstate conflict lies through the ability to signal resolve and to commit to a particular course of action, enabling states to avoid bargaining failure that can lead to war. International economic exchange allows costly signaling; the ability to impose visible economic costs, such as the imposition of sanctions, allows states to avoid riskier alternatives, such as military action. The pacific effects of economic interdependence may be tempered, however, if asymmetric trading patterns create perceptions of lowered resolve on the part of one state in a dispute (Morrow 1999; Gartzke, Li, and Boehmer 2003).

Finally, economic interdependence may influence foreign policy through a transformation of state preferences that reduces the level of interstate conflict. The benefits of cross-border economic exchange may produce learning on the part of state elites, leading to a reordering of state goals. Public opinion may change and influence state policy, or economic interests linked to the state economy may exert political influence on foreign and security policy. In these interest-based accounts of preference change, a state's apparent shift toward a more pacific orientation may be owed to both a change in policy preferences and a change in the relative political influence of particular groups over time.

The aggregate effects of economic interdependence on militarized disputes and conflict are contested; they have also been based largely on quantitative studies of trade interdependence. More recently, investigators have varied both the definition of interdependence, to include financial flows, and the spectrum of conflict, producing results that confirm the positive effects of cross-border trade and investment in reducing military conflict. Gartzke uses measures of financial market integration to argue that economic liberalization and integration are more significant than democracy in reducing conflict between dyads (Gartzke 2007). Pevehouse expands the dependent variable beyond militarized disputes to include other measures of conflict. He finds that economic interdependence produces more low-level interstate conflicts but continues to restrain the escalation and militarization of those conflicts, sustaining the place of interdependence in the Kantian tripod (Pevehouse 2004).

Economic interdependence in the Asia-Pacific region has increased in recent decades to rival levels in Europe and North America. The simplest measure of interdependence, intraregional shares of trade, indicates a regional economy more integrated than North America, but less integrated than Europe.<sup>9</sup> More demanding measures, such as intraregional trade intensities, point to declining levels as Asian economies have “gone global,” with a more recent (post-Asian financial crisis) increase (ADB 2008, 40–42). Trade, however, does not capture the extent of linkage among the region's economies. The global

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9. These measures for “integrating Asia” exclude South and Central Asia; if those subregions were included, the measures of economic interdependence would be lower.

and regional production networks that dominate sectors such as automobiles and electronics are built on foreign direct investment as well as trade. At the center of many of these networks in “factory Asia” is China; its trade with Asia now represents half of the trade within the region, an increase from 29 percent in 1996 (Baldwin 2007, ADB 2008, 47). This reinforcement of regional interdependence has not meant decoupling from the global economy; European and North American markets still supply a large share of final demand in many sectors.<sup>10</sup> Although India’s position in the regional economy is less central than China’s, its rapidly developing regional integration can be estimated by the growing number of preferential trade agreements it has negotiated or proposed with countries in the region.<sup>11</sup>

Growing regional interdependence may represent a partial explanation for Asia’s decades-long peace. However, closer examination of the interaction between political conflict and cross-border economic exchange cautions against excessive reliance on economic interdependence as a prop for regional security. First, although the risk of disrupting economic links may restrain elites, some parts of emerging Asia have been excluded from those effects: Political and military rivalry has dominated incentives for greater trade and investment. In Northeast Asia, North Korea is the most prominent example of autarchic economic stagnation. In South Asia, for example, politics has dominated economics in the relations between India and Pakistan. Recent steps toward liberalization of bilateral trade promise an eventual expansion in exchange between the two neighbors, whose trade is currently dwarfed by their economic ties with other Asian economies, such as China.

China’s relations with Taiwan provide an even sharper assessment of the effects of economic interdependence on conflict and militarized disputes. Taiwan’s trade and investment with the mainland have burgeoned through more than two decades of political change, marked at times by sharp conflict. The avoidance of military conflict during this period suggests that economic interdependence may have had the predicted restraining effects. As Scott Kastner points out, however, discerning the specific causal consequences of economic interdependence is difficult (Kastner 2009, 125–128). During the presidencies of Lee Teng-hui and Chen Shui-bian (1996–2000, 2000–08), economic interdependence increased rapidly between Taiwan and the People’s Republic, but political conflict and military threats across the Taiwan Strait also grew as a result of moves for greater Taiwanese autonomy. At least initially, the political dynamics unleashed by democratization in Taiwan trumped the restraining influence of economic interdependence, rather than reinforcing those effects.

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10. The theoretical literature on economic interdependence has not explored the specific effects of production networks on foreign policy behavior and security relations. Although these networks include both trade and direct investment, they also include close supplier relationships that do not include cross-investment.

11. Eighteen PTAs as of January 2010 (ADB 2010, table 2.13, 62).

In similar fashion, the transformative effects of economic interdependence could be seen in the push by Taiwanese business for stability in cross-strait relations and their greater influence in a democratized political system. Chen Shui-bian and those advocating more autonomy for Taiwan appealed to economic interests that were threatened by that deepening interdependence. The election of Ma Ying-jeou as Taiwan's president in 2008, subsequent negotiation of an Economic Cooperation Framework Agreement with the PRC, and reelection of Ma in 2012 may indicate that the longer run effects of growing economic interdependence have begun to take hold in Taiwan's politics; their effects on the Chinese side are more difficult to estimate.

A final predicted effect of interdependence, allowing costly signaling short of military measures, does not appear to have played a role in the China-Taiwan relationship or in other parts of Asia. China has appeared very reluctant to use such means of signaling short of military coercion—economic sanctions—in its bargaining with Taiwan. As Kastner describes, there were two reasons for this reluctance: the costs of such sanctions for China and particularly key sectors, such as electronics, and the positive security externalities that cross-strait economic relations provide for China, a long-run bet that further development of such ties will increase the prospects for reunification (Kastner 2009, 85–105).

China's stance toward the use of costly economic signals is widespread in Asia. In contrast to other regions, Asia (and here, South Asia is once again a partial exception) has generally chosen a “two-track” approach that weakens the relationship between economic interdependence and political or military conflict. In other regions, notably Europe and Latin America, peace building and economic liberalization have reinforced one another; in yet others, such as Africa or the Middle East, political and military conflicts have disrupted the agenda of economic opening. In East and Southeast Asia, the domains of economics and security have run on distinct and separate tracks, neither disrupting nor reinforcing one another. Unlike the conflict zones of Africa and the Middle East, political conflict and militarized disputes are seldom allowed to obstruct the expansion of trade and investment. One driver of this Asian two-track pattern may be a domestic political dilemma: the mobilization of nationalist attitudes into politics, as noted above, which hinders the resolution of longstanding disputes, coupled with domestic demands for high economic growth that depends on linkage to the international economy.

The benefits of this pattern are particularly evident in Northeast Asia, where persistent conflicts over history and territory have seldom interfered with the deepening of economic ties. At the same time, the two-track approach to economics and security in Asia has not encouraged political reconciliation or military confidence building as a precursor or accompaniment to regional economic initiatives. This divide is also reflected in the division of labor among regional institutions. An unwillingness to use economic relations as a tool for influencing political and military relations reinforces stability in the

interdependent regional economy, but it may also allow the persistence of political rivalries and militarized disputes that could disrupt those economic relations at a later date.<sup>12</sup>

Deepening economic interdependence may have additional consequences for regional security. The two largest emerging economies in Asia, China and India, are not fully integrated into the global economy. Both maintain regimes of capital controls that permit their governments to retain greater control of macroeconomic policy during the opening of their economies. In the wake of the global financial crisis of 2008–09, such controls have been the subject of renewed debate, defended in many emerging economies as an essential part of their success in weathering the crisis. As China moves to internationalize the renminbi and to promote its role as a global reserve currency, financial liberalization will be essential. Openness to international capital flows could have implications for conflict behavior. The risk of capital flight may allow a new means of costly signaling to adversaries, but it may also induce even greater caution in provoking military confrontations, as the costs of economic disruption grow.

### **Regional Institutions and Asian Security**

The large emerging economies of Asia—China, India, and, within ASEAN, Indonesia—are not part of the US-centered alliance system that has played a prominent role in regional and global security arrangements during and after the Cold War. Conflict-prone emerging powers—Germany and Japan—were incorporated into that alliance system after World War II, offering reassurance to their neighbors and credible commitments for future peaceful behavior.

Since the new emerging powers of Asia lie outside this global network of alliances, their membership in regional organizations assumes particular significance. If membership in international institutions reduces the risk of conflict, recent proliferation of such institutions in Asia should add a substantial increment to regional and global security. The first decade of the new century witnessed new region-wide economic arrangements, such as ASEAN Plus Three (APT) that were limited to Asian members, a new prominence for monetary and financial cooperation in the form of APT's Chiang Mai Initiative, now the multilateralized CMIM, and the Asian Bond Market Initiative, and perhaps the locus of greatest activity, a rapid expansion of bilateral and plurilateral preferential trade agreements (PTAs). These new institutions were added to ASEAN, which assumed a new economic role with the negotiation of a free trade agreement; Asia-Pacific Economic Cooperation (APEC), a trans-Pacific economic forum that included members from the Americas as well as Asia; and the ASEAN Regional Forum (ARF), a first effort to forge an institution dealing with regional security issues.

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12. China's use of restrictions on rare earth exports during its dispute with Japan in the East China Sea in 2010 may indicate that this two-track approach will come under increasing pressure.

Asia's emerging economies were central to many of these regional initiatives. ASEAN continued to play the role of an institutional model and sometime motor. At the same time, ASEAN itself undertook to add more formal and binding structures with the adoption of the ASEAN Charter and a commitment to create an integrated economic space, the ASEAN Economic Community by 2020.

Outside the region, the emerging economies of Asia have also become active participants in global institutions. The change in China's stance in the post-Mao decades is most striking. By 2000, China's participation rate in international organizations had risen to approach the levels of India, Japan, and the United States. When level of development is used to predict likely participation in international institutions, China has been involved at a higher than expected level since the 1990s. This pattern of increasing participation extends across issue-areas to include multilateral arms control agreements.<sup>13</sup>

For several reasons, this pattern of institutional formation and participation on the part of emerging Asia may not lead directly to improvement in the regional security environment. First, as in the case of economic interdependence, the pattern institutional membership is not uniform within Asia. North Korea and Taiwan, key actors in ongoing political and military conflicts, are largely outside this institutional ecology. Northeast Asia and South Asia are particularly underprovided with regional institutions. The China-Japan-Korea trilateral process, now in its fourth year, represents a modest advance that centers on nontraditional security issues.

Regional intergovernmental organizations (IGOs) may have direct institutional effects on militarized disputes and interstate conflict. The causal mechanisms that are advanced to explain these organizational effects parallel those suggested for the conflict-reducing effect of economic interdependence: linkage between foreign policy behavior and the economic benefits of membership; influence on the informational and bargaining environment of member states; and preference change through socialization or institutional incentives.

The direct effects of Asian regional institutions on conflict behavior, however, are limited by their design. The template for Asian PTAs does not diverge from those in other regions: few are institutionalized beyond limited and delegated authority of dispute settlement. Other regional and subregional institutions, however, reveal Asia-specific institutional choices, an "Asian Way" that shares many features with ASEAN. First, Asian governments have been reluctant to delegate substantial authority to regional institutions; limited delegation is combined with low levels of legalization, measured by precise and binding obligations. Asian regional institutions are also exclusively intergovernmental: Non-state actors are not directly enfranchised in regional courts or other institutions. The decision rules of these institutions are based on consensus building, which emphasizes persuasion and deliberation, rather

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13. This data on China's participation in international institutions is based on Johnston (2008, 33–36).



than decisiveness. Membership tends to be set by geographical criteria rather than policy stipulations; policy convergence is expected *after* accession through a process of socialization.

Although the ASEAN Economic Community aims for a degree of institutionalization that surpasses the older ASEAN model, other Asian regional institutions have not imitated its formalization. The multilateralization of the Chiang Mai Initiative entailed the creation of small regional secretariat and delegation of modest surveillance functions. Other new institutions, such as APT and the East Asian Summit, continue to follow the spare institutional template. The ASEAN Regional Forum, the sole region-wide multilateral organization devoted to a security agenda, is bound by the conventional institutional model on all of these dimensions: large membership, little or no delegation of authority to core institutions, and an agenda limited by its most conservative members.

This Asian institutional template displays few characteristics that are likely to lower levels of conflict. One security-enhancing role for regional institutions is informational: providing a setting and a source for unbiased information regarding capabilities and resolve (Boehmer, Gartzke, and Nordstrom 2004). Although high-level summits are typical of many Asian regional institutions, highly elaborated institutional structures that promote information exchange are not.<sup>14</sup> Member homogeneity and cohesion are additional characteristics associated with IGO contributions to lower levels of military conflict. Membership that is predominantly democratic is more likely to promote peace—independent of the effects of domestic democratic regimes (Pevehouse and Russett 2006). Both regional characteristics and the membership rules of Asian regional institutions undermine such homogeneity by including members that fail to converge on regime type or policy preferences.

Finally, IGOs with a security mandate are more likely to lower the probability of militarized conflict (Boehmer, Gartzke, and Nordstrom 2004). Such institutions are rare in Asia: Only the ARF and possibly the East Asian Summit (EAS) qualify. Regional economic institutions, because of the “two-track” approach described earlier, rarely link economic agendas or negotiations with political and security issues. At the subregional level, ASEAN may well have played such a conflict-dampening role, given its dual economic and political mandates. One quantitative study suggests that, among ASEAN, APEC, and the South Asian Association for Regional Cooperation (SAARC), only ASEAN has had such an effect (Goldsmith 2007). Early in its history, ASEAN developed norms for state behavior that were embodied in the Treaty of Amity and Cooperation (TAC 1976); ASEAN also played a key role in mobilizing opposition to the Vietnamese invasion of Cambodia in 1978–79. Among its members, however, ASEAN has played a distinctly minor role in resolving militarized disputes and territorial conflicts among its members. ASEAN’s belated mediating role in the conflict between Cambodia and Thailand over Preah

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14. Haftel (2007) points to regular meetings of high-level officials and the scope of issues in the institutional mandate as prime determinants of conflict reduction.

Vihear is one recent example. In that case, Cambodia appealed to the United Nations Security Council and then the International Court of Justice in the face of ASEAN immobility. In other instances of ASEAN territorial disputes, member states have chosen to use the International Court of Justice for resolution, rather than ASEAN.<sup>15</sup>

Although emerging Asia has shown a new affinity for founding and expanding regional institutions, particularly in the past decade, those institutions still hew to a model that is likely to reduce their ability to restrain conflict. Most Asian governments accept global institutions, bilateral alliances and defense arrangements, and, especially, national self-help as primary insurance against threats to their security. When taken together, the liberal tripod in Asia—democracy, economic interdependence, and regional organizations, provides a relatively weak backstop to the peace that has prevailed in Asia for three decades.

### **EMERGING ASIA AND GLOBAL SECURITY REGIMES**

The maintenance of regional peace during a period of rapid economic growth and changing capabilities will remain the primary contribution of China, India, and ASEAN to global security in the next decade. At the same time, emerging Asia will exercise a growing influence on global security regimes, just as they have begun to reshape global economic governance.

The United Nations Security Council remains the most influential global multilateral institution on issues of peace and security. Since the end of the Cold War, its authorization of military intervention and its approval of economic sanctions have become particularly important. Although the emerging Asian economies, and particularly China and India, have supported recent UN-authorized interventions, their wariness regarding the use of force under such circumstances, particularly when directed against an incumbent government, has been pronounced. China, for example, was unwilling to support the use of force in Kosovo in 1999, and both India and China abstained on UNSC Resolution 1973 approving a no-fly zone over Libya in 2011.<sup>16</sup> In discussions over the Responsibility to Protect (R2P), defining national and international roles in protecting civilian populations, China was a “conservative force,” but it did not obstruct discussion (Foot and Walter 2011, 50).

Despite dramatic shifts in the global political and military landscape since 1945, the Security Council has remained resistant to change in its membership that would reflect those changes. Only one of the emerging Asian economies, China, is a permanent member (P5) of the Security Council. Although

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15. The disputes in question were those between Indonesia and Malaysia over Sipadan and Ligatan (2002) and between Singapore and Malaysia over Pedra Branca and Middle Rocks in 2008.

16. More recently, China and Russia vetoed a Security Council resolution that would have increased pressure on the Syrian government during its increasingly violent contest with its opposition.

the United States has endorsed membership for both Japan and India, resistance by incumbent members, particularly Russia and China, makes imminent reform unlikely.<sup>17</sup>

Emerging Asia's influence on global security regimes is better estimated by examination of the global non-proliferation regime. Since the terrorist attacks of September 11, 2001, the United States has promoted a strengthening of international agreements to halt the spread of nuclear, biological, and chemical weapons (weapons of mass destruction, or WMD), and particularly to insure that non-state actors (i.e., terrorists) could not obtain those weapons. Those efforts built on the regime's core agreement, the Treaty on Non-proliferation of Nuclear Weapons (NPT), which entered into force in 1970. China and India were among the most vociferous opponents of the new treaty and what they saw as its regime of inequality between the recognized nuclear states and those without nuclear weapons (Mohan 2010, 1, Foot and Walter 2011, 157). Their gradual acceptance of many of the core norms and rules of the regime has been a striking accompaniment of their rising economic and diplomatic status. That reconciliation with the non-proliferation regime occurred more quickly for China, since it was a recognized nuclear state. India, on the other hand, refused to sign the NPT and embarked on a course of nuclear testing that brought international sanctions.

China's support for non-proliferation of WMD has grown over time and is now "substantial and enduring" (Medeiros 2007, 2). China signed the NPT in 1992, and, over time, assumed obligations, such as export controls on nuclear-related goods and technologies, that ran counter to the interests of powerful domestic interests and imposed costs on its relationships with valued international partners. In the related (at least for the United States) issue-area of missile proliferation, China declined to recognize an international regime and continued exports of missile-related goods and technologies (Medeiros 2007, 4, 242–243). Indian acceptance of the non-proliferation regime remained less formal, since it remained a non-signatory of the NPT. Many of the commitments that have brought India into compliance with the non-proliferation regime were part of a bilateral bargain with the United States on civil nuclear cooperation negotiated by the George W. Bush administration. Criticized by many in the non-proliferation community for undermining the international regime, the agreement and subsequent steps taken by the International Atomic Energy Agency (IAEA) and the Nuclear Suppliers Group (NSG) demonstrated that Asia's emerging economies could be integrated into global regimes that they had previously opposed. At the same time, acceptance by India required tailoring regime rules to suit national interests; the level of their commitment to the regime remained suspect. In both cases, accommodation was driven by the logic of nuclear incumbents: Those in the nuclear club have an interest in preventing further proliferation, particularly to non-state actors. The breadth of international support for the non-proliferation regime made championing a third-world stance against the great powers difficult; India, as a non-signatory of the

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17. See the summary in McDonald and Patrick (2010).

NPT, was in the uncomfortable company of Pakistan and Israel. The absence of such broad international support influenced China's refusal to join the Missile Technology Control Regime.

Despite their growing support for the NPT regime, foreign policy interests could make China and India less than model supporters of regime norms. China refused to impose tough sanctions on North Korea, despite its flaunting of nuclear tests; it gradually conceded tighter economic sanctions on Iran, but leadership in enforcement was exercised by the United States and the European Union (Foot and Walter 2011, 164). India continues to remain outside key export control agreements, despite its commitments not to export certain technologies; it has also declined to join the Proliferation Security Initiative. This mixed record has led to criticisms of the United States (by China, among others) for striking a bilateral bargain with India that could produce other demands for special treatment and ultimately undermine the global regime (Narlikar 2010, 124–125).

The challenge that ASEAN presents to the global non-proliferation regime differs from that of the two nuclear powers. Although reports of nuclear weapons collaboration between North Korea and Myanmar have produced concern, the members of ASEAN are highly unlikely candidates for proliferation. Their economic development, open economies, and plans to develop nuclear power pose proliferation risks that are more market-based than those targeted by the original NPT. One of those risks came to light with the exposure of the A. Q. Khan network, a “loose collection of individuals and companies that may or may not be loyal to a government or subject to state control.” The network has been implicated in provision of nuclear technology assistance to Iran, Libya, North Korea, and possibly Syria. Apart from the extent of the network and its largely private character, its reliance on key nodes outside the industrialized world indicated the diffusion of critical technologies and the imperfection of national export controls. One node was a factory in Malaysia; another was the transshipment point of Dubai.<sup>18</sup>

When coupled with the projected expansion of civilian nuclear power programs in Asia, the A. Q. Khan network underlines the need for a more effective regime of export controls that includes all of the emerging economies of the region, particularly those in ASEAN. One scenario that would heighten proliferation risk is rapid growth in an ASEAN country of a domestic nuclear power industry and its associated cadre of experts, followed by networked collaboration between such personnel and a suspected proliferator, such as Iran. A scenario of this kind could occur without overt government support or even in the face of official opposition (see Malley 2006, 612). Shifting energy policies and rapid technological advance in emerging Asia requires additional steps to insure that the goals of non-proliferation are met.<sup>19</sup>

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18. On the A. Q. Khan network, see Clary (2005) and Corera (2006).

19. Such a program is presented in IISS (2009, chapter 14).

## CONCLUSION: THE RISE OF EMERGING ASIA, REGIONAL PEACE, AND GLOBAL SECURITY

Asia's decades-long peace, a peace of prudent states under conditions of rapid economic change, may well persist for years to come. The rise of the largest emerging Asian economies, if they threaten global peace and security over the next decade, will not do so because of a power-transition challenge to the existing order. Examination of the key global security regimes, such as those governing the use of force or nuclear non-proliferation, reveal governments that have generally aligned themselves more closely with those regimes and their norms over time. Regarding the use of force, the United States over the past decade has attempted to expand the boundaries for the unilateral use of force, not the new economic powers of Asia. On the contrary, in such domains as the evolving norms governing humanitarian intervention (such as R2P), these powers have been highly conservative, accepting the new, carefully defined norm, but circumscribing its application. In the non-proliferation regime, China and India no longer actively undermine the regime, but, for domestic political and foreign policy reasons, they have seldom led efforts to strengthen the regime under the new circumstances of this century. Here, as in other issue-areas, the new economic powers are less likely to seek to overturn existing regimes than to free ride on those regimes, seeking narrow national advantage and lending inadequate support to the enforcement of agreed rules of the game.

Rather than the scenarios of challenger versus status quo, global peace and security are more likely to be threatened by militarized disputes and conflicts in Asia, which is increasingly central to the global economy. Those conflicts are as likely to emerge among the new economic powers as they are to arise from challenges to the United States or other incumbent powers outside the region. If they occur, such conflicts are likely to be born of rapid changes in economic scale, translated into growing national capabilities, military and non-military, that increase uncertainty and encourage "worst case" fears.<sup>20</sup> Uncertainty induced by rapid economic growth and shifts in capabilities will also be coupled with complacency born of the regional peace, and widespread beliefs in the peace-enhancing effects of economic interdependence and regional institutions. At the same time, domestic political change, born of rapid economic development, will add an additional level of complexity to international bargaining, even in the absence of large-scale political transformations.

Given this combination of limited risks and entrenched complacency, the possibility for major changes in the region's architecture will be limited. Each of the major emerging economies of Asia—China, India, and Indonesia—lies outside the US-centered alliance system, although their security relations with the United States and its allies vary. For some time, Asia, particularly East and Southeast Asia, has been unable to discover a new security framework that would satisfy the United States, which

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20. Bush (2010, 38–40) analyzes the security dilemma that arises from such characteristics in the case of China and Japan.

often views any serious multilateral initiative as a threat to its bilateral system of alliances, and China, which has displayed little interest in any new institutional rules or practices that would seriously constrain its continuing military modernization. Although one can imagine that China's stance might change if threatened with an expanded and strengthened set of military relations among the United States, its existing allies, and other partners, such as India, a move in that direction might also produce a more strenuous and militarized Chinese response.

Rather than a grand design that seems unlikely to satisfy the divergent preferences of Asia's emerging economies, more limited proposals could address some of the risks produced by their rapid economic rise:

*Encouraging transparency.* First and foremost is the need to establish a greater degree of transparency in foreign policy aims and defense programs. Greater transparency would reduce the uncertainty that arises from information deficits, particularly in a region of wary and heterogeneous states that generally lack long histories of dense diplomatic or military relations. The East Asian Summit, with its expanded membership, may serve as a high-level starting point and focal point for such exercises, but they could also take place on a bilateral basis in military-to-military discussions. The ASEAN Regional Forum has failed to advance an agenda of confidence-building measures after 17 years. The region needs rules-based institutions, not another round of dialogues.<sup>21</sup> Although concerns over sovereign prerogatives and military advantage have often thwarted such initiatives in the past, those in the region that are prepared to cooperate in promoting transparency should proceed; those who self-exclude may be encouraged to join in the face of such movement.

*Strengthening regional institutions.* Regional institutions, whether dedicated to economic or security ends, may play a role in diminishing both the informational and commitment causes for bargaining failure. As suggested earlier, however, in order for institutions to play this dual role, they will require a different format, one that resembles more robust global institutions and other regional (although not necessarily European) templates. In a congested region with multiple economic and military powers, multilateral mechanisms for revealing preferences and committing to behavioral restraint will be of increasing value. Here, the recent record of collaboration in multiple forums on nontraditional security issues provides a starting point.

*Deepening economic interdependence and estimating the costs of its disruption.* Although economic interdependence may not be the panacea for conflict risks that some allege, any steps that raise the economic costs of conflict and render them more apparent will be valuable in enhancing regional security. Capital account liberalization, however controversial on economic grounds, will add an additional—and highly sensitive—increment of cost to political and military conflicts that threaten to disrupt economic flows.

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21. See the recommendations of Bush (2010, 293) for the China-Japan security relationship.

Designating a non-governmental source to estimate the costs of a disruption to the regional economy because of military confrontation would be a useful exercise. The global economic costs imposed by the recent combination of earthquake, tsunami, and nuclear meltdown in a part of Japan that was not regarded as central to the international economy serves as a possible proxy for the effect of a unexpected eruption of a militarized dispute or conflict in this key economic region of the global economy.

*Cooperation in restraint of domestic political manipulation.* Domestic political change may introduce the greatest degree of uncertainty into the region in the decades ahead. The manipulation and mobilization of domestic political assets at the expense of one's external adversaries is a risky maneuver, particularly when much of that process is opaque to outsiders. A concerted effort to deal with the more damaging manifestations of nationalism could include a tacit pact among political elites that they will not exploit such organized attitudes against their regional neighbors and a commitment to build consensus among their citizens on such troublesome issues as a common view of history. The trilateral summit process among Japan, China, and Korea provides one venue for establishing such understandings.

*Dispute resolution rather than dispute management.* For some contentious and dangerous disputes, such as that between China and Taiwan, careful management of the dispute and outside encouragement of patience may be the best outcome at the present time. For the myriad of territorial disputes that remain in the region, however, movement toward dispute resolution would be a far better outcome. As Fravel (2008) describes in his account of China's territorial disputes, such resolution is far from unknown. Nevertheless, in contrast to Latin America and Europe, Asian governments have seldom found an accepted regional formula for resolving these disputes. Removing them from the field of domestic political contention would be one step; increasing reliance on judicial or quasi-judicial mechanisms (arbitration) would be another. Territorial disputes can be costly, in terms of economic gains foregone as well as risks of military escalation.<sup>22</sup> Once again, objective estimates of those economic costs might help in shifting the terms of regional and national debates.

*"Grand bargains" and persistent rivalries.* The most ambitious goal—and one that would require the expenditure of substantial domestic political capital—is a series of grand bargains that would aim to end the most persistent and dangerous rivalries in the region: China and Japan, China and India, India and Pakistan. Once again, other regions have witnessed such reconciliation, often accompanied by beneficial economic bargains. The partnership of Germany and France in Europe and the rapprochement between Argentina and Brazil in South America are exemplars of multi-issue linked bargains that set the stage for a radically altered and cooperative relationship. The expanded East Asian Summit could provide a venue for the first steps toward such regional bargains.

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22. Beth Simmons (2007) has estimated the costs of ongoing territorial disputes, even non-militarized disputes, for trade in Latin America. One suspects that the costs in Asia are lower, but they are likely to be significant.



The new economic powers of Asia both shape and respond to an environment that appears benign but may conceal risks to the prosperity and peace of the region and the world. Military capabilities have grown with rapid economic development. National policy transparency is limited. Disputes remain that are already militarized or could become militarized. The region requires insurance of a new kind to preserve both its peace and prosperity. China, India, and ASEAN, would be major beneficiaries of such measures. Whether they can overcome domestic distractions and external complacency in order to create such insurance is a central question associated with their rise.

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