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Regional Order Reconfigured: China, Japan, and the United States in the Evolving Asia Pacific

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The Asia Pacific has seen the emergence of new and important regional institutions in the last ten years. Many observers saw such institution-building dynamics primarily through the lens of US-China competition. For example, the Trans-Pacific Partnership (TPP) free trade agreement, before it was scuttled by the Trump Administration, was popularly considered part of a containment strategy implemented by Washington. On the other hand, the Regional Comprehensive Economic Partnership (RCEP) and the Asian Infrastructure Investment Bank (AIIB) were regarded as alternative venues through which China could avoid or counter encirclement. Japan was expected to follow the American lead because of the importance of its alliance with the United States. Thus, the countries' ultimate objectives were seen as fixed: to prevail over rival(s) so as to define a regional order that privileges their own interests. Such views neglected, however, a variety of interests, fluidity of power balance, as well as the multiple utility of regional institutions.

Under the Trump Administration, conventional wisdom has become even more inadequate. Recently, the United States has retreated from the TPP and China has launched the One Belt One Road (OBOR) Initiative. Clearly, this is a period of reconfiguration and realignment in regional order building. The uncertainty introduced by the Trump administration has made alignment patterns more dynamic and unpredictable. For example, despite the stalling of the TPP, China is not pushing for RCEP to follow the trade and investment rules of the so-called "state capitalism." In fact, Chinese leadership has expressed interest in TPP membership in the past and may still be interested. Another example of realignment comes from Japan, where Prime Minister Shinzo Abe recently suggested that Japan might be open to joining OBOR or AIIB. More fundamentally, the alleged US retreat from Asia has created a vacuum for regional leadership.

How does this power reconfiguration change regional order in the Asia Pacific? China and Japan now stand at a pivotal moment, wherein each confronts different structural constraints and strategic choices. China will enjoy greater success at persuading countries, especially traditional US allies, to join its initiatives. In the past, the United States labelled joining the AIIB as defection and attempted to dissuade its allies from seeking membership. However, given recent signals of enthusiasm exhibited by the Trump Administration to participate in OBOR, such dissuasion from the United States may be less likely.

Of course, this requires that the Chinese leadership can credibly demonstrate that the initiatives do not entail overt geopolitical ambitions, as concerns about China pulling its economic levers and turning OBOR into something more than an investment scheme continue to underpin current discourse. OBOR remains an enigma; questions ranging from what it actually entails, to difficulties associated with implementation, to concerns over whether or not it will be successful – and by what metric – define discussions of OBOR.

Alex Yu-Tin Lin and Saori N. Katada, PhD Candidate and Associate Professor, respectively, at the University of Southern California, explain that "As we begin to see greater US and Japanese participation in Chinese-led initiatives over the next few years, the final piece of the puzzle is whether China will be ready to join initiatives led by Japan or the United States."

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Undoubtedly, OBOR appears to be more than just an infrastructure-building project that aims to open market access. However, it is less clear what this “more” entails, and what it might mean from a geostrategic perspective. For countries such as those in Southeast Asia or South Korea, this is the most fundamental and pressing question. In the past, these countries, to varying degrees, have been seeking to establish closer ties with China for economic gains while relying on the United States for security guarantees. So far, this “having the cake and eating it, too” hedging strategy has worked because of the leadership competition between the United States and China. With the United States allegedly retreating from the leadership competition, the key priority for China will be to signal to its neighbors that their space and flexibility to maneuver will not disappear with greater involvement in projects such as AIIB or OBOR. To do so, China will have to refrain from overplaying its advantages and from transforming the current positive-sum, win-win engagement into zero-sum competition with the United States.

On the other hand, Japan might become more inclined to take an independent and leading position in the region. Japan may be less constrained by the United States now than in the past, as exemplified by its evolving position on AIIB. Japan may take advantage of the opening presented by the uncertainty associated with the Trump administration and play a more proactive role in Asia, including getting on board with AIIB and/or OBOR. Already, Japan is positioning itself as a source of continuity and a potential substitute for the United States by keeping key initiatives alive — such as the TPP without US involvement. Yet, in order for Japan to succeed in these endeavors, it will have to overcome its credibility deficit. Not only was the Japanese government seen as being excessively deferential to US interests as it supported the US-led liberal world order, Japan has never been able to follow through on its independent initiatives in Asian regional institution-building projects. Moreover, Japan often appears self-serving in tailoring its economic leadership to prioritize domestic interests such as the protection of its inefficient agriculture sector.

Japan’s history of being ambivalent about the Asia-Pacific regional project and lacking an independent grand strategy has long undermined its credibility as a leader. Unless Japan can show that the country is ready to stand on its own feet, and not react constantly to US-China dynamics, no one will follow. Therefore, the prospect of TPP without the United States, which the Japanese government is leading now, will be an important test. Can Japan lead the TPP and persuade other countries to remain in the agreement without US involvement? So far, the Japanese government’s efforts to advance the TPP-11 without altering the deal has not garnered enthusiasm among Asian members. If the United States participates in OBOR, as suggested by President Trump, it will add another layer of complexity: will this undermine Japan’s ability to function as Washington’s substitute by downplaying US-Japan ties and increasing uncertainty in the Asia Pacific? Again, Japan faces this credibility challenge as it tries to assure potential followers and take a leadership role in an uncertain Asia Pacific.

As we begin to see greater US and Japanese participation in Chinese-led initiatives over the next few years, the final piece of the puzzle is whether China will be ready to join initiatives led by Japan or the United States. If so, we expect to see features of a positive-sum grand strategy from China, which will then produce a robust regional order supported by even more complex and multilayered regional institutions.

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