Peace & Prosperity in East Asia

When Fighting Ends

By Avery Goldstein & Edward D. Mansfield

East Asia’s rapid economic growth and its implications for the rest of the world is a story that has generated extensive analysis and debate. Less well examined is the legacy of an unprecedented period of peace in the region that has coincided with that prosperity.

In their introduction to our cover articles, political scientists Avery Goldstein and Edward D. Mansfield pose the question: What is the relationship between peace and prosperity in East Asia?
EAST ASIA HAS EXPERIENCED more than three decades of peace and prosperity, a sharp contrast with the recurrent wars and lagging development that plagued the region during earlier eras. The last major military regional conflict, the Sino-Vietnamese War, ended in 1979, a year that also marked the beginning of sweeping economic reforms in China under Deng Xiaoping. China’s reforms, however, were only the most widely publicized efforts at economic liberalization in the region since the late 20th century. These policy shifts have enabled many East Asian countries to share in a prosperity that had previously taken root in Japan and in the “four tigers” — Hong Kong, Singapore, South Korea and Taiwan. Yet periodic reminders of enduring security problems have punctuated this era of peace and growth. Do these security problems pose a threat to East Asia’s record of economic success? Or does that economic success and the greater levels of international economic co-operation that have accompanied it provide a foundation for political co-operation and the management of security problems? The articles in this cover package of Global Asia shed new light on these important questions.

The authors examine the nexus of economic and security relations in East Asia. They usefully draw on a rich variety of approaches that illuminate key questions about a region whose importance for students of both international political economy and international security has grown dramatically. Their work suggests, in various ways, that the interaction of economic and security concerns defy the simple categorization of either as cause and the other as effect. To grasp the reasons for, and evaluate the durability of, East Asia’s recent peace and prosperity, both economic and security “fundamentals” matter.

The essays that follow explore just how they matter and why.

INCREASED ECONOMIC INTERACTION
Over the past 30 years, there has been a substantial rise in cross-border economic activity in East Asia.1 In 1979, when economic reform started gaining traction in the region, roughly one third of East Asian countries’ trade was intra-regional. By 2009, this figure had spiked to about one half (see figure 1 opposite). This does not simply reflect the growth of trade more generally, because East Asian trade with other key partners does not match the surge in intra-regional trade. States in the region have experienced no noticeable change in the amount of foreign commerce with either the European Union (EU) or Latin America, while over the past decade they have seen a rather pronounced dip in trade with the United States.

In addition to trade, foreign direct investment (FDI) within East Asia has risen sharply (also see figure 1). Over the past three decades, the proportion of FDI that these states have placed within the region has risen from about 20 percent in 1980 to roughly 60 percent by 2005. Over the same period, there has also been a dramatic increase in the number of economic institutions designed to promote and regulate trade, investment and finance in East Asia. Only a few such institutions existed in 1980; currently there are a few dozen, with plans afoot to launch even more. China, Japan and South Korea have each sought to set up a free trade area (FTA) with members of the Association of Southeast Asian Nations (ASEAN), arguably the most important regional institution. Various East Asian countries have expressed interest in concluding a region-wide free trade zone that would encompass these three countries, the 10 members of ASEAN, Hong Kong and Taiwan.

The growth in economic activity within East Asia is impressive, even when compared to Western Europe, which sets the standard for regional economic integration (see figure 2 opposite). Between 1960 and 2009, both East Asia and

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1 For the purpose of generating the following economic statistics, we consider East Asia to include the 10 ASEAN states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Burma, the Philippines, Singapore, Thailand and Vietnam), China, Hong Kong, Japan, South Korea and Taiwan.

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The European Community (which later became the European Union) doubled the amount of intra-regional trade as a percentage of total trade. To be sure, in any given year, the ratio of intra-regional trade to total trade was anywhere from 10 percent to 60 percent greater for the Western European countries than the East Asian states. Moreover, the value of total trade and intra-regional trade conducted by EC/EU members far outstrips that of East Asian states. Nonetheless, trade within East Asia has grown very rapidly in recent decades. There has also been a rise in investment, efforts at financial co-operation and the establishment of institutions designed to promote economic co-operation in the region — a trend vividly illustrated in the article by Wu Xinbo (see page 24).

DECREASED MILITARY CONFLICT, BUT LINGERING SECURITY CONCERNS

As intra-regional economic activity has surged in the past 30 years, the region has also seen a marked reduction in political-military conflict. No regional wars have broken out since 1979, and though isolated incidents have occurred, until the early 2011 border clashes between Thailand and Cambodia, there had been a complete absence of serious interstate military conflicts since 1988. For nearly a quarter of a century, no one had perished in formal military combat.

Yet if East Asia has been free of major war since 1979, it has not been free of disputes, including conflicts where the use of military forces is relevant. Most notably, while the Korean armistice has held, small-scale military incidents on the peninsula and in the nearby seas have occurred both before and since 1979. These, along with the tensions triggered by North Korea’s nuclear weapons program since 1993, serve as reminders of the continuing potential for larger military conflict. The troubling security concerns on the Korean Peninsula, however, are not closely linked to the changes that have characterized the rest of East Asia over the past three decades. Pyongyang has stubbornly resisted suggestions that it follow the example of China and others to reform and open up its economy; in this respect, it stands in many ways as a singular exception to the wider pattern. Perhaps most telling, security concerns on the Korean Peninsula have not served as a wedge to exacerbate conflicts of interest among the other East Asian states. On the contrary, the shared interest in preserving the peaceful regional environment conducive to international economic activity has led others to focus on containing instability in Korea and to work hard to minimize the risk of escalation to military action.

Beyond Korea, however, there are other signs of continuing international insecurity even as peace prevails and economic interactions deepen. One of the most prominent features of the region’s security landscape is the presence of ongoing disputes about sovereignty claims, a topic addressed in the article by Zhang Tuosheng (see page 42). While most of the land-based territorial disputes in East Asia have been resolved, significant disagreements remain about a wide variety of maritime claims and claims to territories that lie across the sea from the principals. These disputes are not just about historical sovereignty, but also about contemporary economic interests. So far, the parties to these disputes have managed to contain the potential for military conflict by delaying the resolution of sovereignty claims and focusing instead on ways to permit ongoing economic activity.

The continuing tensions between China and Taiwan represent another East Asian conflict that remains unresolved — one that has linked economic and security dimensions, as well as the potential to involve the United States. China has a long-standing claim to sovereignty over Taiwan and the smaller islands now administered by the government of the Republic of China (ROC) in Taipei. Although the United States no longer has a security treaty with (or even recognizes) the ROC, the US Congress in 1979 passed the Taiwan Relations Act, asserting an American interest in the island’s fate and indicating that the United States might intervene in the event of military conflict in the Taiwan Strait. The enduring US security connection to Taiwan deepened in the following decades as Taiwan’s economy soared and it became an important economic partner for the US and its allies in East Asia. At the same time, the interplay of economic security interests on which this collection of essays focuses has increasingly been reflected in the changing relationship between China and Taiwan. Despite their unresolved dispute, Taiwan and China have experienced a boom in their economic relationship. Intertwined with the various territorial claims noted above are significant disagreements in East Asia about the maritime rights defined by the United Nations’ Convention on the Law of the Sea. Most notably, China’s decision to define its national security interests as extending to areas that other countries view as zones where contiguous states have exclusive economic rights but not the right to exclude other country’s ships or aircraft, has generated conflicts between China and the United States. So far, incidents growing out of these conflicts have been contained, but the fundamentally different perspectives in Beijing and Washington, some of which are discussed in Yuan Peng’s essay (see page 34), make clear that, short of war, any crisis that develops over these differences risks dangerous military escalation.

Clearly, maritime disputes loom large in thinking about the ways in which economics and security in East Asia interact. Economic interests seeking a peaceful regional atmosphere for development may dampen territorial and sovereignty disputes at sea before they escalate to the use of force.
of military force. On the other hand, it is possible that countries may believe that the economic costs of fighting a war are now so high that some may feel it is safe to press their maritime claims without fear of serious escalation. If so, then a corollary to the East Asian peace may be that it does not preclude, and in some ways might encourage, crises and perhaps even limited conflicts in which military power remains relevant.

LINKS BETWEEN MILITARY AND ECONOMIC CONCERNS

East Asian states have certainly demonstrated a keen interest in maintaining the military capabilities necessary to protect their political and economic interests (see figure 3). The essay by Danielle Cohen and Jonathan Kirshner (see page 38) explains, for example, how energy insecurity may be distorting strategic planning and shaping military forces across the region. Some of these military capabilities are the familiar weapons systems necessary for power projection at sea — aircraft, warships and submarines — to protect national interests and defend territorial claims against potential threats. The ability of states in the region to purchase such weapons has grown along with their economies. In addition, some military capabilities pursued in East Asia reflect new high-technology wrinkles in modern warfare. To the extent that such innovations alter the effectiveness of weapons systems, mastering new technologies and marrying them to military operations, or devising novel ways to disrupt the adversary’s military technology, assume an unprecedented significance. Because many of the relevant technologies are rooted in advances in electronics and computer systems that have civilian applications, and because the East Asian economies are home to some of the leaders in these fields, the increasing importance of high technology for military power indicates yet another way in which economic developments interact with the security environment and shape the prospects for conflict in East Asia — a consideration explored in Michael Horowitz’s essay (see page 50).

A different connection between economic developments and political-military relations in East Asia pertains not to military capabilities, but to strategy. As M. Taylor Fravel indicates in his essay (see page 46), aside from thinking about maritime disputes and the way these demand changes in the thinking of a military long focused on ground operations to defend China’s borders, the People’s Liberation Army (PLA) has begun to develop new ways to address such nontraditional security concerns as disaster relief, counterterrorism, and peacekeeping operations. This certainly has not supplanted China’s ambitious program of military modernization designed to deal with potential interstate conflict; but as China becomes more economically involved beyond its borders and as concerns mount about threats to domestic stability, the PLA — especially its navy — has begun to address the need to prepare for “military operations other than war.”

While economic interests influence military-security relations, the reverse is also true. Concerns about vulnerability and domination inform the design of economic institutions and the choice of institutional venues for addressing economic problems, with enduring political considerations limiting their role and effectiveness, as the essays by Miles Kahler and Benjamin J. Cohen make clear (see pages 18 and 30). Security concerns also condition the extent to which economic interests shape patterns of trade and investment in goods and services that may have military implications — in particular, technologies and systems that can affect the relative power brought to bear in a conflict, a point highlighted in the Horowitz essay.

Yet security concerns can sometimes encourage the institutionalization of economic ties. To allay concerns about its growing clout, China during the mid-1990s turned to economic multilateralism as part of an effort to cultivate its image as a responsible international actor rather than a potential threat. These efforts, including participation in regional financial arrangements, the conclusion of a free trade agreement with ASEAN and exploration of greater economic coordination among China, Japan and South Korea have had mixed results and have been tested by the strains of the global recession that began in 2008. But from the perspective of our focus on the nexus of economics and security in East Asia, the point is that economic developments not only shape but are shaped by security concerns.

THE CHALLENGES AHEAD

The growing interest in East Asia in large part reflects the region’s tremendous economic strides. As a result, however, renewed military conflict in a region now vital to the global economy could have an especially devastating and far-reaching impact. Understanding how the rapid expansion of cross-border economic activity in this region is linked to its political-military relations — the focus of the articles in this cover package — is a crucial step towards thinking more systematically about the challenges ahead. Such knowledge is needed to maximize the opportunities for extending the era of East Asian peace and prosperity, to minimize the likelihood of stumbling into avoidable dangers and to prepare for managing the consequences of conflicts that prove unavoidable.

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