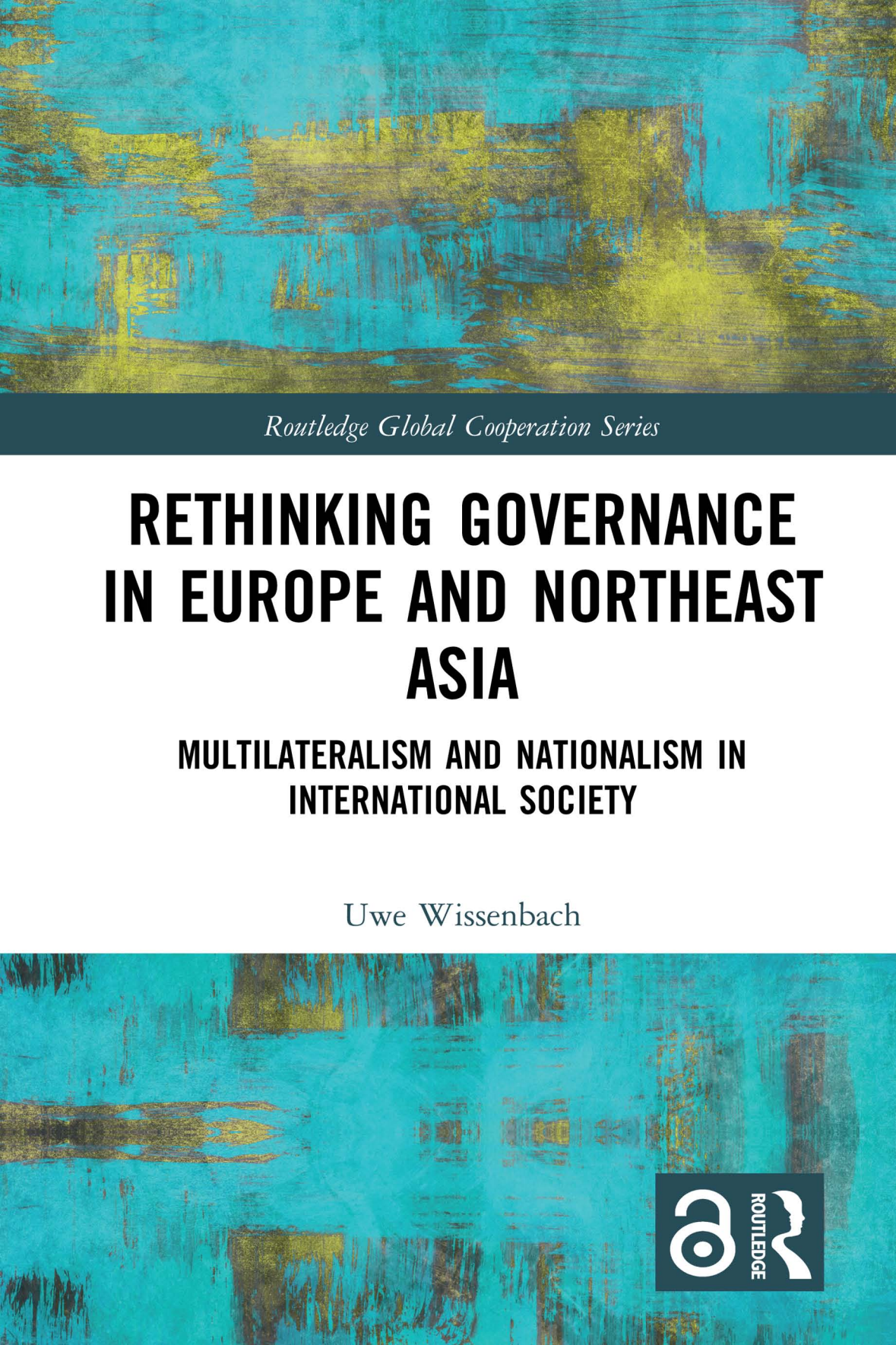




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INTERNATIONAL SOCIETY**

Uwe Wissenbach



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This book explores how nationalism and multilateralism transform international society and global governance. It does so by comparing the governance model of the EU – a constitutionalised and increasingly polycentric form of multilateralism – with Northeast Asia. There nationalist administrations have resisted multilateral commitments and are locked into rivalries instead of pursuing a regional project.

Both Europe and Northeast Asia can be seen as success stories of the late 20th/early 21st centuries, but by having followed different approaches to international governance. The book traces these two trajectories through critical junctures in history to how both regions have dealt with the contemporary challenges of the financial crisis and climate change. During the financial crisis, Europe's multilateral economic and monetary architecture revealed profound weaknesses whilst national policies allowed much of Northeast Asia to escape the worst of it. On climate change the European Union (EU) has developed effort-sharing governance models to reduce emissions, while Northeast Asian countries are relying on greening national industrial policy. The book argues that global governance has to find the balance between multilateralism and nationalism in order to find collaborative approaches to global challenges.

This book provides a fresh take on the EU and on Northeast Asia and develops innovative concepts of international society and polycentric governance. Thus, it will be of considerable interest to researchers and students of global governance, international relations, EU and Asia Studies.

Uwe Wissenbach studied at the London School of Economics, Mainz and Lille universities and was awarded his PhD in political science at the University of Duisburg-Essen. He is a career EU diplomat and a research associate at the Free University Brussel's (ULB) Institute for European Studies.

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Rethinking Governance in Europe and Northeast Asia

Multilateralism and Nationalism
in International Society

Uwe Wissenbach



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I dedicate this book to my late parents, Willi and Marlene Wissenbach, who were the ones who have most helped me to get to where I am and to enjoy learning and researching; to my wife Lin Wang and my daughter Lili Yu He Wissenbach, who have been very patient and encouraging while I was sacrificing family time to a thesis and book project. I know that despite occasional complaints they are proud of the “nerd in the family”.



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Contents

<i>List of illustrations</i>	xi
<i>Acknowledgements</i>	xii
 Introduction: multilateralism under attack from nationalism	 1
1 International society and the diffusion of power in complexity	11
2 Nationalism, multilateralism and institutions of international society	28
3 Critical junctures on the pathway to European integration	58
4 European integration or disintegration in an era of nationalism	75
5 From Confucianism to nationalism in Northeast Asia	95
6 China, Japan, Korea trilateral cooperation: no way to regionalism?	119
7 Financial crises in the EU and Northeast Asia	143

x	<i>Contents</i>	
8	The EU, Northeast Asia and polycentric governance of climate change: live and let die?	170
9	Nationalism, multilateralism and role relationships in international polycentric governance	197
	<i>Index</i>	218

List of illustrations

Figure

0.1	Research logic	8
-----	----------------	---

Tables

1.1	Diffusion of power in International Society 2.0	15
2.1	Comparison of equivalent constitutive institutions in 19th century Europe and Northeast Asia	41
2.2	Institutions of international society in Europe and Northeast Asia	43
5.1	Forms of international society and their institutions	99
5.2	Equivalence of modern security community, Confucian society and today's EU and Northeast Asia	101

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Practice benefits from academic depth but also nourishes scepticism about one-size-fits-all theories. A Chinese scholar, Zhao Xihu (Southern Song, active circa 1195 to circa 1242), expressed it more poetically: ‘One’s mind should contain thousands of books. One’s eyes should have read hundreds of great books and scriptures of previous ages and generations. And the wheels and footprints of one’s wagon and horse should have been to half of the entire world. Only then, one can pick up his brush’. That is what I set out to do and that is why I waited more than twenty years after my master’s degree to do a doctorate.

The idea to do a doctorate in the midst of my diplomatic career, which has led me to work on four continents, came after a lecture at the Hangeul School of Foreign Studies in Seoul, Korea in 2010. Dr Ohn, who invited me to give a lecture comparing the EU and Northeast Asia, encouraged me to develop my ideas and to do a PhD. Like me, he had studied at the LSE. The LSE’s motto ‘*rerum causas cognoscere*’ had left me with a never-ending quest to understand the world around me and to be sceptical about received wisdoms and paradigms. Being a diplomat with the European Union I have been involved in the practice of international relations, but I have always been curious to read academic writings about international relations – often realising that theory and practice don’t always match. When I met Professor David Kang, whose book *Asia Before the West* I had read, he showed surprise that a diplomat had actually read his book. I decided it was time to reconcile academic analysis and international relations practice through my practical experience as a European diplomat in China (1999–2004) and Korea (2009–2013) and academic research. I was lucky enough to be able to take some classes at Hangeul University to refresh my theoretical understanding of international relations, law and economics. I thank Professors Ohn Daewon, Paik Won K., Mason Richey and Park Jungwon as well as Professor Thomas Kalinowski from Ewha Women’s University for their encouragement and insights that encouraged and helped me to pursue my project. The Asan Institute for Policy Studies headed by Dr Hahm Chaibong provided me with many opportunities to discuss with leading Korean, Chinese, Japanese and US experts on international relations and history from Northeast Asia perspectives. Many others – some old friends, some new ones met at conferences and workshops – have wittingly or not contributed to my thesis. Professors Daniel

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Introduction

Multilateralism under attack from nationalism

Europe and Northeast Asian countries have been the focus of American ire and nationalist pressure since the election of D. Trump, allies and foes alike. The speed with which a switch to nationalism in the US since 2016 has undermined multilateralism is disruptive – nothing can be taken for granted:

The rate of change is not gradual and measured. It is ferocious, rapid, harsh, destabilising and above all unexpected. The moral and institutional compass of good governance and a certain predictability has been imploding.

(Gowing and Langdon 2018, 29)

In December 2018 US Secretary of State Pompeo rode a frontal attack against multilateralism if it did not serve US interests:

Our administration is thus lawfully [sic!] exiting or renegotiating outdated or harmful treaties, trade agreements, and other international arrangements that do not serve our sovereign interests, or the interests of our allies.

(Pompeo 2018)¹

Pompeo said that in Brussels, the capital of the EU, and tactfully added for good measure what he thought about the audience: ‘Is the EU ensuring that the interests of countries and their citizens are placed before those of bureaucrats here in Brussels?’ He effectively took up the key question raised by nationalist populist parties to attack the EU from within since the financial crisis (chapter 4).

Earlier, more than a thousand economists warned the US president that his policies of withdrawing from economic agreements were the same kind of ‘flat earth economics’ that unbalanced the global economy in the 1930s and led to the Great Depression (Gowing and Langdon 2018, 120). Adam Tooze in his book about the 2008 global financial crisis calls the Trump administration’s ‘declaration of independence from an interconnected and multipolar world’ perilous (Tooze 2018, 6). These warnings come as Europe’s efforts to prepare the Eurozone for the next crisis have stalled.

But it is not only nationalism in the US that is unsettling the familiar international relations. The rise of China has inspired trepidation since 2012, when

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2 Introduction

Xi Jinping took office. He is widely perceived as an authoritarian ruler who has replaced the collective leadership of China's communist party (CCP) and is pursuing a more assertive foreign policy (Mühlhahn 2019, 561–6). Xi Jinping has taken China's nationalist narrative even further to promote the 'China dream' of national rejuvenation and military greatness (Mühlhahn 2019, 563) while cracking down on internal dissent in a society that has become more disparate and anxious as a consequence of globalisation, rising inequality and environmental damage. China is seen as a

new competitor to liberal democracy . . . that Fukuyama didn't anticipate: authoritarian in political form, capitalist in economics, nationalist in ideology.

(Ignatieff 2014, 3)

Europe is divided about how to deal with this newly assertive China as Chinese state-owned companies have begun to invest strategically in Europe's wide open market while restricting access to its own market and to exert its influence on individual European governments (Parello-Plesner 2019). The EU has adapted its relationship with China which it has labelled a 'systemic rival' (European Commission 2019). Europe appears as the lone and weakened defender of the multilateral order under attack by both a unilateralist US and an authoritarian China asserting their national sovereignty more aggressively as well as by nationalists from within. But all is not doom and gloom. The EU has built up its financial safety nets to something akin to a European IMF (International Monetary Fund). It had a strong hand in clinching a global agreement on combating climate change. Every year the EU trades more than two billion euros worth of goods and services with Northeast Asia (China, Japan and Korea).² It has outdone the US and China in forging an economic partnership with Japan in 2019, after an earlier successful Free Trade Agreement (FTA) with South Korea in 2011. Europe and Northeast Asia are getting along well with each other and have steadily deepened their political and economic ties (Christiansen et al. 2019; Telò 2015; Christiansen et al. 2013). Both regions are active shapers of global governance and emphasise the need for multilateral order. It is thus important to understand how Europe and Northeast Asia – two regions which were once situated in the 'American imperium' (Katzenstein 2005) – are behaving and evolving as that 'imperium' has increasingly turned nationalist.

The EU and Northeast Asia³ are key players in global governance. They can both be considered success stories of the late 20th/early 21st centuries. The miracle of European integration, rewarded with the 2012 Nobel Peace Prize and forming the biggest economic bloc in the world, stands next to the Asian miracle – the most dynamic economic region in the world that has propelled hundreds of millions from rags to riches in a few decades. But in science there are no miracles. We must look for explanations, and therein lies a puzzle. In both regions, order is starkly different: Europe is peacefully integrated, working as a (often squabbling) team, with its success stemming from constitutionalised multilateralism

(European integration – chapter 4); Northeast Asia is conflicted and hardly integrated, with countries competing against each other, and its success stemming from nationalism (developmental state). Yet, before the 19th century it was the other way around; Europe was conflicted while Northeast Asians lived in a peaceful and prosperous international society – the Confucian international society – until both regions clashed in the age of imperialism (chapter 5). How to explain these paradoxical evolutions?

This book will examine this puzzle as a process of international society development. It will investigate the contrasting logics of multilateralism and nationalism in international relations in a world that is increasingly competitive, complex and chaotic. To understand how these two principles shape international society, I analyse and compare these two globally important, very different and very successful regions, Europe and Northeast Asia, over the *longue durée* and in a changing context that tests the ability of states to deal with the complexity of global governance challenges. Such a comprehensive comparison has not been attempted before (Jo 2012).⁴

Countries in both regions have long and strong traditions of civilisation and statehood. Europe has transformed statehood through integration and created a new international legal order (the European way of international law). The EU's multilateralist security community has replaced the old balance of power system. Deep regional economic and political integration has made 'Team Europe' a major collective player in globalisation. The EU has evolved into something unprecedented – a polycentric order including elements of multilateral democracy (Scherz and Welge 2015). That new order has been undermined from within and without by nationalists. Its multilateral constitution has been under threat after the sovereign debt crisis wreaked havoc across the EU, followed by bitter feuds over migration and refugee policy, the UK referendum on leaving the EU (Brexit) in June 2016 and the rise of populist contestation across the continent (chapter 4).

The Northeast Asia region stands in almost total contrast to the European Union: no integration project, an only fledgling and institutionally speaking weak process of trilateral cooperation, and one country – North Korea (or Democratic Peoples' Republic of Korea, DPRK) – completely marginalised, but aggressively pursuing a nuclear missile programme that could spark a nuclear arms race in the region. Nationalism pervades political life, and consequently there is no product of regionalism apart from the loose association of three Northeast Asian countries (China, Japan, Korea) with memberships in larger regional organisations (the Asia Pacific Economic Forum (APEC), the Association of South East Asian Nations (ASEAN), etc.) and a very limited functional trilateral cooperation. They form the dynamic centre of today's global economy, yet perplexingly, at the beginning of the 21st century they remain locked in recriminations about the past, in nationalistic disputes about insignificant islets, about schoolbooks and even menus at state banquets.⁵ Such conflicts between even the liberal democracies there (Japan and South Korea) show that we are not yet in a new world of regional cooperation, but we are no longer in the old world, either, when such issues sparked major wars (chapter 6).

4 Introduction

This co-existence of nationalist and conflicted Northeast Asia with multi-lateralist, integrated Europe on the global stage raises a series of questions on the nature of international relations and global governance. These cannot be answered by one-size-fits-all structuralist theories but have to take into account the significance of history with its moralisation gaps and nationalist narratives. Such narratives have also been peddled by nationalist, Eurosceptic parties in the EU in the wake of the financial crisis. Nationalism and a fierce contest in Northeast Asia about the 'correct' version of history and its moralisation gaps are feeding sovereignty and international law disputes in the region. Together with competing economic policies of national developmental states, they have stunted regionalisation in Northeast Asia. Moralisation gaps describe the conflicting narratives of victimhood between nations. Such narratives are mostly absent in International Relations scholarship, although they are 'the single most decisive mental construct shaping foreign policy' (Ignatieff 2014, 2). Moralisation gaps are known from social psychology where they express distortions of our interpretation and memory of harmful events, driven by a desire to present the self in a positive light (Pinker 2011, 488–97). Moralisation gaps describe the perception gap between victim and perpetrator: the victim emphasises the deliberateness of the perpetrator and the pain and suffering he endures as victim; the perpetrator emphasises reasonableness or unavoidability of the action and minimises the victim's pain (Pinker 2011, 537). Each side sincerely believes their version of the story, namely that one is an innocent and long-suffering victim and the other a malevolent and treacherous sadist. The counterpart of too much memory on the part of the victim is too little memory on the part of the perpetrators. In nationalist narratives moralisation gaps determine relationships. Both sides of a conflict

are convinced of their rectitude and can back up their convictions with the historical record. That record may include some whoppers, but it may just be biased by the omission of facts we consider significant and the sacralization of facts that we consider ancient history.

(Pinker 2011, 494)

Such moralisation gaps are common throughout history and throughout the world as under the surface of the Ukraine crisis in 2014: 'emotions of volcanic force, two competing genocide narratives – one Russian, the other Ukrainian – that cannot acknowledge each other's truth' (Ignatieff 2014, 9). Many an Islamist terrorist invokes moralisation gaps stemming from imperialist humiliation. In Northeast Asia moralisation gaps are key to understanding the conflicted 'regionness' and absence of multilateralism (Wissenbach 2018). National sovereignty, international law and economic rivalry are defined with antagonistic nationalist narratives around the moralisation gaps with neighbours.

I will show that socialisation into an international society and the evolution of norms and institutions has been a complex – and long – process that opened a Pandora's box of debates. These debates concern essential concepts

such as the role of the state, of sovereignty, of power, of interdependence, of conditions for international cooperation, of community building or integration, of regional order and hierarchy in international relations (chapter 2). Thus, they revolve around the structural, institutional and relational nature of governance. For instance, globalisation and emerging global governance, such as the G20 or the United Nations Framework Convention on Climate Change (UNFCCC) where we find the key players of both regions engaged, have to operate in a new context – the anarchy of complexity (chapters 7–8). Key questions in these debates are: is nationalism, as preached by the US and practiced in Northeast Asia, the fast and efficient answer to complexity, or is it an EU-type, slow motion but deep, multilateralism? Or could there be radical alternatives such as a revived Confucian order in Asia? Will the Western liberal order survive the pincher movement of US unilateralism and the rise of nationalist powers, like China, Russia and others (Ignatieff 2014)? Will the EU continue to shape multilateral global governance, or will its experiment be drowned in a new world disorder of competing nationalisms (chapter 9)?

This book makes a contribution to this debate by focusing on nationalism and multilateralism as the crucial drivers of international relations and governance. Nationalism and multilateralism are considered here as ideological institutions of international society that have largely been determining the other institutions and the organisation of international society and order since the 19th century. The rise of nationalism in the 19th century shaped international society durably. Today, both principles are competing, but co-existing and not antagonistic as they both build on a society of nation-states that shares constitutive institutions like sovereignty, international law and the global market economy.⁶ This co-existence of two principles has consequences for global governance in which nationalist Northeast Asia and multilateralist Europe play major roles, for instance, in global economic governance or the global response to climate change. Multilateralism seems disadvantaged – contested in the EU, abandoned by the US. It has had bad press since the global financial crisis, and it has not stopped greenhouse gases from rising relentlessly during a quarter century of UN diplomacy. Yet, nationalism looks like the most formidable obstacle to global governance as it implies an ‘everyone for himself’ or ‘winner takes all’ attitude epitomised by the ‘America first’ slogan.

In the EU, by contrast, through the European integration process and the progressive reconciliation of moralisation gaps after 1945 sovereignty, international law and the national economies were transformed by a gradual shift from nationalism to multilateralism and the forging of a more and more integrated European economy. These transformations were institutionally and legally built up over the last half-century and drawing on intellectual roots of centuries past (chapter 3). Multilateral integration has largely displaced Europe’s earlier antagonistic nationalist historic narratives while national identities themselves remain strong. Yet, the EU’s deep constitutionalised integration remains an exception in a world of nationalists while the EU itself is by no means a post-sovereign or post-national polity and hence need not be treated as a *sui generis* case in international

society. Intellectual roots of a shared past also exist in Northeast Asia, but they are not usually drawn upon for a regional project. To the contrary, narratives of a renewal of a Sino-centric regional order have surfaced (French 2017). Nationalist antagonistic narratives undermine attempts at regionalisation (chapter 5).

This book therefore focuses on nationalism and multilateralism as competing, but compatible, moral beliefs and principles of order in international society. These beliefs have become ideological institutions of international society by shaping constitutive institutions such as sovereignty, international law and the economy and by influencing roles and power relationships between states. Nationalism, multilateralism and cosmopolitanism, like other ideological institutions before (such as colonialism/imperialism or Confucianism), shape international relations and global governance. Since these ideological institutions are obviously not static – witness European integration and Northeast Asia's disintegration – this book takes a historical perspective to analyse changes at critical junctures: how was Confucianism replaced by nationalism in Northeast Asia and nationalism by multilateralism in Europe? Exploring past changes and what drove them enlarges our understanding of the current fluidity of global governance and the return of nationalism and its disruptions such as Brexit, Trump's 'America first' policy or Xi Jinping's 'China dream'. Astonishingly, this historic evolution is under-researched.

My analysis contrasts with the popular but sterile binary debate about liberal and illiberal order. International society is marked by a plurality of world views and beliefs beyond Western liberal values which were at the core of English School ideas about international society and have frequently been criticised as Euro-centric (Suzuki 2014; Hobson 2012). The liberal order 'must accept fundamental differences of moral views and political organization because only a pluralist order can guarantee peace' (Ignatieff 2014, 11).

We live in an age of complexity, uncertainty and chaos in which the international society operates with much of its familiar antiquated institutions adapting more or less to rapid, non-linear and non-cyclical change such as global warming and the globally disruptive financial crisis which 'morphed into a comprehensive political and geopolitical crisis of the post-cold war order' (Tooze 2018, 20; chapter 1). These changes, instead of homogenising or diluting the international state system in globalism, have brought into the limelight distinct national and regional pathways shaped by critical junctures and historical narratives with very different role relationships for countries in these regions. In this complex world it may be tempting to look for simple explanations such as geopolitics, the rise and decline of great powers etc. But digging deeper, many conflicts reveal underlying moral and emotional positions: historical grievances and demands for recognition which are expressed through nationalism (Gustafsson 2015). Nationalism is therefore not just a domestic issue – it is an ideological belief that deeply structures international relations alongside other factors such as power. Multilateralism, most visibly in the EU, has emerged as an antidote to the zero-sum world of nationalism. It offers a palliative to the complexity of the world's painful challenges. Nationalism and multilateralism are principles of an international society,

but these concepts have until now been largely missing in international society or global governance literature – perhaps because global governance was touted as a cure to manage complexity without the patient (the nation-state) (chapter 2).

Global challenges and disruptions (in particular the economy and climate change) require global responses. The global financial crisis revealed the potential for disruption and the chaotic dynamics producing that disruption. The profound interconnections, the economic, political and geopolitical responses to that crisis ‘are essential to understanding the changing face of the world today’ (Tooze 2018, 5). However, the observable responses tend to be fragmented – national, regional or functional – although the national economies are no longer islands that trade with each other, as economic models based on Ricardo’s comparative advantage have long suggested. Moreover, globalisation can work as an engine of change with a potential for cooperation and multilateralism (as it has in some parts of the world), but can also be de-stabilising, producing new grievances, outrage over stark inequalities and elite greed, disorderly complexity and collective action.⁷ Non-state actors need to be not only sources of problems (such as financial crises and greenhouse gas emissions) but also to be part of the solutions in what would effectively require some form of international polycentric governance (chapter 9). Therefore, international society looks messy, sometimes dangerous, and it is unlike previous power transitions from one hegemon to the next. What can we learn from each region – multilateralist Europe and nationalist Northeast Asia – on dealing with this complexity? What are the pathways to successful global governance? How to organise polycentric governance in a society of states dominated by national sovereignty?

My main goal is to explain Europe’s and Northeast Asia’s paradoxical developments and roles in global governance. I do this through a broad analysis of the uneven evolution from International Society Mark I, as essentially defined by H. Bull’s seminal work on the anarchical society and the English School (Viotti and Kauppi 2012, 239–74), to contemporary International Society 2.0, which is no longer an anarchical society in the conventional sense. Hence my definition of International Society 2.0 adapts Bull’s definition as follows (with my changes underlined):

In International Society 2.0 most states (or, more generally, a group of independent political communities) alongside a multitude of non-state actors do not merely form a system, in the sense that the behaviour of each is a necessary factor in the calculations of the others, but also have established by dialogue and consent common rules and institutions (in particular, international law) for the conduct of their relations, and recognize their common interest in maintaining these arrangements. States in International Society 2.0 articulate their value differences and moralisation gaps and pursue status recognition. States accept networks, including non-state actors and the complex anarchy of the world of issues, to deal dynamically with the interdependence of the global economy. They recognise the need to subscribe to common but differentiated global responsibilities and to negotiate responses to challenges without resorting to war or domination as a means of politics.⁸

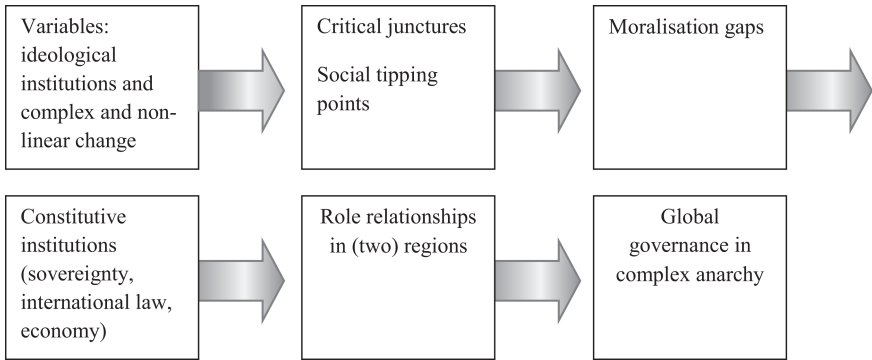


Figure 0.1 Research logic.

This definition leaves room for co-existence of nationalists exercising a degree of self-restraint with multilateralists and of states with different political systems and values – reflecting the empirical reality, not a normative wish list.

The structure of this book addresses the questions raised by explaining first the context, diffusion of power in complexity (chapter 1); the way that nationalism and multilateralism have shaped international society (chapter 2); and then it zooms in on two regions – Europe and Northeast Asia. Both regions have experience with each principle at different times in their history: Europe with nationalism followed by integration (chapters 3 and 4), and Northeast Asia the other way around (chapters 5 and 6). Then the book examines the consequences of multilateralism and nationalism in International Society 2.0 on governance of complex global challenges focusing on two examples: financial crises (chapter 7) and climate change (chapter 8). These are arguably dominating challenges for global governance. In both chapters the EU's and Northeast Asia's responses are compared. In the concluding chapter 9, the book provides a cautiously optimistic assessment of role relationships and functional multilateralism as enablers of polycentric governance as first steps to manage the anarchy of complexity.

Notes

- 1 US Department of State Restoring the Role of the Nation-State in the Liberal International Order. Remarks Michael R. Pompeo Secretary of State, German Marshall Fund Brussels, Belgium, 4 December 2018. www.state.gov/secretary/remarks/2018/12/287770.htm, accessed 13 December 2018.
- 2 Calculated on the basis of 2017 figures for EU total trade with China, Japan and Republic of Korea (not including Taiwan and DPRK). http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.pdf.
- 3 I focus here mainly on China, the two Koreas and Japan.
- 4 The EU-Asia relations handbook (Christiansen et al. 2013) covers the links between the two regions rather than providing a comparative analysis.

- 5 'The menu at South Korea's state banquet for Donald Trump has left a nasty taste in Japan, after the president was served seafood caught off islands at the centre of a long-running territorial dispute between Seoul and Tokyo. Japanese officials have also complained about the decision to invite a former wartime sex slave to the event, held earlier this week during the second leg of Trump's five-nation tour of Asia. Conservative media in Japan labeled the banquet "anti-Japanese" for featuring shrimp from near Dokdo – a rocky out-crop known in Japan as Takeshima. Both countries claim sovereignty over the islands, which are administered by Seoul'. 'Japan Anger at South Korea's Shrimp Surprise for Donald Trump', *The Guardian*, 10 November 2017. www.theguardian.com/world/2017/nov/10/japan-anger-south-koreas-shrimp-surprise-menu-donald-trump-sex-slave?utm_source=esp&utm_medium=Email&utm_campaign=Morning+briefing&utm_term=251661&subid=8251405&CMP=ema-2793, accessed 10 November 2017.
- 6 There are important political centres of resistance to traditional international society, such as ISIL/Daesh, but paradoxically they also claim statehood based on ancient or imagined traditions.
- 7 See data on world inequalities: <http://wid.world/wid-world/>, accessed 15 December 2017.
- 8 When resorting to war there are immediate reactions over legitimacy, such as when the US started the Iraq war in 2003, and there are inevitably new moralisation gaps opening, indicating serious legitimacy deficits if war is used as an instrument of politics without a UN mandate.

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1 International society and the diffusion of power in complexity

Realism and the early English School focused on war and great power balance between states in a narrow and statist view of power as compulsory or institutional. The early concept of international society was built on the myth of the 1648 Peace of Westphalia (Hurrell 2007; Osiander 2001) around sovereignty and international law. These concepts were adequate to explain European politics from the 18th century to the Cold War (Buzan and Waever 2003) but cannot explain Confucian International Society during the same period, or why the EU emerged as an enduring and powerful economic and security community. The EU has usually, and tellingly, been discarded from theorising in realist accounts which often assumed that sooner or later it would disintegrate (Mearsheimer 1990). It is quite likely that realists will find a spin that somehow fudges the fact that the EU has survived the end of the Cold War, the global financial crisis and Brexit. I will show that these approaches also fail to fully explain today's tensions and conflicts over history, territory and identity in Northeast Asia, which at first glance seem to fit the realist idea that Asia is ripe for conflict (Friedberg 2000).

The story of this book questions the centrality of power in conventional International Relations (IR) theories rejecting

the view that the international system can be viewed solely in material terms as a decentralized, anarchic structure in which functionally undifferentiated states vary only according to the distribution of power.

(Hurrell 2007, 16)

Instead the focus is on the dynamic social and relational structure of international society:

Central to the “system” is a historically created, and evolving, structure of common understandings, rules, norms, and expectations. The concepts of state sovereignty, international law, or war are not given by the game of power-politics. Rather, shared and historically grounded understandings of war or sovereignty shape what the nature of the game is, how it is to be played, and, very critically, how it has changed and evolved.

(Hurrell 2007,16)

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It is precisely these understandings of sovereignty – and their different historical groundings in Europe and Northeast Asia that this book will examine. To understand these regions today and how they fit into global governance it is crucial to examine how these understandings evolved through critical junctures on the two regions' different pathways.

A key starting point here is to recognise that power politics (labelled 'realism' in the 20th century) is also a socially constructed, ideological institution. It is often 'objectivised' as the default mode of international interaction: 'There is indeed a profound sense in which it is the possibility of war and conflict that continues to define the meaning of "normal" politics and our understanding of political order' (Hurrell 2007, 31). But it is really an uncivilised way of ordering a group. Hobbes viewed brute force as the human behaviour *before* society grew out of the state of nature (Hobbes 1651/2013).¹ Confucian international society, for instance, was not construed on these realist ideas, which thus reveal their Eurocentric character² (chapters 2, 5). Realism is intimately linked to European and American ideas of the 19th and 20th century, such as nationalism, social Darwinism or colonialism, incidentally – and disturbingly – marking the moral low point of European civilisation. Seeing the world through prisms like anarchy as the absence of a higher authority, hegemony and Empire made sense in a crude world of European nationalism, imperialism and social Darwinism when power and war were principal instruments of international politics. It still made sense during the Cold War and its bipolar balance of terror, but in today's increasingly complex world where power is diffusing rapidly, anarchy has to be redefined. A complex civilising process has come to discredit violent use of power as a legitimate social institution to order society, first in domestic society (Pinker 2011), but ultimately also in international relations: 'on an increasing number of issues in the 21st century, war is not the ultimate arbiter' (Nye 2011, 12).

Complexity, chaos and uncertainty together form a context of *anarchy of complexity* for today's international society. Chaotic systems are characterised by sensitive dependence (popularly known as the butterfly effect) and are deterministic and non-linear. Chaos appears to be unstable, aperiodic behaviour in non-linear dynamic systems. Chaos explanations are thus not causal explanations. They focus on system behaviour, not on law-like necessity; qualitative rather than quantitative patterns (Bishop 2009). Complex patterns differ from causal chains of threats or security dilemmas (for which game theory provides a variety of possible responses). Hence, they tend to be disruptive and unthinkable (Gowing and Langdon 2018) and understood only with hindsight. That uncertainty generates apprehension of risk. Global risk further challenges the concept of anarchy in international society. In the 21st century, a major difference to previous eras of 'globalisation' like in the 19th century is the existence – and awareness – of essential global risks (Beck 1986, 2010; Gao 2015; Giddens 1999). For example, climate change – driven by the complex globalised economy – which threatens the foundations of the world as we know it in the second half of the 21st century unless serious international action is taken now (IPCC 2018; Richardson et al. 2009; Steffen et al. 2018). Risks such as climate change,

economic crises or pandemics differ from threats of war between nation-states. Therefore international relations also differ, although these global risks are often securitised in keeping with a national security approach to power, especially in the US (The White House 2017). To fit into this framework these risks are called non-traditional security (NTS). The degree of securitisation differs (Barnett and Adger 2007; CNA 2007; Wissenbach 2010), but it shows that the national security establishments are taking them seriously next to the military threats that they have traditionally focused on. But global phenomena and risks associated with them are beyond the power of any one country or alliance of states to control. Therefore, such risks present a new type of security dilemma of which Thucydides could not even dream. This requires different, usually non-military answers and calculations that are more complex than the game theory approaches to the traditional security dilemma (for a critical view on the insufficiency of game theory see Lebov 2013).

This complexity is highly disruptive and associated with risk because the accumulation of non-linear, smaller changes can cause the system to change in unpredictable ways (Gowing and Langdon 2018). This is called a tipping point or a critical juncture. I will mainly use the term 'critical juncture' from historical institutionalism, as 'tipping point' is now often used to describe a future, irreversible and harmful change of the earth's climate. A critical juncture leads to a different pathway that need not be irreversible or harmful. The general meaning of both terms when applied to social processes is similar: a society moving from one predominant behavioural pattern to another one (Grimm and Schneider 2011, 3). That is, for example, the case of the breakdown of the Confucian international society at the end of the 19th century which led Northeast Asian states to adopt the 'Westphalian' state system (chapter 5), or the change in Europe from the 'Westphalian' system of power and war politics to that of European integration after 1945 (chapters 3, 4). The concept of critical juncture differs from power transition, which is a much narrower concept of (linear or cyclical) change of power distribution within a rigid, unchanged system premised on a power hierarchy and constant competition for net gains among powers (Kugler and Organski 2011). Power transition models ignore the complexity of the world and are Euro-centric (Kang and Ma 2018). These realist models also skip the importance of history and emotions such as nationalism³ by focusing narrowly on material capabilities and endless Orwellian rivalry for hegemony as an end in itself.

By contrast the idea of critical junctures focuses on non-linear, not necessarily connected developments that produce systemic or major behavioural change. These changes can occur through major wars (as with power transition theory), but do not have to as the non-violent end of the Cold War, for example, shows. All critical junctures 'require ex post substantial societal adaptation in social, cultural, political or economic terms' (Grimm and Schneider 2011, 11). At the level of international relations, the current era of complexity is the social adaptation phase of international society after the critical juncture at the end of the Cold War. But other systemic changes contributing to the current critical juncture have little to do with international relations as such but influence them

profoundly: economic crises and climate change, for instance. The attempts to manage these changes at international level, though, fall squarely to international relations. International governance of these challenges is really not more than trying to 'influence the flow of events' (Drahos and Krygier 2017, 7). This transformation is not a radical change away from a state system, as postulated in globalisation and transnationalisation literature (Drucker 1993; Weiss 2005). States' insufficient capacity to govern in a globalised world does not signify the end of the state (Drahos and Krygier 2017; Grimm and Schneider 2011, 12).

Balancing power between states in an anarchical world is not in itself adequate to cope with this increasing complexity. While balancing behaviour can often be observed, it does not as such constitute the structure of international relations or of international society anymore, despite the wishful thinking of some leaders. President Trump's national security strategy is built on 'principled realism' and power politics, putting America first and containing China and Russia, brushing aside the complexity of other challenges (The White House 2017). At this point it is difficult to see what the price of that wilful simplification will be, but it has considerably enhanced unpredictability and perceptions of chaos and disruption (Gowing and Langdon 2018). Thus, it is one element of 'unstable, aperiodic behaviour in non-linear dynamic systems'. The next sections show why.

So, what about power – this traditionally central concept of IR theory – in the anarchy of complexity?

Power is a key term everyone understands intuitively, but no one can define precisely: it is a contested concept, and there is no one definition accepted by all who use the term. It can be defined simply as capacity to do things which affect others and to get the outcomes one wants, depending on context, agents and relationships and on the 'game' that is played between actors (Nye 2011). Hence, power is not just a material capacity, or a static structure, but it is relational and fluid.

It is helpful in a complex world to consider power in a more holistic way, stressing its multiple forms and the interconnections between them (Barnett and Duvall 2005; Nye 2011). Contemporary views of power go beyond the classical realist view of 'compulsory power', the capacity of country A to get B to do something it would otherwise not do. Instead one can distinguish between direct and diffuse, specific and constitutional forms of power to arrive at a taxonomy of compulsory, institutional, structural and productive power (Barnett and Duvall 2005, 48–9):

Compulsory power exists in the direct control of one actor over the conditions of existence and/or the actions of another. Institutional power exists in actors' indirect control over the conditions of action of socially distant others. Structural power operates as the constitutive relations of a direct and specific – hence, mutually constituting – kind. Productive power works through diffuse constitutive relations to produce the situated social capacities of actors.

(Barnett and Duvall 2005, 48)

Nationalism, multilateralism or Confucianism are examples of how productive power deeply affects the use (or not) of power capabilities in international society. They also influence the development of its institutions. Compared with such a differentiated understanding of power the focus on power transition appears too simplistic. It is more appropriate to think about the transformation of international society in terms of *diffusion of power*. That diffusion comes in (at least) three forms (see table 1.1):

- 1 dispersal to a variety of different actors, state and non-state (diminishes compulsory and institutional power)
 - 2 dissolution in complexity, i.e. a structural inability to address complex problems in a world of issues (diminishes institutional and structural power)
 - 3 dilution due to a plurality of values and moral beliefs altering power's legitimacy, and states' special responsibility and equality (diminishes productive power).
- 1 The dispersal of power captures the same trend as that identified by realists as shifting great power constellations or multipolarity. But dispersal of power also includes, and goes beyond, the globalist notion that power is no longer the exclusive preserve of states, but includes various other types of actors or structures (Baumann and Dingwerth 2015, 107; Drahos and Krygier 2017). One example is the network structure of global finance which questions traditional realist models of power (Oatley et al. 2013; chapter 7).

Table 1.1 Diffusion of power in International Society 2.0 (shading) based on the matrix by Barnett and Duval (2005, 48; not shaded)

<i>Power works through</i>	<i>Direct relational specificity</i>	<i>Diffusion of power through</i>	<i>Diffuse relational specificity</i>	<i>Diffusion of power through</i>
Interactions of specific actors	Compulsory (direct control)	Dispersal to strengthened competing actors and new regimes	Institutional (indirect control, e.g. through international institutions or regimes) e.g. BWI	Dispersal to competing actors within existing or new regimes, e.g. G20, BRICS bank
Social relations of constitution	Structural (determination of social capital and interests; often one side dominating, e.g. master-slave)	Dissolution in complexity	Productive (e.g. systems of knowledge and discursive practice; identities; meaning)	Dilution due to different views of legitimacy, moralisation gaps

- 2 More fundamentally, the dissolution of power in complexity points to the limits of state power and their capability to achieve desired outcomes, or influencing the flow of events such as stopping or mitigating climate change or regulating global capital flows.⁴ An indicator of this dissolution in complexity is that even large and powerful (in the traditional sense) units have insufficient capabilities to deal with everything on their own and to achieve their preferred outcomes. Neither can they control the ripple effects of their actions: for instance a ‘successful’ military intervention in one place can trigger terrorist backlashes elsewhere, or its cost contributes to global economic imbalances between borrowers and creditors, creating butterfly effects.
- 3 The dilution of power in a plurality of values and moral beliefs about legitimacy of international order has become a defining moment for the post-Cold War international order:

Western democracies must recognize that their own liberal international order will not be universalized, and should seek to find common ground with emerging powers and forge a normative consensus on a new rules-based order. Peacefully managing the onset of a polycentric world will require compromise, tolerance and recognition of political diversity.

(Transatlantic Academy 2014, ix)

This aspect of power diffusion has taken the limelight in the debates about the future of the international (or Western) *liberal* order (Ikenberry 2011; Ignatieff 2014). The focus of this book is on rules for relationships and behaviour – international relations – rather than norms of appropriateness – international politics. The assumption being that order and rules of the game of multilateralism are a pre-condition to work out and agree on what is the appropriateness of international politics in international society later on. At present, a normative *acquis* exists in many international treaties already, not least in the UN Charter, but much remains contested especially in the areas of responsibility for, and contributions to, global public goods such as global prosperity and the climate, among many others. Liberal values – and therefore the liberal international order – have faced more contestation from non-Western countries, not only illiberal ones. Paradoxically, its main sponsor, the US, has become the most vocal critic of the international liberal order. The US national security strategy of President Trump paints many elements of it as unfair, dysfunctional and contrary to US national sovereignty and interests (The White House 2017). That new focus on US national interest, ironically, is likely to undermine smart American institutional and productive power, which is being sacrificed on the altar of dumb realist compulsory power.

Despite the diffusion of power in complexity, states in international society continue to play a crucial role trying to manage uncertainty and risk. They try to establish order and predictability while adapting themselves to the challenges of complexity and power diffusion in its different forms. The two regions discussed in this book have developed very different ways to cope with this diffusion of

power in complexity: one is driven by constitutional multilateralism – the EU has created a polycentric order with supranational institutions, a robust legal order and compliance mechanisms. It is a specific type of central, but jointly managed, authority which is an example of a fundamental historical pathway change after a critical juncture. The EU periodically adapts to changing circumstances (deepening and widening, flexibility). The other way to cope with diffusion of power in complexity is trying to stem it through nationalism. For instance, Northeast Asian countries have long preferred self-help, cooperation with geographically distant partners more than with their neighbours on the basis of strict sovereign equality with no institutionalised central authority.

Changes of the international liberal order

Both regions confront a situation where simple A to B inter-state relations of authority or power projection have been replaced by a complex web of relations (not only between states) in various policy areas. This web underpins cooperation and coordination, but also competition. This complex web of relations without central authority has provoked the establishment of mechanisms to adapt to this development, for instance, multilateral summits. They are ‘club diplomacy’ (Badie 2011), with formal and informal rules often accompanied by business and civil society summits to incorporate non-state actors (NSA) into a relational network governance. This trend also finds expression in a myriad of regimes. Decisions in the G20, for instance, require consensus and have no legal status, yet they impact non-members and formal international organisations such as the International Monetary Fund (IMF), the Financial Stability Board (FSB) or the Basle Committee of Central Banks. Decisions are collective similar to the EU’s, but without the supranational institutions, the legal force and are in much more limited fields. The main function of bodies such as the G20 is policy coordination to manage complexity (initially in a crisis management mode) without the exercise of power or hierarchy among members, but vis-à-vis some international organisations and regimes. This gives the G20 a new institutional power which has been diffusing away from the more formal power structures of the Bretton Woods Institutions (BWI). Power has also dispersed to the G20 club from the non-members who have to accept the G20 decisions or their consequences without a seat at the table. Characteristically there are always more than twenty at the G20 table, as international organisations (UN, WTO, IMF, World Bank, FSB) and representatives of under-represented economies (e.g. the African Union or ASEAN) are invited as regular or irregular guests of the Chair. This shows the (uneasy) quest to ensure broader representative legitimacy besides output legitimacy to manage problems of globalisation (in the case of the G20 macro-economic and financial system aspects).

Club diplomacy contrasts with international organisations that rely on strict sovereign equality (one country, one vote in the UN system). Many of those have been paralysed by the sheer number of participants⁵ or merely produce declarations and low common denominators, often negotiated over years if not

decades. The ineffectiveness of the UN Earth summit process which started in 1992 in Rio de Janeiro (chapter 8:) is emblematic for the shortcomings of the classical, intergovernmental multilateralism based on sovereign equality of all states, big or small. Regimes that rely on consensus and international bargaining in a competitive role relationship tend to be slow. The UNFCCC negotiations, launched at that Earth summit, have been held hostage by the old inter-national principles and national interest driven positions (notably, consensus, insistence on sovereignty and non-interference, domestic action instead of internationally binding agreements and accountability). Different views of the responsibilities and redistributive justice have paralysed global action against climate change (chapters 8, 9). This reflects a dilution of power, especially of productive power. In 2015 a legally not binding compromise was finally reached in the Paris Agreement.⁶ In the meantime global GHG emissions have continued rising to alarming levels (IPCC 2018; Steffen et al. 2018).

Many powerful international organisations reflect in their membership or governance arrangements the situation of power distribution from when they were created – for instance the United Nations Security Council, the Bretton Woods Institutions and, more generally, the international liberal order dominated by the US. They cater to the moral belief in sovereign equality with a large dose of ‘organised hypocrisy’ (Krasner 1999), e.g. largely ignoring the Global South and the inequalities of globalisation. They have been unable or slow to adapt to dispersal of power to newly powerful actors (especially in the global economy) and thus lost legitimacy within the criteria for inherited club membership, no longer perceived as in line with current realities, or effectiveness, or both.

The IMF financed trade deficits and handled public debt crises. It was not in the business of filling gigantic private sector funding gaps. Its programs were denominated in tens of billions of dollars. It was not conceived for an age of trillion-dollar transnational banking.

(Tooze 2018, 206)

The reaction in Asia to the flawed but imposed policies of the IMF in the 1997/8 financial crisis is a good example, and ultimately led to the creation of new multilateral institutions without the US (chapter 7).

The power of normative concepts developed (or imposed) in particular periods by the powers that be – for example the ‘Washington Consensus’ or OECD guidelines – have come under pressure from developing and emerging countries. These countries feel that their ideas on international society and what norms should regulate it have not been fairly taken into account – although they often do not clearly articulate any new norms, but simply insist on fair representation and status, for instance, in the UNSC, BWI etc. Most governance reforms in these institutions move at a glacial pace or not at all. Some emerging countries are increasingly frustrated with the (Western) resistance to reform, and some have therefore united to create alternative institutions irrespective of their domestic political systems. Western countries, by contrast, balk at the continued insistence

of some fast-growing emerging countries to be still considered developing countries instead of taking on responsibilities for the global commons.

The US (and to some extent European countries) resist reform of the global multilateral institutions, notably the BWI. They find themselves increasingly in a situation where they want to have both the cake and eat it, too: the US is not willing to give up its veto and control in the BWI and other regimes, but it also blocked the modest reforms of the IMF governance agreed in 2010, mostly at European countries' expense (Congress only approved them late in 2015 although the US suffered no loss of influence in this reform package). At the same time as it was blocking these reforms, the US wanted to prevent its allies from joining the Chinese initiative to create an Asian Infrastructure Investment Bank (AIIB), which was portrayed rather unconvincingly as a strategic challenge to the US-led liberal order. Trying to cling to its institutional power diminished the US's productive power, as most of the US allies decided to join, noting that the AIIB was likely to become an important addition to the financing needs for infrastructure that the traditional BWI and the Asian Development Bank (ADB) were not able to effectively address (Renard 2015). It is perhaps not a coincidence that only after the creation of the AIIB did the US Congress finally agree to the IMF governance reforms agreed to in the G20 process in 2010. Similarly, the abandoning of the Trans-Pacific Partnership agreement by the US has reduced US multilateral productive power and upset Asian regionalism (Tangkitvanich and Rattanakhomfu 2018, 204–6).

Passive resistance to institutional dominance of the old institutional power system has started to change to a more active stance with emerging countries, notably China, Brazil, India, Russia and South Africa (the so-called BRICS), taking concrete initiatives to supplement the current institutional architecture, for instance, by creating a New Development Bank (NDB),⁷ which includes a Contingent Reserve Arrangement (CRA) or the AIIB. South Korea created the Global Green Growth Institute and proposed to the G20 to create global financial safety nets. These may be seen as first steps to polycentric multilateral governance in particular as these countries underline that their new initiatives are supplementing existing institutions, not replacing them. The new institutions are embodiments of the dispersal of (institutional) power.

Interestingly, the shareholders in the BRICS Bank bargained hard about the governance structure, with China pushing for the model of other development banks (one dollar, one vote), while India and Brazil favoured the 'one country, one vote' principle which better reflects the sovereign equality principle. The latter governance model was finally adopted at the BRICS summit in Fortaleza in July 2014, so that the New Development Bank is indeed new in terms of internal governance structures compared to other multilateral development banks.⁸ But it is also old in that sovereignty has been put first.

We are thus witnessing a dispersal of power to new significant actors⁹ as well as attempts to enhance the effectiveness and fairness of the international multilateral order, not replace it with something fundamentally different. In other multilateral regimes, for instance, the WTO, emerging countries joined without

changing the rules as they had been more flexible and subject to negotiations. This newer organisation of the BWI family was about welfare gains, not costs, and driven by a strong business lobby for trade liberalisation that was largely compatible with Asian countries' economic opening-up objectives (Tangkitvanich and Rattanakhamfu 2018). Even so each negotiation round was very difficult and went years beyond schedule. The WTO *acquis* functions but could also unravel if major partners do not respect supranational dispute settlement panels' findings or simply do not appoint panel members.¹⁰

Deepening the existing institutional and legal multilateral order *per se* is currently not a high priority for many countries, but it is for the EU (EEAS 2016). Northeast Asian countries are basically satisfied with it, as they have benefitted from it without compromising their national sovereignty: they want more voice and more status recognition in it and to re-balance the decision-making processes, but shy away from taking on legal or other costly obligations. The post-war liberal order and the belief in multilateralism tended to have a one-size-fits-all, liberal 'Western' model of governance at odds with the quest for status recognition by Northeast Asian countries (and many others). Multilateralism organised as 'one-governance-fits-all' cannot deal with either the complexity of the world of issues and the ensuing diffusion of power or the diversity of cultures (civilisations), values, states and regions.

Polycentric instead of one-size-fits-all multilateralism

Conceptually, polycentric governance tries to capture these agenda-centred dynamics in areas such as resource management and climate change (Araral and Hartley 2013; Ostrom 2009). In the bottom-up concepts of the 'new' governance models, such as polycentric governance, regions have significant influence and potential 'to influence the flow of events'. The distinct developments in Europe and Northeast Asia are examples of increasing differentiation and diversity of International Society 2.0. They reflect the various forms of power diffusion and of anarchy of complexity and chaos. However, these examples do not fundamentally question the constitutive institutions of international society – sovereignty, international law and the global economy. More than the institutions, it is the relations between countries that change depending on historical pathways *and* the complexity of issues and policy developments.

International Society 2.0 is taking shape in a more polycentric and pluralist order, supplementing the one-size-fits-all Western liberal order. We can see that emerging and developing countries eschew hierarchies in which they themselves are not part of the top tier: integration *à la* EU is not amongst the pathways for them. From a global perspective we can observe loosely overlapping (and often competing) centres of (functional) authority, which are only slowly institutionalising and developing relations amongst them and which are contested (Zürn 2015, 330–1). It is interesting that the Holy Roman Empire of the German Nation had a broad array of overlapping and intricate communities in different functional areas (political, legal, military, economic, order, information) that

functioned as a system of competing interests in permanent flux and contestation (Martus 2015, 215). This *prima facie* chaotic system of governance proved one of the most stable and long lived in German history. Without stretching the comparison too far (Henry 2010), some of that does recall the progress of European integration or the broader situation of global governance, corroborating perhaps a distant historical analogy in Zürn's findings that loosely coupled, contested and competing spheres of authority in global governance do not imply weakness (Zürn 2015, 330–1; chapter 3). In fact, these may be characteristics of emerging polycentric governance at international level.

The rejuvenation of global governance has worked better in the economic field than for environmental issues. This is because the global economy is not a cost to be shared, but (as long as it grows) is a gain to be made, maximised and distributed. As it is beneficial for all it is a common interest to make it grow.¹¹ Here the dispersal of power away from states to multinationals has also been less problematic as their interests are relatively aligned, in particular in Asian economic integration which has largely been market-driven (Tangkitvanich and Rattanakhomfu 2018). Nationalism in this field has become secondary – at least until 2016 – given a rather large global consensus on the competitive-cooperative interdependence of the global market economy and the institutions set up to regulate them (BWI, WTO), as well as the growing role of transnational business and finance networks. Crises in Europe and in Asia have not (as could be expected based on the experiences from the 1930s) precipitated disintegration, protectionism and war, but generally spurred awareness that cooperation and internationalisation in various forms, including through institutionalisation, best served most countries' interests. Awareness of interdependence combined with learning from the Great Depression and the Asian Financial Crisis (AFC) played a major role in policymakers' reactions to the 2008 global financial crisis (Drezner 2012; Tooze 2018). These 'lessons learnt' and the existing multilateral regulatory regimes (BWI, G20) allowed channelling the reactions to the economic crisis towards preserving the cake (the interdependent global economy) rather than preserving one's slice (the national economy). Europe followed its pathway to a more integrated, but also more differentiated, institutional method and developed a number of mechanisms and legal frameworks to address the crisis. But the crisis and the EU's response have raised new questions on the EU's democratic accountability (chapter 4).

Northeast Asian states mostly relied on self-help policies with limited coordination and cooperation, conducted as a result of learning from the 1997–8 Asian Financial Crisis (Jo 2012). In Asia in 1997/8, the financial crisis had been a watershed in raising awareness for the need to cooperate regionally: Asian countries became aware that a regional and more institutionalised response accompanied by corresponding and loosely coordinated national measures was necessary. These reactions were thus not a spill-over effect or an integrationist evolution in the mould of Balassa (1961) or Haas (1958), but a functional pragmatic response to a particular crisis and critical junctures based on past experiences (Pierson 1996; Jo 2012). The rather good performance of Asian economies during the 2008/9 global

financial crisis has vindicated the precautionary and preventive Asian policies undertaken nationally after 1997/8, even though the institutional multilateral set-ups like the Chiang Mai Initiative (CMI) were not actually used (chapter 7).

Global economic governance has worked – in emergency mode – during the global crisis (Drezner 2012), but it remains to be seen whether cooperation continues after the sense of urgency and the fear the world economy could collapse has been lost. In the aftermath of the crisis there are indicators of growing fragmentation: Europe created its own ‘IMF’ with the European Stability Mechanism (ESM); BRICS launched the New Development Bank; and China started the Asian Infrastructure Investment Bank. Populist movements feed on the anti-globalisation sentiment and the fall-out from the global financial crisis. The Trump administration’s parochial and protectionist stance indicates that the G20 consensus is fragile and vulnerable to nationalism. These are signs that international society has reached another critical juncture.

The problem of climate change is perhaps a more obvious critical juncture, and it is very different from economic globalisation as it is not a mutual benefit to be grown and re-distributed, but a cost to be shouldered (in both mitigation and adaptation) while everyone can benefit from others’ emissions reductions. In the face of planetary catastrophe and the growing cost of inaction, the argument for a multilateral solution is compelling (IPCC 2018), but negotiations are hampered by the moralisation gaps and material interests regarding burden-sharing responsibility that are driven by nationalist ideas and role relationships in an institutional setting based on consensus of almost 200 sovereign states (UNFCCC). A further difficulty is that states are not directly responsible for emissions. These are produced by cows, cars and companies. Therefore, a polycentric governance approach looks well founded (chapter 8).

Climate change policies differ from the global trade regime:

Providing for the public good of a suitable climate is now recognized as the biggest challenge of global governance displacing in importance the provision of an open trading system as a universal public good. Reciprocity in trade relations along with a few general principles (non-discrimination, binding of tariff reductions, a weak dispute settlement process at the GATT) and a “live and let live” philosophy contributed to the enormous success under the GATT-led multilateral negotiations. Unfortunately such reciprocity is absent when it comes to climate change and countries that do not mitigate cannot be deprived of clean air.

(Mathys and de Melo 2011, 1951–2)

Conversely the tensions between the immediate pursuit of economic growth and the long-term consequences of climate change could be summed up as ‘live and let die’ (chapter 8). In the end multilateral trade is built on bilateral trade flows from A to B. Hence, reciprocity is an instrument of ‘retaliation’ if necessary, and (supranational) WTO dispute settlement procedures can be called upon to adjudicate disputes. Moreover, to address equity concerns, developing countries enjoy

preferential measures that are fairly easy to set up and monitor. None of these concepts are central (or useful) in an international climate change regime (apart from specific rules on emissions trading or the phasing out of CFCs).¹² Therefore the climate change challenge is a particularly severe stress test for multilateralism, where the EU has found a polycentric multilateralist answer, but Northeast Asia has not (chapter 8).

These findings about the diffusion of power and the changes in the multilateral order in the wake of the global financial crisis as a critical juncture, and the growing awareness of the impending climate catastrophe, highlight the need to investigate how international society is constituted to deal with disruptive challenges. A key answer lies in the institutions of international society which are the bedrock for international relations and any global governance effort. In the following chapters I will examine how these institutions have evolved in previous critical junctures and resulted in two major pathways: multilateralism in Europe and nationalism in Northeast Asia.

Notes

- 1 Rousseau had a more optimistic view of the state of nature. Chinese philosophy also has different currents and views of human nature, but the tendency is a more holistic and benign view (Cheng 1997).
- 2 See Hobson (2012) for a more general critique of the Euro-centricity of various International Relations theories.
- 3 J. Heane argues against the duality of emotions and rationality and shows how emotions are essential to the very process of rationality itself (Heane 2013, 246). Nor is there a duality between emotional nationalism and rational nationalism.
- 4 Perhaps conversely that feeds the populist attempts at simplification – the desire to go back to a less complex world and simple narratives such as ‘America first’ or ‘take back control’.
- 5 Contrary to the EU or OECD which have strict entry requirements, and the League of Nations which did not admit micro-states like Liechtenstein, San Marino or Andorra (Mazower 2012, 268–70), any state, however minuscule, can become a member of the UN. UN membership has increased dramatically from 51 members in 1945 to 193 in 2019 (UN 2019).
- 6 <http://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf>, accessed 16 April 2019.
- 7 Stephany Griffith-Jones (2014) in a paper for UNCTAD calls the BRICS Development Bank a dream come true that fills existing gaps in the southern financial architecture.
- 8 ‘The bank will be based in Shanghai and India will be the first Chair. It will begin with a subscribed capital of 50 billion USD divided equally between the five founders. It should start lending in 2016 and is open to new members as long as the BRICS capital share does not drop below 55%. The CRA will be held in the reserves of each BRICS country, with China contributing 41 billion USD, Brazil, India and Russia 18 billion each and South Africa 5 billion. In case of need China could draw up to half of its contribution, South Africa double its share and the others the amount they paid in’ (Soto and Boadle 2014).
- 9 In business, in particular of data and social media, huge, monopolistic companies are some of the new actors.
- 10 See Shawn Donnan ‘WTO plunged into crisis as doubts grow over its future’ *Financial Times*, 1 August 2014.

- 11 I am at this point not delving into a discussion of sustainability and limits to growth. The rather simple growth model prevails despite evidence that its dynamics are unsustainable and potentially disastrous. This debate will probably become more important in a context of population growth, accelerated climate change and other dramatic effects on the balance of the eco-system. Hence, the second global challenge I examine – climate change – addresses that more difficult aspect of globalisation.
- 12 The Montreal Protocol (MP) has successfully stopped the depletion of the ozone layer and, moreover, contributed five times more to reducing GHG emissions than the first commitment phase of the Kyoto Protocol by eliminating ozone-depleting substances (mainly CFCs) which are also GHG (Velders et al. 2007). The MP's success is probably due to its focus on a small and tradeable category of products (rather than on emissions created throughout the global value chains and across all economic and private activity). These products were eliminated by the MP and could be substituted by others through making them illegal and providing subsidies. Unfortunately, the CFCs phased out under the Montreal Protocol have been replaced by HFCs, which are not depleting the ozone layer but are GHG. The destruction of HFC-23 – initially rewarded under the CDM mechanism with carbon credits – has led to a perverse incentive to produce it cheaply in order to simply destroy it later and reap the 'rewards' (Ostrom 2009, 24–5). This is why the EU clamped down on the use of these credits in the EU ETS, and Korea excluded them from the start in its ETS. This means the UNFCCC regime and the MP regime, which has the tools and track record of cooperation between developed and developing countries in reducing ozone-depleting substances, need to be linked (Velders et al. 2007; Morgera et al. 2011, 844).

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2 Nationalism, multilateralism and institutions of international society

In the context of power diffusion and the anarchy of complexity (chapter 1), international society and global governance face some key questions: which institutions underpin it? Which differentiations can we observe and how do they shape the evolution of international society? How could state-centric institutions be part of polycentric governance?¹

A fresh classification of the institutions of international societies

The institutions of international society in its original definition had no obvious classification (Introduction). More recently researchers distinguished ‘primary institutions’, such as sovereignty, non-intervention, territoriality, nationalism, war, balance of power, international law, diplomacy, great power management, the equality of peoples and colonialism, all together in one basket. These disparate primary institutions are themselves

composed of principles, norms and rules that underpin deep and durable practices . . . form the social structure of international society, which is dynamic and always evolving, albeit usually slowly and with a great deal of continuity.
(Zhang and Buzan 2012, 10)

Distinct from those primary institutions are ‘recent, instrumental, mainly state-designed expressions of the underlying social structure of modern international relations’, such as regimes and intergovernmental organisations designed by states or international organisations to fulfil functional purposes (Zhang and Buzan 2012, 10). This potpourri of concepts is analytically confusing, as principles and norms, structures and primary institutions, are not well differentiated. They seem to be conflated at one level and used almost interchangeably. The distinction to secondary institutions seems to rely more on them being recent. Moreover, the list does not include any economic institutions. The list remains quite Euro-centric, as it does not reflect other possible institutions such as the Five Principles of Peaceful Co-existence (apart from non-intervention), or some of the institutions of the Confucian International Society which, in the context

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of the authors' investigation of the Chinese tribute system, is surprising. Multilateralism is entirely missing from their list.

To complicate terminology still further, Zhang and Buzan also refer to a partly parallel scheme by Reus-Smit and Clark, which introduces 'fundamental institutions' embodying 'sets of prescriptive norms, rules and principles' which are shaped by higher-order, constitutional structures which again are beliefs, principles and norms and confer legitimacy on actors and their behaviour. Reus-Smit and Clark see these constitutional structures as constituted by 'a hegemonic belief about the moral purpose of the state; an organizing principle of sovereignty; and a norm of pure procedural justice'. (Zhang and Buzan 2012, 11). Through this typology the authors divide international society on the basis of degrees of communality of values and norms. Zhang and Buzan classify the investiture and tribute system as an international society with different institutional design and constitutional structure informed by Chinese culture. In other words, they argue for a *culture-specific* case to qualify as international society (of a different type) by itself. However, simply identifying specific international societies leads to an atomisation of international society theory and a 'museum collection' of different species of society, living or extinct. But mere opposition of different schools does not imply scientific progress in knowledge creation; a sheer description of different international societies does not enhance the explanatory value of the concept. A new classification of institutions is needed in order to allow comparing various international societies past or present in this book.

A clearer terminology can go some way to explain and compare various pathways and the underlying social structure and relationships of international society. I propose, therefore, four types of institutions that allow conceptualising international society more analytically:

- ideological (modifying) institutions such as nationalism, multilateralism, cosmopolitanism and, in the past, Confucianism and colonialism/imperialism. These terms condense and bring out the aforementioned hegemonic belief about the moral purpose of the state, but here in its relations with other states. The ideological institutions help explain change in international society. So, we are not talking about domestic political systems ideology such as liberalism, communism and the like, neither are we just talking about form. Multilateralism as international cooperation is a value as such.
- constitutive institutions such as sovereignty, international law, the market economy and their equivalents under, for instance, the Confucian belief system, the mandate of heaven, ritual, tribute trade – see table 1.1 – or other past institutions in a colonial relationship
- instrumental institutions necessary for conducting the relationships in international society: diplomacy, balance of power, multilateral organisations, trade rules, investiture and tribute system, to name a few (they are often subject of foreign policy analysis)
- mechanical or functional institutions: these are ideologically largely neutral (little inherent normative content) nuts and bolts institutions consciously

designed by states to make international society function (technical regimes and intergovernmental organisations).

This classification should be used dynamically and not be understood as static. Institutions evolve, for example, formerly constitutive institutions of (some) international societies, such as war and great power balance in 'Westphalian Europe' or in the European Concert of Powers, or colonialism, have lost their constitutive character with the decline of violence and war as instruments of politics. The institutions and their character as constitutive, instrumental or mechanical evolve with the prevailing ideological institutions (moral beliefs, norms) of international society. They can move between categories because they are part of a socially constructed and empirically documented reality. I will review all the categories in more detail next and, in the subsequent chapters, examine them in their historical pathways to show how they evolved under different ideological beliefs.

The differentiation I propose between ideological, constitutive, instrumental and mechanical institutions allows analysing inter-state behaviour, relationships and order in international society across regions and across time. They are the basis for comparing the evolution of Europe and Northeast Asia in the next chapters. For that it is important to identify equivalent institutions in a culturally determined differentiation between the two regions. For instance, the Confucian 'heavenly mandate' differs from 'Westphalian' sovereignty but has an equivalent analytical (and ideational) core function describing the rule over a territory, people and legitimate use of force (see table 1.1).

Ideological institutions

Ideological institutions are powerful modifiers of the constitutive institutions and of state behaviour related to widely shared moral beliefs and norms such as nationalism, multilateralism, Confucianism or cosmopolitanism (the list is not exhaustive, and others could be colonialism/imperialism or socialism). These beliefs are not abstract attributes of states (like sovereignty or law) but are shared by the citizens (at least by the elites) making up the society of states. Ultimately moral beliefs and ideological institutions link to people and not just abstract political units. But – and this is a vital link between the two levels – these beliefs are also expressed and used by states themselves. The fine line is sometimes whether elites are simply manipulating such beliefs, because the agency of these elites is part of the international society concept and the key element here is how these beliefs affect international relations (while another research agenda could focus on the domestic level drivers of the genesis, transmission and use of such beliefs – for instance through discourse analysis or surveys).

Nationalism influences sovereignty, international law and the economy to produce a different kind of society and different relationships from a society with the same constitutive institutions modified by multilateralism or by Confucianism, as my two case studies will show (chapters 3–6). Cosmopolitanism would lift sovereignty to a non-state level and international law would be further

constitutionalised and democratised than it is now in the EU, with probably a more 'social' market economy.

Ideological institutions are conditioned by the *Zeitgeist* and can be disputed in different regions much more than the constitutive institutions as such. They are like changing ocean currents that send the ships of sovereignty, law and the economy in different directions, via tranquil or stormy waters. They are either flowing from deeply anchored moral or ideological beliefs, or critical political choices and historical junctures such as the French Revolution, or the collapse of the Confucian World. That's why they are modifiers and influence shared beliefs and moral norms about the purpose of the state and international relations or governance.

Nationalism

Nationalism emerged in the 18th and 19th centuries along with the rise of the nation-state. It refers to doctrines and political movements that maintain that a nation usually defined in terms of ethnicity or culture is entitled to a sovereign or autonomous political community rooted in shared history, culture, religion, custom and common destiny (Nikolov 2008, 1315). Nationalism is a term

generally used to describe two phenomena: (1) the attitude that the members of a nation have when they care about their national identity, and (2) the actions that the members of a nation take when seeking to achieve (or sustain) self-determination.

(Miscevic 2010, 1)

Control over territory and people are central elements of nationalism:

Territorial sovereignty has traditionally been seen as a defining element of state power, and essential for nationhood. It was extolled in classic modern works by Hobbes, Locke, and Rousseau, and is coming back to the center stage of the debate. . . . It is the control of the movement of money and people (in particular immigration) and the resource rights implied in territorial sovereignty that make the topic into a politically central one in the age of globalization, and philosophically interesting for nationalists and anti-nationalists alike. The territorial state as political unit is seen by nationalists as centrally "belonging" to one's ethnic-cultural group, and actively charged with protecting and promulgating its traditions.

(Miscevic 2010, 3–4)

Many definitions distinguish between civic nationalism and ethnic or ethno-cultural nationalism, the latter being the most exclusionist:

For the ethno-(cultural) nationalist it is one's ethnic-cultural background which determines one's membership in the community. One cannot choose to be a member: instead, membership depends on the accident of origin and

early socialization. However, commonality of origin has turned out to be mythical for most contemporary candidate groups: ethnic groups have been mixing for millennia.

(Miscevic 2010, 5)

The *ethno-nationalist* approach emphasizes the ethnic homogeneity of the nation-state whereas the *civic nationalist* approach sees a (often imagined or constructed) community of people who share a sense of belonging to a nation and its values, independent of their ethnicity, origin, religion or beliefs (Gehler 2005, 83). These definitions underline the importance of territory and ethnicity on the one hand, but also indicate that the spectrum of ideas about nationalism is quite large and need not be narrowly conceived of as ethno-cultural, if not racist, as it was fashionable in 19th century Europe (Korhonen 2014, 4), and still is in Northeast Asia (Myers 2010). A more inclusive civic idea of nationalism has long shaped the EU. However, a cross-Atlantic survey on why elites are failing, and people revolt draws attention to a new political divide between ‘patriots’ and ‘egalitarians’ arguing that this

schism is closely related to the two different tendencies which form the essence of glocalization: the tendency for universalism (in political terms: cosmopolitanism) and the tendency for particularism (or nationalism in the current political context).

(Lampert and Blanksma Ceta 2017, 4)

National identity was forged and took primacy over individual or smaller community identity and autonomy in the 19th century,² later combining with racist and social-Darwinist ideas to create an offensive, or even totalitarian, form of nationalism (Gehler 2005, 81). Ideas about national self-determination, national pre-eminence and ethnic superiority or ‘standards of civilisation’ (Gong 1984; Hobson 2012; Pinker 2011; Mazower 2012) became one of the driving forces of international relations, including imperialism. These ideas and the enormous increase in military power and industrial prowess of European nation-states led to European dominance over most of the globe (Fidler 2001). The nation became racially defined in the 19th century, contributing to an atomistic view of the European state system as well as to legitimising imperialism (discourse of alterity and racial superiority; Schmale 2010, 94–5). International law at that time was a key vehicle (instrumental institution) for the nationalist, Euro-centric idea of a standard of civilisation (Fidler 2001). Rather than a standard of civilisation Europeans exported violence to destroy existing international societies. The resulting humiliation contributed to a nationalist backlash there. Nationalism has been the most enduring legacy of Europe’s 19th century imperialist expansion well into the 21st century. Many international governance problems today have a component linked to the enduring resentment by victims of past Western imperialist humiliation (Mishra 2014).

European imperialism extended the nation-state system – which went far beyond the ‘Westphalian’ concept of the state system – to East Asia (and the rest

of the world). The colonised people then adopted nationalism as their preferred ideological belief (some adopted socialism but usually in one country) and the attainment of national sovereignty as their key institutional objective to sustain the anti-colonial struggle. However, the modern Western notion of the state was too clear-cut to adequately capture the diversity of polycentric and hierarchic political worlds outside Europe before this extension of the 'Westphalian' state across Asia and Africa Osterhammel (2011, 603). But the standard of civilisation precisely aimed at 'the reordering of non-Western governments, laws, economics, and societies in the image of the West' through the imposition of the 'Westphalian' state, Western international law and other norms (Fidler 2001, 141). Before nationalism there was a more equal relationship between European and Asian states (chapter 5).

Despite this structural impact of nationalism on international relations, there is only a limited literature examining the connection between nationalism and IR and global governance (Kostagiannis 2013). This has to do with the paradigmatic disregard by mainstream IR theorists of all persuasions for the domestic constitution of states. This is astonishing because nationalism has been at the origin of the historic phenomenon of the nation-state to begin with (Gehler 2005, 80). Nationalism also explains, from the realist point of view, the paradoxical increase of the number of states in the international system (Kostagiannis 2013, 836). Nationalism is not simply a domestic issue; it became the *raison d'État* (after the fall of the dynastic state where the monarch incarnated the state). It informs the institutional behaviour of states in international society. Nationalism, with all the passions and mass mobilisation for the 'honour of the nation' and possession of territory, constituted the state and international relations in a different way than the old dynastic states (or trading republics) embodied respectively by monarchs, a small bourgeois elite or a Confucian ruler. Nationalism strengthened the state after 19th century liberalism had started to weaken it and created the notion of 'national interest', shifting state legitimacy to the projection of military power (Osterhammel 2011, 902–3) rather than power balancing between dynasties. Hence abstract structural realism, considering all states as like units, is not a convincing approach to explain international relations across time and different regions. Nationalism is

a phenomenon whose emergence and development is determined by the domestic and international distribution of power, and yet in turn obtaining a dynamic of its own which alters the former.

(Kostagiannis 2013, 836–7)

Like other institutions it is not static and mirrors the changes in both domestic and international society.³ It is clearly ideological in nature.

Multilateralism

In this book I make a distinction between nationalism and multilateralism as ideological beliefs. They should not be considered binary opposites, but rather

sections on a spectrum of basic relations in international society. Other sections on that spectrum would be Confucianism and cosmopolitanism, for example.

What is distinctive about multilateralism is not merely that it coordinates national policies in groups of three or more states, which is something that other organizational forms also do, but that it does so on the basis of certain principles of ordering relations among states.

(Ruggie 1992, 566–8)

But multilateralism is more than that, it is a belief or ideology rather than a state of affairs:

As an organizing principle, the institution of multilateralism is distinguished by three properties: indivisibility, generalized principles of conduct, and diffuse reciprocity. Indivisibility can be thought of as the scope (both geographic and functional) over which costs and benefits are spread. . . . Generalized principles of conduct usually come in the form of norms exhorting general if not universal modes of relating to other states, rather than differentiating relations case-by-case on the basis of individual preferences, situational exigencies, or a prior particularistic grounds. Diffuse reciprocity adjusts the utilitarian lenses for the long view, emphasizing that actors expect to benefit in the long run and over many issues, rather than every time on every issue.

(Caporaso 1992, 600–1)

Multilateralism reflects the key characteristics of an international society, ‘a “functional” association based on instrumental, rational, artificial links and “contractual arrangements”’ (Tams 2018, 7). It is astonishing that earlier definitions of international society and its institutions did not include multilateralism. Possibly this is because multilateralism was often opposed to regionalism and equated with global cooperation (Söderbaum 2003, 18). The difference between multilateralism and liberal internationalism is a more specific focus of the latter on ‘domestic norms and legitimacy’, such as liberal values or a particular form of government (Tams 2018, 10). In my understanding, multilateralism – contrary to the international community (Tams 2018) – can work with liberal *and* illiberal internationalists and independent of the domestic constitution of states, provided they subscribe to peaceful coexistence, international law and the earlier principles. It can, in other words, be functional rather than normative (in a moral prescriptive sense). Multilateralism is itself a powerful norm, condemning violence as an instrument of international relations, emphasising cooperation over conflict and striving to find solutions to collective action problems. Such a belief in the virtue and utility of cooperation and doing things together contrasts with the winner-takes-all tendency of nationalism.

Multilateralism is not incompatible with national interest (or even nationalism), but in multilateralist approaches beliefs and principles other than ‘nation first’ are strongly anchored, such as peaceful co-existence, respect for agreements

and membership obligations in international organisations and other principles of international law. As always, this is a matter of degree: in deeply integrated multilateralist societies, such as the EU, multilateralist principles are stronger and sometimes constitutionalised and guaranteed by judicial review; in others, the commitment to multilateralist principles can be much looser and more functional than ideological. Trust is a key enabler of multilateralism. Multilateralism is a crucial structure of international society reflecting a fundamental equality (though not equal quality) of states, while in a structure based on nationalism there is no equality, but inequality in terms of power resources and capabilities. A purely nationalist structure would be better described as a 'system' of states as many realists do.

A key problem of multilateralism (especially in an increasingly polycentric mode of multilateral governance) is democratic accountability. Rodrik's 'trilemma of the world economy' maintains that 'we cannot simultaneously pursue democracy, national determination and economic globalization' (Rodrik 2011, xix, 200–5). In a larger perspective of the trilemma – multilateralism, nation-state and democratic politics – the question arises whether multilateralism can be both efficient *and* democratic. Can a balance be found between the three which is legitimate and efficient? The EU, facing populist and nationalist contestation in several member states, is an example for the difficulties of that balancing act (chapter 4).

Cosmopolitanism

Further on the spectrum beyond multilateralism and focusing on the 'democracy' point of the trilemma is cosmopolitanism

the view that a. one's primary moral obligations are directed to all human beings (regardless of geographical or cultural distance) and b. political arrangements should faithfully reflect this universal moral obligation (in the form of supra-statist arrangements that take precedence over nation-states).
(Miscevic 2010, 19)

There are different versions of cosmopolitanism but the

nebulous core shared by all cosmopolitan views is the idea that all human beings, regardless of their political affiliation, are (or can and should be) citizens in a single community.

(Kleingeld and Brown 2013, 1)

They distinguish among political cosmopolitans:

Some advocate a world state, some favour a federal system with a comprehensive global body of limited coercive power, some would prefer international political institutions that are limited in scope and focus on particular

concerns (e.g., war crimes, environmental preservation), and some defend a different alternative altogether.

(Kleingeld and Brown 2013, 12)

In the liberal cosmopolitan approaches, the role of the state diminishes in favour of directly addressing rights, duties, needs and interests of human individuals. In short, liberal cosmopolitans stress the individual human being as the unit of analysis (and concern); they postulate universality and equality of all human beings and argue that these beliefs should become the general principle of international politics (Tams 2018). A more nuanced view doesn't exclude states:

cosmopolitans who regard sovereign states as having the potential to play a positive role in world politics are accepting of states, but only conditionally. For them, the legitimacy of states will wither as new and more just forms of community evolve depending on the extent to which states perform functions consistent with cosmopolitan principles.

(Dunne and McDonald 2013, 9)

Certain economists defend an economic cosmopolitanism in the form of free trade with minimal political involvement (Kleingeld and Brown 2013, 13–4). The historical context to current thinking about cosmopolitanism is anchored, according to these authors, in the European Enlightenment when philosophers reflected on the increasing rise of capitalism, worldwide trade, empires expanding across the globe, membership in a 'republic of letters' and the impulses of the American and French Revolutions with the declaration of human rights, the sovereignty of the people and – by extension – of the indivisible sovereignty of the human race as a whole in a single world state, an international legal order and league of nations, or a world federation with multi-layered sovereignty (Kleingeld and Brown 2013, 7–9; Martus 2015).

In my examination of European Law (chapter 4) cosmopolitan concepts play a role, which can be traced back to Kant:

Kant also introduced the concept of "cosmopolitan law", suggesting a third sphere of public law – in addition to constitutional law and international law – in which both states and individuals have rights, and where individuals have these rights as "citizens of the earth" rather than citizens of particular states.

(Kleingeld and Brown 2013, 9)

Cosmopolitanism is thus a (virtual or potential) institution of international (or world) society. Forms of governance beyond the state, such as polycentric, nodal or network governance, at least implicitly, tend towards a cosmopolitan ideology (Holley and Shearing 2017). In the previously-mentioned trilemma, they favour democracy over national determination. It is not astonishing therefore that populists and nationalists in Europe and the US are focusing their wrath at 'cosmopolitan elites' associated with globalisation (chapter 4).

Before nationalism: Confucian international society

China and other East Asian countries influenced by Confucianism tended to have a civilisational political culture, which emphasised moral dimensions in domestic and international governance. The teachings of Confucius (ca. 551–479 BC) form the foundation of the Ru school of thought on the education and comportment of the ideal man, how such an individual should live his life and interact with others, and the forms of society and government in which he should participate.

The so-called Five Classics form the Confucian body of thought that spread across China, Korea, Japan and beyond (Kuhn 2014, 136–40). While Confucians believe that people live their lives within parameters firmly established by heaven (seen as a purposeful supreme being as well as ‘nature’, with its fixed cycles and patterns), they argue that men are responsible for their actions and especially for their treatment of others. Confucianism was not limited to one nation or ethnic group but a multicultural system of political thought and governance Chinese in origin, but allowing Korea and Japan (and others like Vietnam) to preserve and develop their cultural specificities (Kuhn 2014, 22).

By the late 19th century, the whole East Asian region was thoroughly “Confucianized”. That is, Confucian values and practices informed the daily lives of people in China, Korea, Japan and Vietnam, and whole systems of government were justified with reference to Confucian ideals.

(Bell and Hahm 2003, 1)

It is in this larger sense that I label pre-20th century Northeast Asia ‘Confucian international society’ for the sake of convenience rather than a self-reference of the time. There were also unsuccessful attempts at the end of the 19th century to adapt Confucianism to Western modernity. These attempts largely failed in all the Northeast Asian countries. The impact of modernity in East Asia at the end of the 19th century made Confucianism look like ‘a dead tradition that has been (justifiably) relegated to the dustbin of history’. (Bell and Hahm 2003, 3). Nationalists, modernisers, Marxists and militarists held Confucianism responsible for their countries’ inability to withstand or compete with Western imperialism, technology and power.⁴ While Marxists rejected Confucianism as reactionary and feudal, Max Weber considered Confucianism as incompatible with modern capitalism. Hence, after a millennial dominance in an international society in East Asia, Confucianism was quickly replaced by Western, capitalist modernity, with Japanese politicians and administrators

quicker than their Korean and Chinese counterparts to employ European legal and political vocabulary, as well as diplomatic practices, which gave Japan an advantage in pursuing an imperialistic policy towards its neighbours.

(Korhonen 2014, 6)

Recent research focused on how the traditional adaptability of Confucianism to social and political change could make Confucianism relevant again in the

modern world (Bell and Hahm 2003). This research emphasised that Confucian traditions of ritual propriety ‘functioned as a political norm that effectively restrained and disciplined political rulers in pre-modern East Asia’ and hence could connect to modern ideas about democracy and rule of law (Bell and Hahm 2003, 7; Mo 2003). Practices of accountability such as censure of the ruler, vetting of appointments, implementation of laws, adjudication of legal disputes and sanctions on officials’ breaches of conduct, were institutionalised through offices of censors and counsellors and officially recorded. These practices, particularly in Korea, allowed the Confucian elites to voice dissent and opposition to the ruler and provide checks and balances on the court and the executive (Mo 2003). The late Qing regime by contrast was highly autocratic and, despite the emphasis on ritual and benevolence, it used violence systematically to counter local contestation (Mühlhahn 2019, 47–8).

Confucian societies tended to be opposed in moral terms to selfish profit-making and individual pursuits and to emphasise social relations and networks of mutual responsibility. In this sense governments tried to control the economy in ways to ensure public welfare (state granaries, collective water management through the so-called well-field system, etc.). However, the Confucian family and network ethics, in fact, ensured a decentralised pursuit of prosperity and economic activity often at odds with government efforts at control and centralisation (Bell and Hahm 2003, 14). But the Qing were not hostile to private commerce and adopted a thinking that the market economy reflected a natural law and would flourish under appropriate government nurturing, including provision of infrastructure (Mühlhahn 2019, 59). Such networks continue to be seen as distinctive features of East Asian capitalism today, providing a distinctive model of international society beyond the realm of states, but also attracting criticism for promoting crony capitalism and corruption (Bell and Hahm 2003, 15). These affective networks provide an avenue for a distinctive school of Chinese IR (Qin 2016). Similarly, the role of government in the economy and its purpose to ensure public welfare is seen as a Confucian influence on the Asian development state (Bell and Hahm 2003, 16).

Important organising principles of Confucian society were hierarchy and reciprocity and the pursuit of harmony (or order⁵ – Kuhn 2014, 136–40). The rule of law is something Confucian society has been uncomfortable with, from a philosophical point of view,⁶ but perhaps also in historical opposition to the school of legalists during the Qin dynasty (221–206 BC) which conquered and then unified China’s diverse states using laws and standards in often quite brutal ways (Kuhn 2014, 98–103, 140–1; Delmas-Marty 2005). Chinese law on private matters was often left to the people and sub-state organisations of society (Mühlhahn 2019, 68). But what modern Confucianists focus on is the traditional practice of mediation (which could be important for dealing also with today’s international conflicts and moralisation gaps):

By relying on persuasion and education (as opposed to binding judgements on the parties), the ultimate aim was the reconciliation of the disputants to

each other and hence the restoration of the personal harmony and social solidarity that have been temporarily breached by the conflict.

(Bell and Hahm 2003, 18)

However, as we shall see, the appropriation of modern international law in Northeast Asia at the end of the 19th century proved a critical break with that tradition and complicates the resolution of conflicts such as the current territorial ones over little islands, which in fact require reconciliation of the disputants.

Ritual propriety or rites – *li* – played an important role in Confucian thought as a constitutional restraint on rulers (Mühlhahn 2019, 39, 70–6), in human relations and by extension in hierarchical relations between states and rulers in the Confucian international society in Northeast Asia:

Confucius taught that the practice of altruism he thought necessary for social cohesion could be mastered only by those who have learned self-discipline. Learning self-restraint involves studying and mastering *li*, the ritual forms and rules of propriety through which one expresses respect for superiors and enacts his role in society in such a way that he himself is worthy of respect and admiration.

(Riegel 2013, 8)

The topics of (self) restraint, respect and mutuality were also theorised by Wendt (1999) in the constructivist school. They are crucial for a social and relational understanding of international society (Qin 2016). These concepts of ritual propriety also explain the insistence on ‘sincere’ apologies and rectifying historical accounts in contemporary Northeast Asia as a precondition for cooperation (chapter 6).

Confucianism is a cosmopolitan ideology, different from the European one, especially when one looks at some of its Daoist roots that go beyond even the focus on human beings or humanity as a whole to include nature and the harmony of all beings (animated or not) (Cheng 1997; Zhao 2005). However, Confucian cosmopolitanism is state-centric, and in the Confucian world individual states did not dissolve into one entity. Confucian and modern Asian thinkers have developed their own cosmopolitan body of thought which is insufficiently reflected in Western literature on political theory and IR (Wissenbach 2018; Zhao 2005). In these the state encompasses all humanity and subsumes the individual.

Constitutive institutions: sovereignty, international law and the global economy in the two regions

Sovereignty, international law and the global (market) economy are the three key constitutive institutions of international society today. The current international system is not conceivable without them. In the two regions I am comparing there

are widely divergent ideas about these three constitutive institutions as a result of historical pathways (chapters 3, 5):

- 1 sovereignty is an expression of nationalism and power politics in Asia; in the EU the syndicated cooperative sovereignty is an expression of constitutionalised multilateralism;⁷
- 2 there is a largely instrumental use of international law subordinated to national sovereignty in Asia, whereas constitutional international law is superordinate over national sovereignty in the EU in specified areas;
- 3 the role of the state in the economy differs: national development with different forms of state-directed market economy in Northeast Asia; the liberal, social and integrated, transnational (single) market economy in the EU (chapters 7, 8)

Despite these diverse interpretations these three institutions are still shared and accepted by all states as the foundation stones of international society, hence they are constitutive of international society. These institutions establish the ground rules for international society, such as mutual recognition, peaceful co-existence or the ability to enter into agreements or join IOs.

Constitutive institutions are characterised by the authority to change formal decision-making rules or organising principles and – this is where the economy comes into play – determine the power over resources (Hooghe and Marks 2001, 23). In particular, in the economy, states are not necessarily the actors that control all the resources (unlike the monopoly of violence), but they play a crucial role in regulating their use. Constitutive institutions are not neutral but modified by ideological institutions. The relationship is both ways (I'm not looking for a causal relationship, but a social, relational one). Thus the constitutive institution sovereignty, for instance, was socially constructed in different ways in different times and places (Osiander 2001), and the word itself may not have been used in all these constructs (see table 2.1). Yet it always had its core constitutive function as autonomous rule over a territory and people and guarantee of domestic order, law and peace (Hobbes 1651/2013, 99–107). The way it was exercised changed due to such modifiers as Christian, Confucian, nationalist or imperialist ideology or through multilateralism or cosmopolitanism.

The ideological institutions procure legitimacy in the form of shared beliefs for the prevailing logics from different sources (domestic and international).

Sovereignty

Nationalism and sovereignty have been forged together in Europe since the 19th century and shared nearly universally as key legitimising beliefs and organising principles, although each nationalism in itself is constituted in specific ways and often as against another. Nationalism was not an ideological institution in the Confucian world, where cosmic and social harmony was the key moral belief and the dichotomy (or graduation) was between civilised and less or uncivilised

Table 2.1 Comparison of equivalent constitutive institutions in 19th century Europe and Northeast Asia

<i>Institutions</i>	<i>Sovereignty</i>	<i>International Law</i>	<i>Power</i>	<i>War</i>	<i>Economy</i>	<i>Diplomacy</i>
Westphalian	Sovereignty (ruler, people, national)	Customary, codification; Treaties, int. organisations	Balance of power in anarchy; Concert of Europe (great powers)	Instrument of policy, maintain balance of power, territorial expansion	Mercantilism, colonialism; partly superseded by British free trade liberalism	Residential Conferences, treaties, foreign office
Confucian	Mandate of heaven (for Chinese emperor, but obligation to carry out rites to guarantee well-being of people); Investiture	Rites, agreements, historical records/ teachings	Hierarchy civilisation; standard, no power balance	Against non-members, pirates and punishment for transgressions; territorial stability; security community	Regulated intra-Asian and foreign trade; unregulated trade in affective and local networks	Investiture letters, tribute missions, agreement; Ministry of Rites

peoples. Nationalism was also not a determining variable before the 19th century in Europe either. Sovereignty, or its equivalent in both regions (autonomous rule fits both regions), was dynastic in sometimes highly personalised ways (e.g. 'L'Etat c'est moi', Louis XIV of France, and the 'Son of Heaven' in China) and sometimes in more amorphous forms (such as in the Holy Roman Empire until 1806; Osiander 2001; Martus 2015).

Sovereignty in principle can be shared in small boundaries (e.g. tribal ethnic or nationally) wider boundaries (e.g. regions) or universally (all humanity rather than states, for instance). But – different from autonomy – sovereignty's full realisation depends on the recognition by other sovereign states. Beyond such key concepts are more specific norms defined by groups of states based on political systems and shared values, such as democracy, human rights and other liberal-cosmopolitan precepts which have not yet achieved the same universal acceptance as nationalism and sovereignty. A good example is the norm of peaceful co-existence which includes the protection of (and by) sovereignty and from non-interference in domestic affairs, widely promoted by emerging and developing countries while many Western countries now put (cosmopolitan) human rights protection ahead of non-interference (within Europe, through the European Convention of Human Rights and the Strasbourg Court; abroad often in more controversial ways). These are often implied 'membership criteria' when Western politicians talk about the international community (Tams 2018).

Sovereignty is a social institution:

sovereign statehood is an *institution* – a set of persistent and connected rules prescribing behavioural roles, constraining activity, and shaping expectations – whose rules significantly modify the Hobbesian notion of anarchy.

(Keohane 2002, 65)

Keohane omits the nationalism which deeply affects the behaviour and roles of the sovereign states and actually modifies sovereignty itself. Keohane situates sovereignty in the context of Hobbesian anarchy and Lockean rationality.⁸ If in his definition one replaces 'sovereign statehood' with 'Confucian statehood', it would remain equally valid. However, the context of Northeast Asia's statehood in the Confucian world was not anarchy but a hierarchical order by consensus or a shared belief in the cosmic order of things (mandate of heaven) and did not require the institution of sovereignty to function in their international society. Anarchy started beyond the Great Wall. The function of the Confucian state was not to set up legal frameworks as in Europe (the rule of law), but rather to foster the sense of responsibility and harmony to produce order through a high standard of social conduct and exemplary behaviour following rites and tradition and thus an extension of the family as nucleus of society (Cheng 1997, 73).⁹ This even comes close to Keohane's reference to behavioural roles in the international society. According to Cheng (1997, 580) sovereignty was a cosmological concept with the Son of Heaven as the central axis and universal authority. The essential notion of Confucian government was not power but ritual harmony

Table 2.2 Institutions of international society in Europe and Northeast Asia

<i>Constitutive institutions</i>	<i>Sovereignty</i>	<i>International Law</i>	<i>Economy</i>	<i>Ideological (modifying) institutions</i>	<i>Political norms</i>
Europe (EU)	Syndicated, cooperative, transformative, normative	Constitutionalised, supranational law above national law, direct effect, actionable by citizens	Liberal and social market economy; global, regional, transnational regulation and networks	Liberal multilateralism, cosmopolitanism	Shared, liberal, Human Rights
Northeast Asia	National, sacred, defensive	Positivist, separated from domestic law, limited or no direct effect, not easily actionable by citizens, state-centric	Various: Autarky; state managed market economy; development states; global and partly regional regimes, but mostly national regulation	Nationalism (realism)	Peaceful coexistence of different political value systems

(Cheng 1997, 75), at least in theory, with the ultimate Confucian dream of a world not placed under a government (even an ideal one), but balancing and harmonising itself (Cheng 1997, 78). Nevertheless, the equivalent autonomy of dynastic-state rule over a defined territory and its people well existed in the Confucian world, but relations between them followed a 'cosmic hierarchy' codified by the Qing court (Mühlhahn 2019, 77–8).

Thus, the crucial point for international relations is not sovereignty as such, but the logic with which it is used to conduct international relations under moral beliefs and related cultures of anarchy or hierarchy. Logics are ideologically modified by shared beliefs such as nationalism, multilateralism or Confucianism. It is the combination with nationalism as an ideological institution characteristic of (initially European) International Society since the 19th century that made sovereignty sacrosanct and divisive along ethnic or national lines. The combination with racism made it aggressive and totalitarian (Hobson 2012). At the extreme end of the spectrum is North Korea's ideology: an autarkic and absolutist concept of sovereignty, based on racial superiority, that explains North Korea's aggressive stance and contempt for international law. This concept emulates similar conceptions of Japanese imperialism (Myers 2010). Japan and Korea can rely on US support for their sovereignty (paradoxically at the price of limiting it in the military area) and thus can afford to be less defensive on sovereignty than China and the DPRK who, because of the regime difference and the division of their nations (along political system lines), feel threatened by the US and are thus extremely sensitive on territorial integrity and sovereignty (Hahm 2017). Surely, like-mindedness plays an identity-shaping and a foreign policy role for Japan and the Republic of Korea (ROK), but support for the US agenda is the price for the alliance. However, both nations also emphasise their like-mindedness with the EU at times (for instance on the International Criminal Court, or ICC), which has no such alliance bargain to offer.

Imperialism reserved sovereignty for a few 'great powers' denying it to 'lesser' countries. The EU shows that sovereignty can be conceived in a much less nationalistic and divisive logic, but in a cooperative, multilateral and, to an extent, cosmopolitan one with multilateralism as its distinctive ideological institution. The EU also has developed a first experiment in multilateral democracy, with citizens enjoying a compound national and European citizenship which allows transnational access to national political systems (local elections, social security) thanks to the rights associated to the freedom of movement as well as supranational access through elections to the European Parliament and access to the EU courts (Scherz and Welge 2015; chapter 4).

International law

Sovereignty and international law are two sides of the same coin and constitutive of statehood in international society. International law is a constitutive institution of international society governing inter-state relations but also international economic relations (Armstrong et al. 2007, 24–31) and it also plays an important

role in the two regions we examine. It is due to the Paris Peace Pact (or Briand-Kellogg Pact) of 1928 and the creation of the UNO¹⁰ and the subsequent thick institutionalisation that international law has risen to become constitutive of the system, replacing balance of power (Mazower 2012, 191–213). Arguably, it often falls short of universality and can sometimes be considered an expression of institutional power in Barnett and Duvall's (2005) sense. Which institution falls into which category can change over time and space and depends on prevailing beliefs on the purpose of social and international relations.

Hobbes saw sovereignty and laws of nature as equally constitutive of domestic society (common-wealth, state, *civitas*). International law also reflects the ideological modifiers in international society: in 19th century Europe it came to justify the superiority of western civilisation and Europe's colonial expansion. In the later 20th century it increasingly adopted cosmopolitan traits (at least in some Western readings) while in the developing world international law's defensive function for national sovereignty was upheld. In the EU international law (European Law) came to be the most formal and binding expression of multilateralism with supranational character and cosmopolitan traits. In the Confucian world we cannot speak of international law in the modern European sense, but ritual and rules of interaction in the investiture and tribute system, for instance, fulfilled similar functions (chapter 5). International law is a key institution that has constituted international relations in different ways at different times (Pinker 2011; Mazower 2012).

The logics defining and modifying state sovereignty are also reflected in the way international law is conceived. Similar to realists in IR, legal positivists focus on the state; they separate international law from politics, and they purge moral or normative considerations from their theories. They link compliance with international law to state consent (Armstrong et al. 2007, 77–82; Tams 2018). This makes agreeing international treaties and rules difficult and delegation of sovereignty to multilateral institutions unlikely:

States can be part of the international legal system to the degree they choose by consenting to particular rules. Likewise, they can choose to remain apart, asserting their own sovereignty and eschewing international involvement. Formally, Westphalian sovereignty is the right to be left alone, to exclude, to be free from any external meddling or interference. But it is also the right to be recognized as an autonomous agent in the international system, capable of interacting with other states and entering into international agreements.
(Slaughter and Burke-White 2006, 328)

For instance sovereignty and international law in Northeast Asia today remain in such a defensive, state-centric, nationally charged, exclusive, 'Westphalian' logic of early 20th century Europe – free from external meddling despite the influence of globalisation, in particular, on control of cross-border movements and information.¹¹ How and why concepts of sovereignty and international law changed so dramatically in its intellectual birthplace – Europe – is perhaps the most crucial

question in the evolution of international society (chapter 3). The EU legal order suggests that international law is essential to establish the rules enabling polycentric governance (chapters 4, 8). By contrast, in Northeast Asia, international law in a nationalist mode is an obstacle to the emergence of polycentric governance (chapter 5). There is a reason for this paradox.

In Europe, the institution of international law has developed essentially after the medieval period when the states were forming, albeit with roots in antiquity and canonical (church) law in which the tension between universalism and particularism is reflected. Some early precursors were simple but important principles, such as respect for agreements (*pacta sunt servanda*) and diplomatic immunity. International law in the modern sense did not govern international relations in Europe until the second half of the 19th century (Mazower 2012, 65–93). The cannon boats of Western powers brought these concepts into Northeast Asia at the end of the 19th century. A particular problem of that period is that international law was a bastard of violence: international law was essentially perceived by those at its receiving end as a Western product that served to institutionalise and ‘legitimise’ European imperialism and ‘standard of civilisation’ (Gong 1984) in the world. European colonial powers used it to annex and control vast amounts of territory and to establish commercial and other privileges. Hence, international law is frequently perceived by developing countries today as biased and enshrining unequal power relationships while the national sovereignty protected by international law serves to defend the ‘new’ nations from such inequality (Arrighi 2010, Mazower 2012).

Before the import of international law into Northeast Asia in the wake of imperialism, the non-legal Chinese governance tradition through moral codes, rituals and hierarchical relations (Delmas-Marty 2005) were underlying the investiture and tribute system of Confucian International Society (chapter 5). Research on Confucian ritual as constitutional norms explores new parallels to the rule of law in Northeast Asia’s past (Bell and Hahm 2003). More significant is, of course, how contemporary international law in Northeast Asia is used and shapes international society today.

Northeast Asian states have firmly adopted international law. They have done so based on the fundamental principle of state consent flowing from state sovereignty. International law protects their domestic autonomy instead of paving the way to a multilateralist order like in Europe. The US, originally the heartland of international legalism (Mazower 2012, 65–93), also protects its domestic democratic system from encroachment by international law, as democracy is placed above the rule of law (Goldsmith 2000) and therefore also escapes a multilateral or polycentric logic of international law.

Unlike Europe, Northeast Asia has not created its own regional legal order, but very much relies – if at all – on international law in a positivist, state-centric tradition dependent on consent. This attitude is linked to nationalism and the utilitarian appropriation of sovereignty and international law as a tool to catch up with and defend the nations at the beginning of the 20th century; China, for instance, adopted international law as a means to better fight against the unequal

treaties with the West's own legal concept because sovereignty was upheld as inviolable by the Western countries (Qu 2010, 72). Adopting Western norms and institutions like international law was also the entry ticket into international society, defined as it was then on Western terms, replacing the earlier held institution of rituals to recognise China's superior civilisation as defining benchmark for international society. Korea became a victim of the imperialist use of international law by Japan which, after ridding itself of the unequal treaties imposed by the Western powers, imposed an unequal treaty on Korea (in 1905, flowing from the already unequal Treaty of Shimonoseki of 1895) and annexed it shortly afterwards in 1910 (chapter 5; Mühlhahn 2019, 175–7; Green 2017, 98–100). Treaties, such as the Protectorate Treaty of 1905 or the Annexation Treaty of 1910, were forced upon Korea by Japan in the manner of the unequal treaties practiced by the West. The dispute between Korea and Japan about the legality of these treaties is still poisoning bilateral relations between the two countries today. There remains a wide gap between official Japanese and Korean positions and deep controversy about the claim by Korea, the UN International Law Commission and a number of Japanese researchers that the 1905 Protectorate Treaty was null and void *ab initio* because it was only signed by the Korean Foreign Minister under coercion and never ratified by the Korean Emperor (Totsuka 2011). As a consequence all subsequent treaties between the two countries until Korean independence in 1945 would also be null and void. For instance the 1910 Annexation Treaty was signed for Korea by the Japanese Resident Governor General, a position created under the 1905 Protectorate Treaty, and since the latter is illegal in the Korean view, so is the 1910 one. Japan's Foreign Ministry and a number of researchers argue, however, that not all international treaties require ratification, so that the 1905 treaty was 'unfair but valid'. This 'no ratification required' theory is itself subject to controversy as the international law at the time was not very explicit about that. Japanese international law textbooks from that period, including one written in 1899 by a scholar who in 1910 became a senior official in the Japanese Ministry of Foreign Affairs, did not support the 'no ratification theory' so that the Japanese official position is not even in line with the customary international law at the time (Totsuka 2011, 8–11).

The fact that the Japanese government, even at the occasion of the centenary of the annexation treaty in 2010, continued to maintain the legal validity of its colonial rule has prevented attempts at reconciliation (such as a suggested first-ever visit by the Japanese Emperor to Korea at that occasion). The apology about the colonial rule 'imposed against their will under the political and military circumstances' stated by PM Kan in August 2010, failed to clarify Japan's stance despite the PM's affirmation that he 'would like to face history with sincerity' (quoted from Totsuka 2011, 1). Thus, the wide gap on international law between Korea and Japan reflects the moralisation gap between the two countries that international law cannot bridge. International law is here subjected to the logics of nationalism (on both sides). This is not the place to solve a thorny legal issue that is debated between eminent legal scholars in Japan, Korea and elsewhere, but an illustration of how important and divisive the use of international law can

be as a function of nationalism in international society and in shaping conflicted international relations.

A similarly problematic role of international law in Northeast Asia can be observed in maritime disputes around various islets or rocks. In the past when Northeast Asian countries didn't 'know' international law, these were not formally claimed as territory and mainly served fishermen as an abode or as navigation points (which is why they are found on ancient maps but are rarely, if at all, mentioned in any documents). Since UNCLOS (the UN Convention on the Law of the Seas in force since 1982)¹² introduced not only important rights to exclusive economic zones (EEZ) but also the principle of historic ownership, most disputes in the region have gained importance. But they have also become intractable as precisely the historic ownership is disputed (McCormack 2012). Some of the islets are also concerned by the San Francisco Treaty (1951)¹³ – the peace treaty between the US and its allies and Japan. Not all claimants – notably China, South and North Korea, and the Soviet Union/Russia – were parties to it because it was signed in the heat of the Korean War.¹⁴ This adds another layer of ambiguity to an already complex legal picture because international agreements need the consent of all parties concerned. Legal arguments are used quite frequently in Northeast Asia by all countries to buttress each side's political arguments (chapters 5, 6).

The history of international law itself as an originally instrumental institution for the expansion of international society and imperialism explains why Northeast Asian countries insist on the principles of explicit consent. Therefore, most agreements between Northeast Asian countries lack binding obligations, precision and compliance mechanisms, and there is no delegation to third parties like international courts or arbitration. Thus, at least to some extent, basic international norms are (sometimes selectively) respected and used to advance political agendas, but there is no 'thick' legalisation of international relations in Northeast Asia or direct application of international law in domestic law. For contemporary Northeast Asia, this history – and the self-serving nationalist interpretation and use of sovereignty and international law – is an obstacle for cooperation and governance, let alone integration irrespective of political systems. For instance, while international law has the force of law in Japan, a liberal democracy, international instruments that are not binding under international law, such as declarations on human rights, have no direct legal force. Some human rights treaties, even though binding under international law, only establish an objective which is to be achieved progressively, and their enforcement in domestic law is often thwarted. In some cases, invoking international human rights has helped amend some Japanese laws or interpret the Constitution – for instance, on the Korean minority in Japan (resident aliens), women or confinement of mentally ill persons (Iwazawa 1998, 288–90). Thus, to some extent, such indirect application of international human rights law has actually been effective in some cases, as Iwazawa (1998) shows, but this was clearly not intended and resisted by the authorities because of their exclusive approach to state sovereignty and international law. These limitations made it impossible for victims of Japanese war crimes, for instance, to obtain compensation through the courts (chapter 6).

However, this does not seem to herald a fundamental change of direction towards the 'European Way of Law' (chapter 4) and certainly not compromises on territorial claims. There is no compromise on sovereignty *between* the two democracies Japan and Korea on territorial issues. South and North Korea – usually deeply antagonistic – find common ground upholding the same claim to Korean sovereignty over Dokdo (Takeshima) and harbouring similar historical grievances against Japan (chapter 5).

This brief overview showed that international law is what states make of it. Nationalism and multilateralism have played an important role for its evolution. The consequences for global governance are important and I will turn to them in chapters 7–9.

Instrumental institutions – how relations work

Instrumental institutions are closely linked to the constitutive ones and translate them into relationships. They are necessary or instrumental for the exercise of sovereignty, the rights and obligations under international law (within the framework of written or unwritten rules the state has subscribed to) and the maintenance of the constitutive institutions. Instrumental institutions include diplomacy, war and strategies of balancing (including alliances), but also market rules and concrete organisational expressions of multilateralism like the UNO, the Bretton Woods Institutions (BWI) or the World Trade Organisation (WTO). In the Confucian world, the investiture and tribute system was an important instrumental institution (chapter 5).

Balance of power

Balance of power in my classification is currently an instrumental institution of international society although it had been constitutive of the old European international system. But one could argue that even then it was merely a foreign policy designed by states, notably Great Britain, and enshrined in treaties such as Utrecht 1713 (Martus 2015, 218–21), or arrangements like the Concert of Europe and the Cold War, where it clearly was an important and institutionalised phenomenon (chapter 3). The idea was elevated to universal status in IR due to the ideational influence of realism that sees international relations as a system of competing like units, not a society. For most realists, balance of power (in various forms) is a sort of law of nature of international relations.¹⁵ Because war, or the threat of it, is central to the operation of balance of power, the decline of war and violence as a legitimate means of policy and as a way to deal with today's complex anarchy also means the demise of balance of power as a constitutive institution of international society and as a way to legitimise order (cf. Badie 2011, 75; Pinker 2011). It is therefore only a particular form of policy that can be substituted by other forms. It was, for instance, not constitutive for international relations in Northeast Asia before the 19th century, nor is it now in the EU. In most parts of the world it is of secondary importance now, as the threat of inter-state violence

as an instrument of power politics has receded. For Wendt (1999, 17–8, 284–5), balance of power is even meaningless as almost every behaviour can be in one way or another framed as balancing and thus explains little.

Europe since the 1950s has developed a new system replacing the (nation-state based) balance of power system. The ‘new’ EU is an embodiment of a much older idea of a united Europe and has its roots in the Kantian world peace idea (chapter 3). This system doesn’t rely on power balance, does not emphasise sovereignty and has overcome the separation of domestic and foreign affairs:

The European Union is a highly developed system for mutual interference in each other’s domestic affairs, right down to beer and sausages.

(Cooper 2004, 27)

Cooper’s ‘post-modern’ world extends beyond the EU to military matters (CFE treaty) and international justice (ICC) – the focus of the debate between pluralists and solidarists in the English School (Bellamy 2005).

Of course, this does not mean that states have renounced trying to use their power to influence international politics, or EU decisions. But in the EU the balance of power is now mediated through the treaty-based governance structures.

Beyond the question of the importance of balance of power in a particular time and space, balance of power as an instrumental institution of international society can be understood as an expression of sovereignty and, to a minor extent, of international law (for instance arms limitation treaties, conventions against chemical and biological weapons, etc. which regulate the military balance through international law). It describes a particular international behaviour of sovereign states, notably in military strategy. The balance of power remains an important (nationalist) instrument of foreign policy and one way (amongst others) of how foreign policy is analysed and strategically or tactically conceptualised (Green 2017, 541–2). In this perspective, it is not constitutive of the system but is one way of regulating international relations between states; hence it is best seen as an instrumental institution.

Diplomacy

Diplomacy has a special status as it is normatively codified as an inviolable institution of the international state system with privileges and immunities (such as mutual recognition of sovereignty of which diplomatic relations are an expression). On the other hand, diplomacy, by definition, is the form of communication and intercourse among sovereign states (or state-like units recognized by other states) that is essential to ensure minimal conditions of order (Hurrell 2007, 37). It is to a large extent part of the core function of international law: regulating interaction. Therefore, it has been formally codified (in 1961 only) in an international treaty (Vienna Convention). Diplomacy both as norm and form has clearly been characteristic of international society across the ages and in different regions (Fletcher 2017) The practice may have produced different names

and forms for the functional equivalent of diplomacy, such as tribute missions in the Confucian regional society. The current international system is also inconceivable without it, but that doesn't make diplomacy a constitutive institution because it derives from sovereignty and international law. Diplomacy is a form of interaction only and does not in itself constitute an international society. There can be sovereignty without diplomacy, as China during the Cultural Revolution has shown,¹⁶ or there can be communication and interaction between states even in the absence of formal diplomatic recognition, like in the Six Party Talks on the DPRK's nuclear programme. Among the six participants, some have not established diplomatic relations with each other (US, Japan and ROK don't have diplomatic relations with the DPRK). But there is no formal diplomacy without recognised sovereignty or the internationally recognised legal personality of an international organisation such as that of the EU.

Diplomatic relations were often established to enable economic relations to take place with a minimum degree of safety for merchants and, for a long time, with a maximum of state control (not least to extract revenue from the activity of traders; Pinker 2011). This instrumental use of diplomacy was characteristic not only of Europe but also Northeast Asia. Protection against (or sometimes deliberate and covert use of) piracy have been long-standing features of European diplomacy (especially in the Mediterranean and the colonies, but also in Northeast Asia) and international relations (and the development of navies) to this day. Economic diplomacy, therefore, is as old an institution of international society as diplomacy *tout court* or war (which it was often intimately linked to), underlining the constitutive relationship between the state and the economy. Venice and other north Italian city-states took the lead in developing dense and extensive networks of residential diplomacy (different from the non-resident tributary missions in the Confucian world):

through these networks they acquired the knowledge and the information concerning the ambitions and capabilities of other rulers . . . which were necessary to manipulate the balance of power in order to minimize protection costs. . . . The accumulation of capital from long-distance trade and high finance, the management of the balance of power, the commercialization of war, and the development of residential diplomacy thus complemented one another and, for a century or more, promoted an extraordinary concentration of wealth and power in the hands of the oligarchies that ruled the northern Italian city-states.

(Arrighi 2010, 40)

Establishing resident diplomatic missions in China was a key objective of European powers in their wars with the Qing dynasty which initially refused such requests (Mühlhahn 2019, 101).

On the other hand, diplomacy is also a catalytic institution instrumental in creating and developing international law (treaty negotiations, diplomatic conferences, creation of regimes and international organisations, or IOs). It is thus

best seen as an instrumental institution expressing sovereignty and enabling formal interaction between states (and state-like actors) through the exercise of sovereignty and law-making powers. Diplomacy as an institution is subject to change and evolution and some of its current practices may already seem anachronistic to many people in today's internet society (Fletcher 2017).

International organisations and regimes

Where diplomacy is an instrumental organisation associated with national sovereignty, international organisations, regimes and the codification of international law and rules, for instance, under the UN framework are associated with multilateralism. Membership and participation in this kind of organisational activity is going beyond traditional diplomacy but can be seen as an extension of it, or as a result of diplomatic agreements. Like diplomacy itself, these regimes are also important expressions of statehood and international influence (in particular for developing countries) as a tool of policy of sovereign countries. Thus, countries seek membership in international organisations to enhance their sovereign status and recognition (not always to contribute to solving collective action problems). They, therefore, qualify as instrumental institutions to help achieve the ultimate purpose of international society: order, ideally of the peaceful and prosperous sort.

The WTO liberal trade regime is an important (multilateralist) instrumental institution (where international law and the market economy intersect) of international society in the economic realm, with legalisation and arbitration as its key characteristics. It includes an organisational structure, supranational dispute settlement and compliance mechanisms and international law agreed by parties.¹⁷ National sovereignty is not essential to be a party – for instance, the EU, Hong Kong and Taiwan are members.¹⁸ It has made an important contribution to defining the global economic logic of anarchy in market-economy terms, rather than mercantilist or protectionist terms. The latter have been associated with the Great Depression in the 1930s, and the lessons of that period have been an important support for keeping an open trade regime during the global financial crisis, for instance, through the G20 process (Drezner 2012; chapter 7). International or multilateral regulation is an important feature of international society, as the rules of interaction are negotiated through various processes. These processes increasingly involve non-state actors by necessity, choice or due to bottom-up pressure (Draho and Krygier 2017). This reflects the open nature of International Society 2.0 because this is where international relations and international politics (public policy, governing the global commons) intersect. A lot of those interactions take place at the 'mechanical' level.

Mechanical institutions

A fourth category of institutions are mechanical ones – the nuts and bolts of international relations, so to speak, that do not depend much on prevailing

norms. Many have been created to serve the needs of the (market) economy. They reflect technical aspects of communication, interaction and international law. The nuts and bolts include technical regimes (to regulate standards and measures on post and telecommunications, aviation and shipping, for instance), trade, investment, arbitration and any more or less universal conventions which make the system as it is constituted work, but have only limited or indirect influence on how international society is constituted. They often relate to the people who are involved in managing the institutions and are conducting international policy on a daily basis. Most of those institutions, for instance, continued to function during the Cold War despite ideological divergence. Of course there is a grey area in the sense that, over a long time, even such mechanical institutions have a history of constitutive innovation: for instance the idea to set up international organisations in the 19th century to agree on time, postal and telegraphic communication or international train time tables and so on to respond to internationalisation (or early globalisation). While those innovations developed a life of their own to foster denser cooperation among states, the objective was overall of a technical nature to ensure communication or solving problems.

Competition and anti-trust law frequently have cross-border effects and a large number of international agreements and treaties have been set up to agree rules that cover customs duties, investment conditions, capital flows, taxation, quality standards, intellectual property and other market-access conditions, usually on the basis of reciprocity. Such regimes are to the international economy what the Conventions of The Hague and Geneva are to warfare or equivalent to examples from 'high diplomacy': arms control treaties, Confidence Building Measures and mutual recognition of immunities and privileges.

In general terms, the categorisation of institutions is always subject to time and process and changing ideological beliefs as the example of balance of power shows, but political spill-overs in practice have been largely limited to the EU and are generally subject to the evolution of the ideological institutions or modifiers specific to the EU's constitutional evolution. How did the constitutive institutions of international society evolve? What drives change? How did the different versions in Europe and Northeast Asia come about? These are the questions for the next chapters.

Notes

- 1 I will come back to this term, which has been mainly used in public policy and regulatory theory to encompass non-state actors, but I do not understand in such a narrow sense here.
- 2 Here I draw a line between modernity, which is about the emancipation of the individual, and the rather pre-modern tribal nationalism (Pinker 2011) of the 19th and 20th century, but I am aware that others like Hannah Arendt see the totalitarian state as an integral part of modernity. But this is why I prefer not to use the term 'modern state system' as it may have many different implications, but refer to 'Westphalian' and nation-state to distinguish different meanings – 'Westphalian' here focusing on the concept of sovereignty despite the misgivings about this term (Osiander 2001).

- 3 Osterhammel (2011, 580–603) traces and categorises different pathways to the nation-state globally in the 19th century: revolutionary independence of colonies, hegemonic unification and evolutionary autonomisation.
- 4 Duara (2001, 109) quoting Liang Qichao opines: ‘Nothing could have been further from the Confucian notion of *wenming* when he [Liang] wrote, “Competition is the mother of Civilization”’.
- 5 ‘Good government consists in the ruler being a ruler, the minister being a minister, the father being a father, and the son being a son’ (*Lunyu* 12.11), quoted from Riegel (2013).
- 6 ‘If the people be led by laws, and uniformity among them be sought by punishments, they will try to escape punishment and have no sense of shame. If they are led by virtue, and uniformity sought among them through the practice of ritual propriety, they will possess a sense of shame and come to you of their own accord’ (*Lunyu* 2.3), quoted from Riegel (2013).
- 7 But the EU is also eager to promote for itself its sovereignty in external relations such as diplomatic protocol, right to speak in UNGA, membership of IOs, using state-like symbols, like flag and anthem, etc. France’s president Emmanuel Macron even spoke about European sovereignty when he addressed the European Parliament on 17 April 2018. www.europarl.europa.eu/news/en/press-room/20180411IPR01517/macron-defends-the-idea-of-european-sovereignty, accessed 18 March 2019.
- 8 The use of the adjective Hobbesian is a bit disingenuous as Hobbes himself conceived of sovereignty in the same way, as a set of rules and beliefs invested in a sovereign to keep peace and order in society.
- 9 The Chinese word for ‘country’ includes the character for ‘family’.
- 10 This is also an argument used by Arrighi (2010, 68–9), who attributes to US hegemony the restrictions of the rights and powers of sovereign states through the creation of the UN and BWI, although the US ended up using these institutions in a different way during the Cold War (Mazower 2012, 216–49).
- 11 North Korea until 2013 went so far as to collect travellers’ mobile phones at the airport and return them upon leaving the country.
- 12 www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf, accessed 18 March 2019.
- 13 <https://treaties.un.org/doc/Publication/UNTS/Volume%20136/volume-136-I-1832-English.pdf>, accessed 18 March 2019.
- 14 Korea regained its sovereignty only after the end of Japanese colonial rule in 1945, but was not party to the decisions made over its division or the Allies’ peace treaty with Japan (San Francisco Treaty; Green 2017, 282).
- 15 This view has certainly been influenced by Anglo-American thinking rooted in the IR research focus on the British and American Empires. The German Empire, during the era after the Peace of Westphalia until the Napoleonic wars, was rather different in nature: a mutually interdependent patchwork of intricately overlapping spheres of authority and complex composite politics rather than a system of power balance (Martus 2015, 215–16), which looks more akin to international society or complex orders like the EU than the balance of power systems.
- 16 During the Cultural Revolution 1966–76, the PRC only maintained one ambassador abroad, in Egypt.
- 17 Not all parties are sovereign states, for example Hong Kong or Taiwan as separate customs territories.
- 18 Officially as separate customs territories: Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). www.wto.org/english/thewto_e/countries_e/chinese_taipei_e.htm and Hong Kong, China www.wto.org/english/thewto_e/countries_e/hong_kong_china_e.htm, accessed 6 May 2019.

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3 Critical junctures on the pathway to European integration

The critical juncture of European integration in the second half of the 20th century becomes obvious when one looks back three centuries: 1618 saw the beginning of a 30-year period of interlocking wars involving almost all of Europe and ending with the 1648 Treaties of Westphalia. Since then Europe experienced only a few intermittent decades of peace (1648–1713, 1815–1853, 1945–1991; Gehler 2005, 46). The longest is the one Europe has been experiencing since 1945. Sheehan (2008, 18) counted 48 wars among European powers between the Peace of Westphalia in 1648 until the French Revolution in 1789; five between 1815 (end of Napoleonic Wars) and 1914 (the eve of WWI). He leaves out the series of revolutionary and Napoleonic wars (1789–1815) as well as wars waged by Europeans outside Europe. However, contrary to neorealist assumptions, these wars were not just consequences of power-balancing or relative gains between like units. These wars were waged for very different and changing reasons: the contest between secular and religious universal rule aspirations (pope and emperor); struggles between nobility and monarchy interwoven with religious conflict in the 16th and 17th centuries; the conflict between monarchic dynasties over rights, wealth and status, trade and territory from the 18th to the 20th century; and finally the phase of conflict between 1914–1945 driven by nationalism, colonialism, imperialism, fascism and the desire of economic autarky (Gehler 2005, 46–8). War was normality or, as Clausewitz later said, just one of the means of politics. Territory and people could also be passed from one ruler to another in more peaceful ways to manage the balance of power through marriage and inheritance, but contested heritages and successions also regularly led to wars (Martus 2015, 464). The changing reasons for wars indicate that it is not persuasive to analyse them as structural through a one-size-fits-all prism such as realism or balance of power.

The history of Europe is so much characterised by warfare, competition and diversity that it stands in stark contrast to Northeast Asia's history before the 20th century, which was much less prone to inter-state war and less diverse and competitive under a philosophy which emphasised harmony through hierarchy (chapter 5). Europe developed concepts of order based on regulating or legitimising warfare and religious matters. Northeast Asia developed concepts of order based on regulating hierarchy through ritual and peaceful co-existence. Hence, the new European order since the 1950s is even more remarkable.

Europeans were frequently at war over religion unlike the countries in North-east Asia. The Peace of Augsburg of 1555 established the principle that the population of a territory had to follow the ruler's religion (*cuius regio, eius religio*). This was in particular an issue in the de-centralised Holy Roman Empire of the German Nation with its confessional diversity and many diverse rulers (estates of the Empire such as bishoprics, free cities and princes – including some also ruling foreign territories). By the mid-17th century (around the same time as the Qing dynasty took power in China) the European continent was utterly devastated through a series of interlocking wars, the Thirty Years War, at the end of which, the principle of the ruler's religion was effectively abandoned with the Peace Treaties of Westphalia (Osiander 2001). These treaties established a European 'regime' based not on power or a modern concept of sovereignty, but on mutual convention with few institutions 'providing a system of governance for matters of common interest while leaving internal government to each of the participating actors' (Osiander 2001, 278–9). The Westphalia Treaties pursued different objectives from what most IR scholars assume and focused on the hierarchy of dynasties, territorial delimitations based on religion and the preservation of various social privileges without mentioning sovereignty (Martus 2015, 219). British foreign policy then pursued balance of power during the War of the Spanish succession (1701–14). This concept arguably was institutionalised in the Peace of Utrecht in 1713 with its aim to create a fair power balance '*justum potentiae aequilibrium*' (Martus 2015, 218–21; Gehler 2005, 74).

The 18th century saw a particular form of political stability, based on quasi-permanent military conflict between dynastic rulers accompanying the structural changes of the Enlightenment era. The principle of territorial states only emerged very slowly over that century. In this 'European regime' the actors felt part of a single society (Osiander 2001, 279). Martus (2015) illustrates with a wealth of examples the cross-border network character of many areas of governance and society during the 18th century.

The Enlightenment was a – long-drawn and complex – critical juncture in Europe's intellectual history (more so than a single event or treaty such as the Peace of Westphalia). It is at that time that the concepts of balance of power and also international society formed. But despite Enlightenment's emphasis on rationality, materialism and science, it was a period not much less bloody than the preceding religious wars. And in many ways religion continued to play a major role, in particular, in Germany (Martus 2015, 886). Paradoxically it was not war, but a natural disaster which provoked major intellectual discussions about the role of God, the cosmos, and society (Martus 2015, 616–31). The earthquake of 1 November 1755 that devastated Lisbon prompted an international financial crisis (for instance, on the stock exchanges in the Netherlands and London) and provoked an '*oikodicee*', i.e. a lack of trust in economic progress besides the '*theodicee*' which made people doubt about the existence or the role of God – a key question of Enlightenment thinking and emancipation, for which there is no parallel in Confucian thinking (Martus 2015, 621). Critics of civilisation emphasised the limits of progress (Rousseau) while Kant questioned the role of the individual

and mankind and emphasised the role of its complex environment (Martus 2015, 630). Society, not nature, was what humans could influence. Schmale (2010, 79–84) shows how the ideas of a state system as opposed to an *organic* concept of society developed in 18th century Europe as a result.

Shortly after that earthquake (a critical juncture at the time), the Seven Years War (in reality several interlocking wars fought on three continents from 1754–6 to 1763) constituted a man-made catastrophe of global proportions. These wars were part of the complex interrelated dynastic relations and objectives that produced dynamic network policies with global repercussions in the European colonies. Interestingly, the Prussian King Frederick II in his book *The Anti-Machiavel* (1740)¹ already argued that the interdependence of political relations rendered the idea of sovereignty absurd (Martus 2015, 465). The Seven Years War is sometimes considered the first world war, and its various aspects are well studied (Martus 2015, 450–1, 458–60, 464–5 and the sources indicated there). This ‘first world war’ engulfed the British and French colonies in America and India as well as the countries of Europe. The conflict between France, Britain and Spain in the colonies led to the birth of the British Empire (Martus 2015, 458–9, 615, 633–80). Contemporary observers bemoaned the resulting ‘anarchy’ (Martus 2015, 459). This referred to the continued instability and the complex political and social dynamics of this century of absolutist monarchies, humanism and critical thinking that culminated in the French Revolution. The Seven Years War had reverberations well into the 19th century, notably because of the economic crisis in France resulting from it, which in turn was a major cause of the French Revolution. The taxation disputes in the American colonies to finance the war led to the independence of the US and the emergence of the British Empire with its intercontinental trade triangle (Martus 2015, 636). Thus, this period shaped early globalisation and international order. It also already brought home the notion of chaos and complexity. Frederick II in his *History of the Seven Years War* wrote (foreshadowing chaos theory) that the human spirit (intelligence), as circumspect as it may be, could never really understand all the subtle connections which would allow foreseeing or creating events which depended on future coincidence (Frederick II 1740, quoted in Martus 2015, 672).

At the same time, this war was not (yet) a war of nations but of dynastic leaders, with soldiers often drafted from very different peoples, including sometimes from enemy territories. However, the idea of a war for the ‘fatherland’ started a gradual process of socialisation of war and patriotism (Martus 2015, 658–61).

Ideas about cosmic or God-willed harmony or man’s self-determination (the key Enlightenment narrative) gave way to Newtonian ideas about dynamic, complex systems and Kant’s view of antagonism, war and competition as drivers of history, social order and culture (Martus 2015, 462). This side of Kant is not usually referred to in IR where his influence has been of particular relevance in the English School’s and Wendt’s ‘Kantian logic of anarchy’ (Wendt 1999). Kant is also a reference point in the literature on democratic peace and cosmopolitanism. In this anarchy of complexity (often seen in analogy to the Newtonian view of the complex balance of the planetary system) already then some rulers

recognised limits to their sovereignty, as Frederick II of Prussia elaborated in his *Anti-Machiavel* (Martus 2015, 465, 472). Interestingly, during this time a number of philosophers (Wolff, Leibniz, Voltaire, d'Argens and others) found inspiration in the Chinese rulers with their Confucian 'practical wisdom' to promote the concept of the *Roi philosophe* (Martus 2015, 484–5, 489). Key thinkers of that period discovered the social, cultural, economic and natural dynamics beyond individual control in their works on the spirit of nations (Voltaire in 1756) and the spirit of laws (Montesquieu in 1748), or the origin of the wealth of nations (Adam Smith in 1776). Without going into detail here, the Enlightenment ideas are widely seen as a crucial period of European modernisation of state, administration, judiciary, science, public health and welfare and society at large. The various works on the spirit of nations in the second half of the 18th century laid the groundwork for nationalism in the 19th century, although their departure point was the discovery of structures and systems beyond the individual and opposed to views of history as that of monarchs.

The gestation of the nation-state

During the Enlightenment and the Seven Years War politics of emotion and nationalism started to germinate with devastating – but not linear – effects that culminated in the long 19th and short 20th centuries. Nationalist dynamics grew slowly in the complexity of state and pre-state, territorial and transregional, religious and social dynamics of the 18th century (Martus 2015, 886–7). The period also saw the birth of the United States, very much a product of people fleeing the previous religious wars in Europe and of new ideas of statehood inspired by the modern Enlightenment. This is of course not the place to delve deeper into this period, but it is important to highlight it as a critical juncture that influences European (and American) thinking to this day.

A major critical juncture in Europe's history of nationalism was the French Revolution, opening the way to modern democracy but also to mass mobilisation for warfare and ideological conflict. From then on the concept of the nation-state started replacing the centrality of dynastic monarchies of Europe (Gehler 2005, 79–82). There is a strong connection between industrialisation and the emergence of nation-states and nationalism (Osiander 2001, 281; Dieckhoff 2012). Warfare became a means to realise national and ideological ambitions beyond the territorial expansion and power ambitions of monarchs, popes and dynastic (and some republican) states. It was therefore only a matter of time before the power balance in Europe would collapse. Gehler (2005, 80) notes that all states newly created in Europe in the 19th century came about as a result of war and nationalism. Militaristic nationalism soon became an ideology and the exclusive source of state legitimacy. Sheehan (2008, 25) quotes German historian Heinrich von Treitschke lecturing in 1874 that all states were created through war and that without war there would be no state. This constructed constitutive relationship sounds somewhat absurd to most Europeans in the 21st century who associate very different things with the state. But even as recently as the 1990s one could

witness wars and violence as the midwives of new states in the Balkans, and such conflicts over territory continue at Europe's periphery as the Russian annexation of Crimea in 2014 or the situation in Georgia shows.² There was, thus, a built-in tension between the ethnic groups and the state if the two were not exactly aligned (like in the Austro-Hungarian Empire) or if the ambition was to create a strong state for allegedly divided nations (Germany, Italy). While a number of thinkers advocated European unity projects in the 19th and early 20th centuries (perhaps most famously Victor Hugo and Giuseppe Mazzini) ethnic nationalism (rather than a civic nationalism, or Kant's universal republicanism) dominated Europe's development for nearly two centuries. Given this history of violent births of states and the continued importance of nationalism, the European integration process assumes a particular historical significance in terms of peaceful system change.

The two world wars were critical junctures and fundamental catastrophes in Europe's self-consciousness, civilisational achievement and its political and economic development path. The nature of the First World War (1914–18) was not the short duel of gallant armies that diplomats and generals in 1914 expected – despite authors such as Ivan Bloch or Norman Angell predicting that, due to technical progress (Bloch) and the interdependence of countries through trade and finance (Angell), war in Europe would be too costly and destroy society at large (Sheehan 2008, 54–61; Kissinger 1994, 201–17). Winston Churchill recognised shortly after the outbreak of WWI that this was not a war as usual, but a fight for life and death of nations (Sheehan 2008, 102). The industrial and global scale, mass deaths in and between trenches and the senselessness of human sacrifice, made this a new kind of war. The post-war settlements involved the US for the first time as a non-European power, marking the shift in international politics that would eventually make the 20th century America's century. But the Paris treaties laid the ground for the next wars, notably by creating a huge moralisation gap between the victors and the loser, Germany, which was assigned the sole guilt for the war (Kissinger 1994, 250–8). There are many other aspects of these treaties, such as the creation of a number of small states in central Europe from the ruins of empires and the neglect of Asian demands that fuelled tensions in and between Japan, China and Korea (Mühlhahn 2019, 242–7, 227–36). The international order built around the League of Nations, but without the participation of its sponsor, the US, disintegrated under the pressure of the rise of fascism in the 1930s in Italy, Japan and Germany (Mazower 2012, 116–53; Kissinger 1994, 218–45).

The Second World War was another war of attrition and a fight to the finish, but even larger in scale and destructiveness than the First. It was a total war launched by a totalitarian nationalist regime and led to unprecedented numbers of civilian casualties besides millions of soldiers (Sheehan 2008, 163). In Europe and the US it is often forgotten that the Japanese invasion of China started earlier than the 'official' start of WWII (Germany's invasion of Poland) and exacted a similar human toll (Mitter 2014). What obviously stands out in this period is the racism (not only in Germany) that drove the Nazi war and the Holocaust.

Without discussing these further, racism, totalitarianism, genocide and the Holocaust in the first half of the 20th century marked the low point of European 'civilisation' that had been one of the driving forces of imperialism. They underlined Europe's moral bankruptcy beyond its economic and power-political one. After the hostilities ceased, borders and regimes in many parts of Europe changed and millions were displaced in ethnic cleansing. Overseas, the European colonial empires started to crumble. The early 20th century was also marked by major civil unrest, revolutions and a loss of values of civility and compromise that had been the hallmark of 19th century Europe (Sheehan 2008, 121). A similar crisis of civilisation due to nationalism and social Darwinism marked the collapse of the Confucian international society in the same period (chapter 5).

The two wars also made states more intrusive into civil society and economic activity, controlling travel, regulating food and energy supplies and other economic activities, laying the basis for the regulatory nation-states of the 20th century that became associated with prolonged prosperity and enhanced citizens' rights at least in the West (Sheehan 2008, 112).

The transformation of the nation-state through European integration

The end of the war and the onset of the Cold War form the backdrop to Europe's most significant critical juncture as it led to an unprecedented phenomenon, European integration. After the devastating world wars European integration was indeed a remarkable, albeit gradual, transformation of the nature of the state in Europe to a 'reflective' state, meaning a reflection of not only national interest, but also taking into consideration other states' and collective interests (Schmale 2010, 111). The former President of Czechoslovakia put it like this:

The greatness of the idea of European integration on democratic foundations is its capacity to overcome the old Herderian idea of the nation state as the highest expression of national life.

(Vaclav Havel quoted in Pinker 2011, 258)

Europe's and Northeast Asia's history intersect in this critical juncture of the Cold War which was actually a hot one in Asia: the North Korean attack on South Korea at the end of June 1950 led to the perception that Soviet aggression in Europe could be possible. It came just six weeks after the French Foreign Minister Robert Schuman had proposed the creation of a European Coal and Steel Community (ECSC), whose members would pool coal and steel production.³ West Germany as the frontline state needed to be re-armed in the view of many American and some European policy-makers (Germans themselves were divided over the issue). The project of a European army in the European Defence Community was proposed by France (Pleven Plan) to have German soldiers but no German army. After the French decided that they still wanted to have a French army instead of French soldiers in a European one, the project floundered in

1954. Almost immediately after the Pleven Plan was shelved the six members of the European Coal and Steel Community (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands)⁴ started to negotiate deeper economic integration (Messina Conference 1955), producing the Rome Treaty (1957)⁵ which is the founding treaty of the current EU (European Economic Community as it was called then). In the meantime, Stalin's death in 1953 had removed the urgency of the Soviet threat (Jones 2012, 55). In the Germany Treaty of 1955 West Germany was handed back its sovereignty by the three occupying forces, but this sovereignty remained limited as West Germany had to commit to not acquiring weapons of mass destruction and to put all its defence forces under integrated NATO command with allied troops given the right to maintain forces on German soil (Sheehan 2008, 200). NATO has remained the US-led transatlantic security alliance since then. And, of course, Germany remained divided until 1990.

The nuclear age buttressed a domination of science and dogmatism about the 'omniscience of natural science' (Popper 1994 [1963] 83) but also a reliance on super-powerful weapons. This also made it attractive during the Cold War to reduce the complexity of international relations to a defining and overwhelming paradigm of nuclear deterrence and military balance (mutually assured destruction, or MAD) under bipolarity. This then encouraged scholars to develop parsimonious, but in the end reductionist, theories that overlooked regional security complexes (Buzan and Waever 2003). In the MAD logic there was little room for the 'low politics' of economic or social dynamics which ironically may well have been key to the non-violent collapse of the USSR and the bipolar system in 1991.

Interestingly under the Cold War overlay (Buzan and Waever 2003) the old power-obsessed European nation-states fundamentally changed. In Europe, more than anywhere else, states became civil states. National grandeur and power were no longer chief objectives. Military matters, far from being constitutive of the state as such, became domains for specialists under civilian control. Economic issues and welfare started dominating state politics. The domestic consensus between citizens and government were important factors for that change (Sheehan 2008, 214). This transformation from military nation-state to civil state can be highlighted in three different ways:

- 1 In figures of state budgets: these data show an immense growth of state budgets (e.g. UK 1900 ca. 12% of GDP – since the 1960s ca. 40% of GDP;⁶ France ca 12% in 1900 to over 50% in the 2000s).⁷ There has notably been a strong decline of military expenditure, especially in relative terms. At the beginning of the 20th century, military expenditure was the biggest item in state budgets, while in the latter decades of the 20th century (and even during the Cold War) military expenditure was a mere few percentage points of the total, in particular social spending (Sheehan 2008, 216–7). It is similar now for the 'rising power' China, which despite increases in military spending is far from 'militarisation'. The DPRK is an exception to the general

trend with its military first policy, although the current leader Kim Jong-un added the economy as a second pillar.

- 2 Changes in military service: in the early 20th century military service was the school of the nation nurturing patriotism, national integration, discipline and a spirit of sacrifice. Dying for the nation was a holy duty, and the right to impose this sacrifice was a source of legitimacy of the state. After 1945 military service was no longer a matter of glory or dying for the nation but a duty expected to deter war. Soldiers progressively became citizens in uniform, and democratic and civilian values replaced heroism and glory (Sheehan 2008, 218–22). Most European states have abolished compulsory military service.
- 3 The end of dictatorships: in Europe the remaining fascist or military regimes (e.g. Greece, Spain and Portugal in the 1970s) collapsed and joined the EU. South Korea and Taiwan saw the fall of military strongmen and pursued democratisation at the end of the 1980s (Green 2017, 415–20). These changes took the militaristic edge out of nationalism and certainly enabled the European integration process which started with the pooling of key war industries.

Against this backdrop the EU has been a difficult nut to crack for IR theories that are based on power politics:

The problem for IR theory is that we do not have an appropriate concept readily available to categorize the EU. The challenge is to find an appropriate theoretical description of a political entity at a level between the sovereign state and the international system as a whole.

(Henry 2010, 263)

This theory problem is due to European integration not fitting into the neat categories of centralised or federated nation-states, nor into images based on power distribution or intergovernmental bargaining. Realists predicted Europe would either federate or disintegrate (Hoffmann 1966). The EU as it is today is the product of a long process of integration and an even longer one of the evolution of the nation-state as shown earlier. Integration did not follow any prescription from IR, political science or economic theories (Balassa 1961) – although superficially it could seem so. It was the result of political developments and critical junctures (Herbst 1986). It is important to underline the multitude of compatible, but not exactly consistent, narratives of European integration beyond the economic narrative. In all of them there is an elephant in the room: the nation-state. Integration was defined in the 1950s when it got seriously under way as:

the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdictions over the pre-existing national states.

(Haas 1958, 16)

The ‘agent’ of that persuasion remains vague and has usually been attributed to a mix of politicians, interest groups, bureaucrats and to technical spillovers. Integration can describe a process, a state of affairs as well as an objective and (therefore) has become a key concept in post-war Europe’s development path. For economists economic integration as a (neo-functional) process describes the step-wise abolition of discriminatory measures between economic units/states (Hix 2007, 577–8; Balassa 1961). As a state of affairs, it describes the absence of discrimination. There is a quantitative and a qualitative dimension that distinguishes integration (aiming at abolishing or removing discrimination such as tariffs or barriers to trade) from cooperation which leads only to lessening of discrimination or coordination of policies. Integration – in Balassa’s trademark stage-wise concept – evolves by stages: FTA, Customs Union, Single Market, Economic and Monetary Union. It is interesting to note that Balassa (1961) saw the liberal idea of integration as anachronistic (indeed at the time liberals looked at restoring the pre-1914 liberal economic order which had disintegrated through World War I and the Great Depression; Raphael 2014, 175–80). Balassa saw the key question as finding the right balance between government regulation and the play of market forces. This question is still relevant today and especially so after Europe’s sovereign debt crisis (chapter 7).

The process stretched over decades and was not the implementation of a strategic masterplan to achieve multi-level governance or to manage globalisation. Many advances and setbacks on the way were the consequences of political or economic crises. There are many specialised journals on the European integration process and a wealth of literature (Hodson and Peterson 2017; Piris 2012; Habermas 2011; Tömmel and Verdun 2009; Moravcsik 1998; Herbst 1986; Pierson 1996; Scharpf 1994; Moravcsik 1993; Milward 1984).

There is a reductionist tendency of individual theories that seek to explain European integration through single theoretical approaches:

This struggle for supremacy is unfortunate because it means that competing assumptions about the willingness to participate in Europe are confirmed by testing their logical entailments rather than being examined directly.

(Jones 2012, 57)

Integration theories followed political practice as Herbst’s (1986) detailed historical analysis of the highly political (rather than technical-functional) integration debates immediately after WWII shows. The profusion of different theories about European integration even at the beginning of the process is due to the deliberately pragmatist approach taken by Schuman and other ‘architects’ of Europe. This pragmatism allowed everyone to find justification for his/her theoretical views: liberals, protectionists, federalists, location theorists, functionalists, nationalists all could argue that the European integration project could be explained through their various logics (Herbst 1986, 194). Liberals saw the market-logic, protectionists could point to the external tariffs, federalists and functionalists focused on the supranational institutions, functionalists

and location theorists pointed to the arrangements for a key industrial sector and analysts looking at national security could argue the logic of peace through integration. However, the Schuman plan and related agreements left the goal of European integration deliberately open and followed no theory in particular. No wonder then, that all these diverse debates are continuing today. But it is no surprise either that the very pragmatism and openness of the EU integration process makes it difficult to propose a galvanising vision for Europe's future (Nicolaidis 2010; Gehler 2005, 333–45).

Herbst's historical research has brought out the *deliberate* openness of the European integration process from the start that allowed all participants to subscribe to it for different reasons. As a result, the EU has a bit of everything and a lot of 'in-betweenness' (Nicolaidis 2010, 25).

The resilience of European integration derives from this sub-surface complexity. . . . The bottom line is that the European project will continue so long as Europeans want to participate.

(Jones 2012, 56)

In the vexed context of Brexit, both the complexity and the need for political will to participate in the European project indeed have shown to be the key issues.

In my examination of nationalism and multilateralism as driving forces of institutional development of international society it is of course important to look at the place of the nation-state in some of the theories that accompanied the real-world process of integration in Europe. Given the sheer volume of literature on European integration from various theoretical perspectives from the 1950s onwards this cannot be done in a detailed way. I zoom out of the theory debates that characterise the research field dominated by neo-functionalists, liberal internationalists and post-functionalists. The proponents of these theories tend to argue amongst themselves whose approach explains better various outcomes (examples and overviews in Hix 2007; Kreppel 2012; Schimmelfennig 2018; Börzel and Risse 2018). In their sum all those theories have important insights to offer. I go back to the roots of European integration theory and look at European integration from an IR angle (Kreppel 2012, 635–6). In that angle it does not matter so much why and how the EU has become what it is, or how all its outcomes can be explained and how its political system can be classified compared to other political systems (which in the end of the day are all unique; Hix 2007, 580). From that angle, as well, the post-functionalist finding that politicisation influences the character of European integration is not surprising (Hooghe and Marks 2008). In this vein, I posit that the multilateralist 'DNA' of the EU can contain the 'helices of nucleotides' of liberal intergovernmentalism, neo-functionalism, post-functionalism and other theories that explain the EU's 'genetic code' resulting from evolution (development paths) and mutations (critical junctures). Post-functionalists with their focus on identity and political contestation come close to theorising the importance of nationalism and populism in integration or crisis of integration (Börzel and Risse 2018, 86–8; Hooghe

and Marks 2008). I will come back to this in chapter 4 when focusing on the nationalist challenge to the EU.

Most of those theories focus in one way or another on how the EU relates to its member-states, how EU policy is made and how the EU compares to other (multi-level) political systems (the comparative turn of integration theory to avoid the *sui generis* problem; Rosamond 2019, 32). Liberal intergovernmentalism (similar to realism; Hoffmann 1966) focuses on intergovernmental bargaining, constellations of preferences, bargaining power and commitments and rational cost-benefit calculations (Moravcsik 1998; Schimmelfennig 2018, 973). These are often snapshots rather than development paths associated with historical-institutionalism (Pierson 1996). The idea of path-dependency, lock-ins and spillovers belongs to the group of theories that focus on functionalism. For functionalists the complexity produced by technological progress, increasing and faster communication, change of warfare, the increase in economic and social challenges force states to cooperate internationally to compensate for their diminished ability and capacity to deal with this increasing complexity. Functional necessity – notably market integration – pushes states to create networks of transnational organisations or bureaucracies (later called international regimes) that take over some functions of states and the process itself can develop through various methods such as spillovers or the community method (Haas 1958; Balassa 1961) and the expansion of supranational governance, institutionalisation and path-dependency (Sandholtz and Stone Sweet 2012). All this equates to the EU as a multilateral polity. A welcome side effect of that process was a reduced risk of war among states (Herbst 1986, 199). Herbst, like Hoffmann (1966), Jones (2012) and others argue that neo-functionalism underestimates the resilience of the nation-state and the diversity of national interests in Europe. The functionalist logic was even declared obsolete – perhaps prematurely – by its key proponent (Haas 1975), notably because it seemed to work only in Europe. Nevertheless, it remains an important plank of discussion (Sandholtz and Stone Sweet 2012; Schimmelfennig 2018). This discussion sometimes creates a false dichotomy of the functionalist ‘community method’ and classic ‘intergovernmentalism’. And indeed, the functionalist method itself did not make states obsolete. Milward (1984), Hoffmann (1966) and Herbst (1986) highlight the ‘rescue of the European nation state’ through integration and the national interests of various European nations, leading to the Schuman plan and the creation of the ECSC (the antecedent of the EU). Functionalism, however, remains with different labels the key logic of multilateral state responses to globalisation (chapter 9). Belamy (2019) has proposed ‘republican intergovernmentalism’ to reconcile international governance with nation and peoples-based sovereignty and democracy with the EU as an example of a ‘republican association of sovereign states’.

The historical analysis also shows how the European regionalist logic was developed at cross-purposes with American open-door policy which aimed at *global* economic integration (through the Bretton Woods system, the Havana Charter/GATT). This is relevant for my comparison of Europe with Northeast Asia because US global liberal open-door policy could be applied without such

regionalist resistance in Northeast Asia. An often-heard argument in Asia to explain the differences between European integration and Asia's non-integration is that in Europe the US followed and enforced a multilateral solution while in Asia it pursued a bilateralist approach ('hubs and spokes' Green 2017, 278–91; Willett 2009, 111; Fukushima 2010). This has to be qualified. The US had a global policy of open-door and free trade, but in Europe the context was different for the dispensation of US post-war recovery aid. This was organised through a multilateral organisation – the precursor of the OECD – so as to ensure that the large number of industrialised, but weakened, countries in Europe would actually liberalise trade and create a payment union to ensure a liberal currency regime in line with US priorities. In Asia there were no comparable industrialised countries apart from Japan to integrate, and aid was dispensed bilaterally under a global regime (Bretton Woods Institutions, UN). Regional leaders in Asia were not interested in a regional project, but in nation building and decolonisation while European leaders wanted not only to rebuild their nation-states, but also to build a Europe that was a civilisational and economic power beyond US strategic designs in the Cold War (Herbst 1986, 194).

The Schuman plan was in fact a reaction to the early liberal consensus-based institutions set up under US aegis for the administration of the European Recovery Programme (ERP, or Marshall Plan). It was also an alternative to the Council of Europe and NATO which were classical treaty-based international organisations that in French eyes were not strong enough to permanently solve the German question. Hence the creation of the European Coal and Steel Community (ECSC), the attempt to create a defence community without the US (Pleven Plan) and then the Treaty of Rome (1957) (Jones 2012). The same logic led to the Maastricht Treaty (1992) which after German unification in 1990 provided an even stronger binding structure – including economic and monetary union – to guarantee a permanent integration and peace in Europe. Following the logics of multilateralism – building on restraint, trust-building and self-binding by Germany as a costly signal – European unification and the German question were inextricably tied together (Gehler 2005, 239). In other words, the American liberal integration projects in the context of mere cooperation of sovereign nation-states based on classic international law were not perceived as strong enough to ensure permanent security in Europe (this was of course also a lesson learnt from the inter-war period) (Herbst 1986, 192). It is interesting to note that these early debates in the post-war period are continuing today with different connotations and issues: the idea that economic cooperation produces security via economic integration of global production chains is not very different from the classic post-war US policy that sought to create an international order through economic integration based on trade on a global scale. Unlike European integration though, the integrative force of the American liberal order has waned and has not been able to transform nationalist polities. The successful democratic transformation after the end of the Cold War has also ebbed in parts of the world. The debate between an open-integrated world economy based on free trade and the proponents of regional FTAs and Customs Unions (the starting point of European

integration) that started in the immediate post-war period continues unabated today (Söderbaum 2003). The two regions I examine are the main protagonists/ideal-types for that debate.

The US, in a mixture of reluctance and indifference, accepted the European integration project although it was, from the US point of view, only the third best option: a customs union limited only to specific economic sectors (coal and steel) instead of a comprehensive customs union (second best option) or an open regionalist Europe in the OEEC (preferred option). This acceptance was a result of security policy considerations: with the onset of the Cold War and the outbreak of the Korean War in 1950, the US priority was to rapidly ensure a strong Europe that would stand united with the US against the perceived Soviet threat. Moreover, the US wanted to secure Europe's reintegration as an economic centre of gravity for the world economy (which was not yet an issue in Asia where only Japan had a sizeable economy after the loss of China to the Communist camp).

From these beginnings European integration proceeded only seemingly along Balassa's step-wise model (from free trade area, to customs union, to single market, to economic and monetary union). All these steps were in fact realised one after the other (and in no other region). However, they didn't follow a grand design or automatic neo-functional spillovers, but came about in leaps and bounds, marred by setbacks and stagnation. Progress was often made after crises (Gehler 2005 gives a good overview) as 'predicted' by one of the EU's founding figures, Jean Monnet. In this process, increases in transnational interdependence and in supranational capacity have been crucial (Schimmelfennig 2018, 986).

The first half-century of European integration has been a *longue marche* from market-making to polity-making, from the EU-as-space to the EU-as-actor, from continental consolidation to embryonic global projection.

(Nicolaidis 2010, 26)

Only since the Treaty on European Union signed at Maastricht in 1992 can one speak of the EU as more than an economic integration project in substance, although it has always been a political enterprise (to ensure permanent peace and to solve the German question) pursued through economic means after more directly political projects failed (such as the Defence and Political Union in 1954). The heart of the Maastricht Treaty was of course the agreement to introduce an Economic and Monetary Union (EMU). Despite the name only a currency union came about. Economic policy remained essentially national until the European sovereign debt crisis 15 years later (chapter 7). However, the trade-off was eminently political with reunited Germany relinquishing its prime monetary power. Most European central banks followed German *Bundesbank* policy as they had little choice to pursue different policies (Tooze 2018; Huberdeau 2017, 89–92). This costly signal followed the logic of self-restraint and self-binding that had been Germany's contribution to European order ever since 1945.

The attempt to create a political union has been an uneasy process of self-transformation in the midst of accelerating external change and disruptions since the 1990s:

the EU has been going through an era of in-betweenness which is now ending. Its 20-year addiction to institutional reform, the almost continuous renegotiation of its founding pact, the democratic prevarication of its elites, and the obsession with process goals over policy outcomes, all speak to the agonies of political mutation. The EU, fired up by the end of the cold war, has been poised between introversion and extroversion, precisely because it is unable to bridge its technocratic aristocratic past and an uncertain but irrevocable future where citizens would enjoy the power of their collective veto over the grand (and not so grand) designs of their political masters.

(Nicolaidis 2010, 25)

This mutation from neo-functionalist institutional designs to a political union has been peaceful contrary to pessimistic predictions that after the end of the Cold War Europe 'would probably be substantially more prone to violence than the past 45 years' (Mearsheimer 1990, 6). This prediction can safely be discarded from the transformation scenario. In fact, Mearsheimer's second best option for a relatively peaceful Europe (after his preferred option to continue the Cold War!), nuclear armament of Germany and a well-managed system of nuclear powers in Europe, can only be seen as grotesque. Mearsheimer locked himself into a paradigm of 'no logical alternative' to his Cold War assumptions about the importance of nuclear weapons. His chrono-centric assumptions did not even materialise 20 years later despite the sovereign debt crisis straining Europe's cohesion. The global financial crisis, and more particularly the European sovereign debt crisis, marked a major turning point, nevertheless. It is widely considered as the deepest crisis of the European integration process, although in 2015 the refugee and migration crisis appeared even more threatening (Tooze 2018; Huberdeau 2017).

The EU had to make critical choices on its integration path, which despite their often-technical nature, were highly political. These decisions concerned national sovereignty and solidarity, economic and monetary policy and also social policy affecting citizens massively. These decisions had to balance EU and Euro-zone interests and some were taken in a wider international context, with the IMF and the G20. Europe's reputation took a severe hit and talk of Europe's decline and marginalisation took hold. To make matters worse, these decisions had to take place in the context of foreign policy challenges that affected Europe's core interests (Arab Spring, the rise of China and Asia, crisis of multilateral governance symbolised by the Climate Change summit in Copenhagen 2009 and later the crisis in Ukraine). The 'Brexit' referendum in June 2016 marked another low point, but paradoxically also a rebound, as if the integration process was suddenly relieved of a brake. The UK had joined the economic integration project (the common market as it was called) in 1973, but has long been uneasy about the political, and 'ever closer' union.

The integration and disintegration dynamics sparked by the UK's decision to leave the EU will present an interesting case study of, in particular, the extrication from the complex institutional and legal arrangements and the new relationship of the UK with the continent (Huberdeau 2017).

All this adds up – for many analysts – to a rather gloomy picture. The next chapter will examine these perspectives of doom and gloom.

Notes

- 1 A digital copy of an 1834 edition of the book is available online: https://books.google.be/books/about/Anti_Machiavel_ou_Examen_du_Prince_de_Ma.html?id=G8pymPu1TXgC&printsec=frontcover&source=kp_read_button&redir_esc=y#v=onepage&q=circospect&f=false, accessed 18 March 2019.
- 2 www.ecfr.eu/article/commentary_in_the_shadow_of_ukraine_seven_years_on_from_russian_3086, accessed 14 December 2017.
- 3 Declaration by the French Foreign Minister Robert Schuman on 9 May 1950 proposing the creation of a European Coal and Steel Community, whose members would pool coal and steel production. http://europa.eu/about-eu/basic-information/symbols/europe-day/schuman-declaration/index_en.htm, accessed 18 March 2019.
- 4 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:xy0022> accessed 19 March 2019.
- 5 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3Axy0023> accessed 19 March 2019.
- 6 www.ukpublicspending.co.uk/past_spending, accessed on 25 October 2017.
- 7 www.vie-publique.fr/decouverte-institutions/finances-publiques/approfondissements/depenses-publiques-depuis-siecle.html, accessed 25 October 2017.

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4 European integration or disintegration in an era of nationalism

The EU has been in a deep crisis because its liberal promises have failed to deliver in three especially relevant areas in recent years: economic equality and solidarity, liberal democracy and pluralism (migration). The main challenge for the EU is that the polarisation both within and among countries has been instrumentalised by populist and nationalist parties and movements to attack the EU from within (Lucarelli 2018). This prompted the French President to warn in the European Parliament about forms of civil war in Europe besides deliberate and strategic attacks against Europe's multilateralism from the outside.¹ The European sovereign debt crisis (chapter 7) has been a major turning point on Europe's integration pathway:

The creation of the euro was supposed to be another triumphant step in the European project, in which economic integration has been used to foster political integration and peace; a common currency, so the thinking went, would bind the continent even more closely together. What has happened instead, however, is a nightmare: the euro has become an economic trap, and Europe a nest of squabbling nations. Even the continent's democratic achievements seem under threat, as dire economic conditions create a favorable environment for political extremism.

(Krugman 2013, 439)

After the fear of a domino of disintegration following a feared 'Grexit' during the sovereign debt crisis the 'unthinkable' and 'completely irrational' happened with Brexit (Gowing and Langdon 2018, 50–2, 249–51; Rosamond 2019, 39). Brexit, is 'the United Kingdom's buffoonishly mismanaged effort to leave the European Union' in the words of Amy Davidson Sorkin, writing in the *New Yorker*, 25 March 2019.² EU research can surely no longer just focus on integration processes, intergovernmental bargaining, economic spillovers and regulatory processes. EU disintegration has become a serious topic for EU scholars (Rosamond 2019; Vollaard 2014).³ Beyond the hype of American IR scholars who predicted the unravelling of the EU and even the collapse of the liberal world order after Brexit (Collins 2017, 311 citing Stephen Walt) the question is: how resilient is the EU in the face of disruption and global complexity? To probe this resilience,

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it is important to go back to the IR basics and first examine the transformation of the constitutive institutions of international society (chapter 2) through the multilateralist integration process in Europe. This ongoing process reflects a diffusion of power in complexity that affects the multilateral international society in which European states (EU members but also states that are associated in one way or another to the EU) have embedded their relations (chapter 1).

Sovereignty and European integration

The role of nation-states in European integration leads to the question ‘who has, or should have, how much sovereignty?’ (Christiansen 1994, 7). Is sovereignty in the EU ‘a seat at the table’ (Cooper 2004, 44)? While these may be somewhat polemical formulations, they hint at the fact that sovereignty in Europe lies still with member states but simultaneously is no longer just within their exclusive control. Sovereignty here resembles a good that can be traded, bargained about, divided, grown and redistributed among those states around the table due to a common bond, the EU treaty. Cooper’s ‘seat at the table’ underlines that the EU is still an international organisation where a seat at the table and the governmental vote are the decisive element of membership. Habermas (2011) rightly points to the *Kompetenz-Kompetenz* (the competence for constitutional treaty modifications vested in the member states) as a major difference to a federation but sees a vertical differentiation of hierarchy through law (as legitimate authority) beyond the European nation-state. In my view this hierarchy is not a neatly super-imposed level, but it is syndicated. It is not imposed from above or entirely separate from member states but jointly owned and managed by the member states and the institutions they have themselves created. At the same time sovereignty and EU law are no longer subject to explicit consent in each case and the European institutions are more or less autonomous (Pierson 1996, 125–6) and endowed with political legitimacy (for instance through the direct elections of the European Parliament, but also through the indirect representation by the elected members of member states governments and the appointees in the other institutions). Despite many unintended spillovers states are still gatekeepers, albeit not in all policy-areas. To a larger or lesser extent they have to contend with supranational institutions, such as the European Central Bank, the European Parliament, the European Commission or the European Court of Justice who supervise, enforce and develop rules. It is not simply a zero-sum transfer (or loss) of sovereignty as neo-functionalists tend to argue (Rosamond 2019, 34) but a process of social adaptation of the institution sovereignty that reflects political constraints on member states over time (Pierson 1996, 147; Keohane 2002, 65). The social adaptation is not just one-way transfer of sovereignty to a supranational level, but it profoundly changes the way member states interact and respond to the real world’s complex challenges:

We can see before our eyes that membership of the EU, and even more so of EMU, introduces a new understanding in the way sovereignty is exerted.

Interdependence means that countries *de facto* do not have complete internal authority. They can experience crises caused entirely by the unsound economic policies of others.

(Trichet 2011)

This additional syndicated hierarchy is not uniform and not easy to understand for most voters in the EU (and the Brexit negotiations show even for the governments). Its legitimacy relies on mostly indirect democratic representation with elements of a multilateral democracy, including the European Parliament, European citizenship, the member states' governments and parliaments (Bellamy 2019; Scherz and Welge 2015). Thus, the EU cannot simply be called post-sovereign, but it may be post-national (Rosamond 2019, 39). This has led to a debate about constituent power in the EU (*pouvoir constituant mixte* or the sources of legitimacy between the executive that has taken many unpopular decisions in the Eurozone crisis (chapter 7) and the European citizens (Bellamy 2019; Habermas 2017; Patberg 2017). Habermas (2017) argues for a model of constitution-making power that is divided 'at the root' between the already established democratic polities of nation-states and the polity of European citizens at large. There is an inherent tension between citizen and state equality reflected notably in the weighted votes of majority voting and the different number of voters members of the European Parliament represent. In that model, both the citizens and the states exercise significant democratic control, albeit not on equal terms given the different population sizes and the normative necessity to respect the nation-states as expressions and guarantors of the existing constitutional bargains, liberties and achievements of citizens in nation-state communities (Habermas 2017, 172–3). In this model transnational democracy stands next to national sovereignty to exercise control over the supranational polity EU.

From this perspective, therefore, in supranational political communities, unlike in federal states, the issue of ultimate decision-making authority must not be resolved through hierarchization.

(Habermas 2017, 174)

In alternative models of 'demoi-cracy' the constituent power is seen more heavily invested in the sovereign member states and their national citizens, thus creating a hierarchisation with the national prevailing over the supranational (Bellamy 2019). Despite the stated absence of hierarchisation in his concept, Habermas still talks about a 'higher level' or levelled-up sovereignty and a *supranational* community (Habermas 2017, 177; Patberg 2017), which is why I prefer the term 'syndicated sovereignty' (and multilateral democracy) as it takes account of the mixed character of the exercise of sovereignty in the EU in designated areas where a multitude of actors assume different roles rather than exist in neatly superimposed levels.

For instance, in the Council (and European Council) where the ministers and leaders of the member states convene there is a significant difference to

conventional inter-governmental organisations and bargaining: Countries A and B in their role as members of the Council of the EU act as A' and B' within the competencies and decision-making procedures defined by the EU Treaty. In the EU power is not about A getting B to do something but (A' + B' + . . . Z') + S (S= supranational institutions which are themselves also not entirely separable from the nation-states level, only in the exercise of their competences) to get A-Z + S to do something that they may not exactly have wanted to do individually, but are doing because they have collectively agreed upon a procedure by which in certain policy fields they not only accept the supranational authority and majority voting, but also have to act in common to adopt certain policies which under the Treaty they can no longer decide individually.⁴ Since unanimity is no longer formally required for most decisions the EU takes, leaving the table (as the French did in 1965 to block the European integration process) is no longer an efficient 'negotiation technique' as the UK has also learnt during the Brexit negotiations.

This particular syndicated multilateralist way of working together corresponds to what Barnett and Duvall (2005, 52–3) classify as structural power: 'the co-constitutive, internal relations of structural positions that define what kinds of social beings actors are' (here A' as members of the EU rather than just country A). Sovereignty in the EU has been multilateralised or syndicated to form a particular and distinctive international society. Nevertheless, despite its distinctness the EU shares its constitutive institutions sovereignty, international law, market economy – in the particular form of the integrated single market – with international society at large. But its multilateralist belief has affected and transformed these institutions in ways that differ from a nationalist interpretation of the same institutions that is prevalent in most parts of the world. This difference is reflected in what is often called pooled sovereignty, a European legal order and the integrated single market. I prefer the term syndicated sovereignty to capture the intricate nature of the phenomenon compared to the neatness terms such as pooling, supranational or multilevel governance suggest. That things aren't so neat is becoming clear through the challenge for the UK to extricate itself and to 'take back control' from the EU.

For the EU multilateralism (here as opposed to nationalism rather than to bilateralism and globalism) is the key modifier for both sovereignty and international law. In fact, the syndicated sovereignty of the EU is largely enshrined through legal constitutionalisation (and treaties). While this makes the EU distinct, it doesn't create the *sui generis* problem of analysing only one real existing case under investigation (Rosamond 2019, 32).

The European legal order is no longer exclusively state-centric or tied to a nationalist version of sovereignty. Neither is it in its entirety above national constitutional law. It is pluralist with multiple centres claiming constitutional authority:

In particular, national constitutional courts hold the authority of the Court of Justice and the EU legal order to be conditional upon respect for national

constitutional rights, for the limits of the (however extensive) competences conferred upon European institutions in the Treaties, and, increasingly, for certain unalterable core provisions or other integral features of the constitution that are deemed indispensable to the sustenance of national constitutional identity and to the standing of the state as a self-governing polity.

(Walker 2016, 336)

Such a multilateralist – and in parts polycentric – legal order deeply affects the conception of sovereignty and the logic it applies to international relations in the EU and of the EU with the wider world. The multilateral European way of international law is restricting sovereignty's violent face of power and its national exclusiveness vis-à-vis the international sphere of authority. Moreover, the EU legal order confers rights and obligations on citizens and civil society (*de facto* especially the economic actors) in international relations like in no other international legal system. This gives the European legal order a cosmopolitan component that is lacking in most regions and in most other areas of international law.⁵

This syndication of sovereignty and its cosmopolitan diffusion to citizens was not part of the original intergovernmental bargain. The European Court of Justice (ECJ) in its 1963 landmark case *van Gend en Loos* did away with the boundary between external and internal sovereignty, international and domestic law:

The [European] Community constitutes a new legal order of international law for the benefit of which the states have limited their sovereign rights, albeit within limited fields, and the subjects of which comprise not only Member States but also their nationals.⁶

According to the ECJ the community law not only imposes obligations on individuals, but also rights which become 'part of their legal heritage'. These rights arise not only expressly from the Treaty of Rome, 'but also by reason of obligations which the Treaty imposes in a clearly defined way upon individuals as well as upon the Member States and upon the institutions of the Community'. Arguing that EC law had direct effect on individuals' rights and obligations, the Court also stated that 'the Treaty is more than an agreement which merely creates mutual obligations between the contracting states'. This is significant as it opened the door for non-state actors (mainly businesses initially) to shape European law through court cases. In another landmark case in 1964 (*Costa vs ENEL*)⁷ the ECJ also established a clear hierarchy of European law over national law.

Within the EU system this dynamic multilateral legal order is negotiated not only between states but also supranational institutions and sometimes non-state actors and individuals. They all have 'seats at the table'. This is different from traditional international organisations but also from a domestic legal order, e.g. a federation.⁸

Liberal IR and IL scholars build on this pluralist-cosmopolitan EU innovation to prescribe this 'European Way of Law' as the future development path of international law to deal with globalisation's transnational challenges and

threats following the increasing dissolution of the separation between domestic and international law (and politics):

the very concept of sovereignty will have to adapt to embrace, rather than reject, the influence of international rules and institutions on domestic political processes.

(Slaughter and Burke-White 2006, 350–1)

This means a redefinition of sovereignty from sovereignty as control to sovereignty as (international) responsibility and the participation of citizens and civil society/businesses in international society. This is in fact a similar concept as that of ‘civilian power Europe’ (Duchêne 1973). Duchêne argued that Europe should domesticate the relations between states in the world through contractualisation, thus overcoming the realist anarchy and the separation of domestic and international order and domestic and international law. This therefore is a claim to develop a new and distinctive logic of international society at large towards multilateralism and polycentric governance. This claim makes the EU anything but *sui generis*, although as my chapters on Northeast Asia (6) and on global governance (9, 10) will show, it is still a very Euro-centric concept with few followers in the world.

The EU is perhaps a prototype of ‘an extra-territorial and multi-level universe of political communities’ (Lawson and Shilliam’s 2009, 664). Some scholars consider the EU even as a neo-medieval empire which ‘resembles in some respects the formations of overlapping political control and influences that existed in medieval Europe’ (Henry 2010, 264; Erk 2013 and Osiander 2001). Neo-medievalism had earlier been invoked by Hedley Bull to describe a possible alternative to the ‘anarchical society of inter-state relations’ (Henry 2010, 264). One of these institutions was the judicial concept of *Landeshoheit* (territorial jurisdiction) which superficially resembles contemporary network governance and the European Union:

There is a clear de facto trend in international politics away from classical sovereignty and toward something closer to *landeshoheit*, territorial jurisdiction under an external legal regime shared by the actors. Like the estates of the empire, modern states are also tied into a complex structure of governance that creates a network both of cooperation and of mutual restraint.

(Osiander 2001, 283)

This complex system, especially that of the Holy Roman Empire with its unique constitution and legal procedures, relied on legitimacy of rule and the ceremonial bestowing of that legitimacy rather than just power. Martus shows this with the difficult process of establishing a sovereign King in Prussia at the beginning of the 18th century or the development of the Free City of Hamburg in the complex web of relations with the emperor, the Danish kings, the rulers in Hanover (and England) and other neighbours (Martus 2015, 23–32, 155–72). Ceremonial (not

dissimilar to ritual in the Confucian world) was important because the use of force was limited not least by material resources, but also the need for recognition by other rulers and the estates (Martus 2015, 70). While this neo-medieval model has some charm, it ignores the religious dimension of medieval society. There are also some more fundamental problems: 1) a 'neo-medieval EU' is not a stage on the way to a Westphalian nation-state (Henry 2010, 264; Osiander 2001). It is quite unlikely that the EU develops into a state in this sense. 2) The resemblance with medieval Europe is superficial. Overlapping jurisdictions had very different reasons and after the creation of nationalism and the nation-state it is difficult to turn the clock back to feudal rights centred on a myriad of personal relationships of authority and property. 3) The EU's differentiation is due to functional and political reasons such as compromises papering over differences between member states, not grown from 'dysfunctional God-given' structures. Instead of returning to the Middle Ages, analysing these issues as part of an evolution to International Society 2.0 is more productive. The overlapping spheres of authority, 'fuzzy' governance, diversified institutional authority, the role of private actors are a reflection of the diffusion of state power and the anarchy of complexity. Polycentricity explains the EU order better than the medieval analogy. The EU's diversified governance is partly a result of and partly a response to such trends in the contemporary world, but at the same time

although the EU's heterogeneity has increased over time, this trend has not led to the emergence of a Europe à la carte either, where member states systematically opt out from areas subject to hierarchical modes of decision-making. (Bolleyer and Börzel 2014, 400)

Only the UK, after a long history of securing exceptions to common policies, budgets and rules, has decided to opt out from the EU's hierarchical modes of decision-making and jurisdiction altogether (Collins 2017).

Syndicated sovereignty and polycentric governance

As argued so far, the EU has not developed a new alternative to sovereignty, but it constitutes sovereignty and law in a radically new logic: multilaterally syndicated sovereignty. Multilateral is used here on a spectrum as a section between nationalism and cosmopolitanism. This multilateralism has led to polycentric governance as opposed to 'Westphalian' central authority or a European 'super-state' (or supranational community). Syndicated sovereignty is larger than the sum of its national parts and interwoven with the supranational level (so not just pooled) and it provides a 'return on investment of national interest' in terms of enhanced capacity to deal with international challenges and development notably in economic fields and in managing globalisation (Wade and Meunier 2010). It is not the divided domestic sovereignty of a federation and it is not the exclusive national sovereignty in an anarchic society. Neither is it the pooled but separate sovereignty of traditional multilateral organisations or a post-modern

cosmopolitan sovereignty.⁹ It is still the basic modern ‘Westphalian’ sovereignty, but used in a different multilateral logic at multiple levels, or to be more precise: by multiple authorities – not only states – with considerable overlap and variation according to policy areas (Tömmel and Verdun 2009; Zürn et al. 2018). This is what makes the EU a prototype of polycentric governance. The literature on multi-level governance in the EU has made a strong contribution underlying this claim. But the term multilevel governance which is usually employed to describe the EU (Scharpf 2014) is less appropriate than the term polycentric governance. The multilevel analogy suggests a clear-cut and hierarchical alignment of neatly superimposed layers of authority and neglects the overlapping networks, nodes and non-state actors and ‘in-betweenness’ (Nicolaidis 2010, 25). This multilayer concept is probably fairly clear-cut in the regulatory domain which is legally and judicially defined with clear rules and processes for decisions. But beyond that it is less obvious. National politics and European politics are difficult to disentangle: MEPs are elected on a national basis, the Commission is composed of national high-level politicians, and the governments in the Council as explained earlier are there and discuss issues which are not just their sovereign choice. Politicians sometimes pursue a national and a European career, and member state officials and contractors rotate into and out of the European and national bureaucracies, agencies and transnational networks that interact autonomously. More fundamentally, the hierarchy of competences and decision-making varies considerably by policy area, so that the European and national institutions assume different positions in the formal and informal decision-making processes. Hence, overlapping spheres of authority, transnational networks and polycentric governance capture this diversity better than the neat separation in supranational and national levels.

Nevertheless, national sovereignty is still crucial in the EU – ‘Westphalian’ sovereignty in the EU has not been *transferred* from states to supranational institutions to create a super-sovereign Leviathan. It has evolved mainly through legalisation (Abbot et al. 2002; Alter 2000; Slaughter and Burke-White 2006) adapted to the context of regional integration and more recently the context of governance of globalisation (Habermas 2017, 173; Patberg 2017, 203).¹⁰ Member states did not simply surrender sovereignty to the EU bureaucracy but they defined the scope of supranational institutions’ activities and created mechanisms of oversight through committees and horizontal cooperation networks amongst themselves (Tömmel and Verdun 2009 review the different types and policy areas). The main ‘control tower’ is the summit of EU heads of state and government that meets more and more often especially in times of crisis. The subsidiarity principle (Huberdeau 2017, 54–5, Art 5(3) TEU) plays an important role in the EU’s polycentric governance. It means that in areas of shared competence with member states the EU’s interventions should be justified, for instance, if states are unable to achieve objectives and EU action adds value. National parliaments were given a degree of oversight. This principle seeks to safeguard the ability of member states to take decisions and authorise EU action only when it can be better achieved at EU level. At the same time states were constrained by

gaps in control and lock-ins as well as unintended constitutional modifications through ECJ interpretations, doctrine or secondary legislation with the directly elected EP in co-decision all modifying state intentions:

The EU's lack of a monopoly over coercive force, which is often highlighted when discussing the adequacy of comparing state and non-state systems, is of minor importance for its working insofar as its supranational institutions wield significant powers of hierarchical coordination.

(Bolleyer and Börzel 2014, 385)

This element of hierarchical coordination alongside the multiple overlapping spheres and centres of authority is significant: theorists of polycentric governance define it as an organisational structure where multiple independent actors mutually order their relationships with one another under a general system of rules to deal with the complexity of collective action in the provision of public goods (Ostrom 2009, 2010; Araral and Hartley 2013; Thiel 2016). In the US the term polycentric governance has been used to analyse mainly metropolitan area governance (mainly from US examples) and more recently environmental governance around the world (Thiel 2016; Ostrom 2009, 2010). Another strand of polycentricity has been pursued by European (legal) scholars questioning the postulated unity, hierarchy and coherence in European law in analogy to the nation-state ideal-type (Wind 2009; Walker 2016). In essence regulation has become multi-sourced and interconnected not just emanating from sovereign states. While states remain at the centre of regulatory space, the centrality of the state can no longer be taken for granted, not least due to the diffusion of power in complexity and dispersal to new actors public or private (Drahos and Krygier 2017, 13–6; chapter 8). The multiple centres of authority in the EU are a particular case in point and centralisation of coordination may be a better term than hierarchical coordination.

Polycentric governance in the EU is not just issue-driven. It has been institutionalised: in the EU various centres of authority - supranational, national and sub-national, political, parliamentary, executive, technical or advisory - permanently interact to produce policy (mostly through regulation or projects). The authority of those various centres varies considerably across policy areas and is complemented by networks (Tömmel and Verdun 2009).

In the EU's multilateralist and polycentric order alongside the resilient state-sovereignty the supranational institutions matter and are a particularity of the EU's governance framework. The polycentricity is also reflected in the increasing density of agencies that have been spun off the European Commission over the years.¹¹ The organisational structure thus created makes the general system of rules for collective action polycentric by design: regulation and its implementation, even in the limited sense of 'hard law', requires several centres of authority, such as the European Commission, the European Parliament and the Council as well as member states governments, courts and parliaments. Those all to some extent formally interact and consult with various interest groups and civil society

in the regulatory process. Most decisions leave considerable room for implementation and judicial review to the member states.

Thus, there is a uniquely constituted, syndicated and polycentric order multilaterally owned and managed by the member states and their supranational institutions. In this order the sovereignty of member states has not been replaced by EU supranational sovereignty, but the supranational institutions have a strong coordinating and regulating role. Polycentric governance in the international arena as exemplified by the EU seems to work best with a strong centre (European Council, European Commission, ECB) and with robust rules and compliance surveillance. Loose intergovernmental arrangements relying on states' good will were not very successful (Stability and Growth Pact). This claim will be examined for the economic crisis and climate change in chapters 7 and 8.

What made the sovereign debt crisis so challenging for the multilateral EU logic and thus so difficult to handle is that interdependence in financial systems (the anarchy of complexity) couldn't be managed through the supranational syndicated hierarchy. Crisis management, at least initially, took place directly between member states due to the large sums involved that far exceeded the EU's budget and that only member states could mobilise (Tooze 2018; Gillespie 2013). This bilateral direct interference with only partial use of the EU institutions raised the question of democratic accountability in other ways than in the traditional EU system as such (Bellamy 2019; Habermas 2011). It also released the ghost of nationalism, old prejudices and 'forgotten' moralisation gaps (such as the Greek government claiming wartime compensation from Germany).¹² Consequently fiscal policy has been put on the functionalist community track and is now subject to further development of Europeanisation in the multilaterally syndicated logic: the report by the presidents of the European Council and the European Commission *Towards a genuine Economic and Monetary Union*¹³ proposed to develop the banking union, fiscal union, etc. (chapter 7). The migration crisis has shown similar built-in tensions between the old nationalism and multilateralism, as the intergovernmental decision-making process stalled over irreconcilable member states positions, but 'Brussels' got the blame for being dysfunctional and the issue has remained largely outside the scope of the supranational sphere of authority (Schimmelfennig 2018; Börzel and Risse 2018).

The resurgence of nationalism during the crisis

Driven largely by these crises, the syndicated sovereignty and polycentric order have come under attack (Tooze 2018; Nicolaïdis 2010). Nationalism has come back to haunt the EU elites (Lampert and Blanksma Ceta 2017), most strikingly with the June 2016 Brexit referendum in the UK. However, the economic crisis has also shown that intergovernmentalism is not the answer to the challenges of complexity (Tooze 2018) and even if Europe were to disintegrate, that may not lead to a return of the nation-state (Vollaard 2014). The EU cannot afford to be seen as just another level of the same kind of national government that has become discredited with many voters (Leonard and Torreblanca 2014). Therefore, more flexibility – even a multiple speed EU – more network (or polycentric)

governance that includes national institutions as well, but also fewer over-ambitious designs have been advocated (Piris 2012). A rebalancing of democratic accountability to remedy the EU's democratic disconnect (between citizens and their elected representatives) that became apparent during the Eurozone crisis would be another avenue (Bellamy 2019). This would reinforce 'demoi-cracy' rather than cosmopolitan international democracy through accountability to national parliaments/national *demoi* rather than hoping for a pan-European *demos* to emerge (Patberg 2017, 204–6).

The sovereign debt crisis, fundamentally a banking crisis due to the negative feedback loop between bank and sovereign debt, changed the political nature of the integration game because the macro-economic, fiscal, macro- and micro-prudential policies and institutions had to be built up under the contradictory pressures of the market forces and of the citizens wary of bailouts and austerity policies, adding to the already different interests of creditor and debtor countries. The powers of creditor countries greatly increased resentment in the debtor countries. At the same time the EU was perceived in some countries as a cold-hearted promoter of austerity and globalisation and associated with corrupt and cosmopolitan elites. Electorates in many countries were suffering the consequences from the crisis and the crisis response in the real economy and in the labour markets. Hence governments were under intense pressure to defend 'national' interest (in reality often that of 'their' banks) in crisis management. Moreover, during the crisis, the risk of anti-EU parties entering government in Greece, Italy and other countries worried the rest of the EU governments and delayed negotiations (Kotroyannos et al. 2018). The primacy of national politics over the European common goals became clearly visible in creditor and debtor countries alike. Market pressures were particularly challenging as financial markets expected what politicians could not give them: a guarantee that bailouts would come, or the euro be rescued at any cost. Such a 'blank cheque' would have presented a moral hazard and it would have taken the pressure off the debtor countries to carry out structural reforms demanded by the creditor countries (moralisation gap between creditors and debtors).¹⁴ On the other hand the massive bailouts contrasted with the dearth of funds mobilised for social or environmental issues. This prompted criticism and created moralisation gaps between states, citizens and markets ('privatising profits, outsourcing risks') that reinforced previous Eurosceptic attitudes over too neo-liberal EU policies. Here polycentric governance, in the sense that market actors were involved in major decisions, also shows a problem of democratic accountability (Bellamy 2019; Patberg 2017). These moralisation gaps illustrate the main weakness in the EU integration process: democratic accountability versus centralisation and an executive or intergovernmental focus, the influence of lobbyists, a tension between output efficiency (and legitimacy) and input legitimacy (democratic process and accountability; Bellamy 2019; Habermas 2017). There was asymmetry in the euro-rescuing regime 'either as an authoritarian expert regime or as a dictat [sic] imposed by the creditor governments' (Scharpf 2014, 4). This assessment reflects the mood in many countries that felt that austerity measures were imposed on them by powerful countries (and Germany in particular). The crisis revealed that national power is still relevant in

today's EU especially in the intergovernmental modes of decision-making and in particular when making treaty changes that affect the institutional order and balance and therefore require unanimity.¹⁵ However, I will show in my account of the financial crisis in chapter 7 that it is precisely in the areas where the EU's syndicated competence and power were weak (and member states remained competent) that the power balance mattered and led to suboptimal results and produced grievances between member states and a breakdown in solidarity (Jones 2012). During the crisis, the normal procedures of the EU were insufficient (for fiscal matters no adequate EU procedure was foreseen by the Treaty) and under-funded for rapid decision-making. Some rare efficient decisions – such as the creation of the EFSF – were possible in intergovernmental formats (extraordinary summit meetings) under enormous market pressure. But in general terms the intergovernmental decision-making proved slow and problematic (Schimmelfennig 2018).

The crisis management impacted negatively on the perceptions and the legitimacy of the EU in Southern Europe in particular where mass protests by 'indignados' and the victims of austerity and the rise of populist parties have deeply affected the political landscape (Kotroyannos et al. 2018).

If there was something complacent about the earlier pragmatism, we now live in a time of widespread foreboding and of “despondency and lethargy” over the future of a polity, which has had its basic legitimacy questioned as never before. The “capacity – expectations gap” exposed by the EU's management of the uneven costs and benefits of the sovereign debt crisis in the Eurozone has undermined levels of output legitimacy already depleted by the post-Maastricht extension of jurisdiction into more contentious economic, social and security matters, while exposing – and arguably exacerbating – long-standing problems of input legitimacy. In turn, this has led to an acceleration of institutional unsettlement, the exposure of new class and regional cleavages and an unprecedented deepening of cross-national solidarity challenges.
(Walker 2016, 348)

After the emergency mode, gradually the EU decision-making reverted to the normal slow institutional and legislative processes. The EU had to break several vicious circles affecting Europe in diverse ways while at the same time restoring growth and preserving its social model (de la Porte and Heins 2015). The EU's pathway cannot be seen in isolation of this socio-political context (Bellamy 2019; Rosamond 2019). In the following section the perspectives of EU integration (or disintegration) in this context will be the focus.

Is the EU disintegrating from within? Populism and nationalism

Nationalism remains a strong vector of identification even in the EU today, but in the mainstream it has been more of the civic type (Fligstein et al. 2012, 112; Habermas 2017, 172–3), with room for beliefs in multilateral solutions or

even cosmopolitan approaches.¹⁶ Indeed it is not unusual for individuals to have a strong attachment to the nation and be positively oriented towards the EU (Hooghe and Marks 2008, 13). This room has been shrinking under pressure from nationalist populist parties on both the right and the left of the mainstream who peddle national identity as something exclusive and often nostalgically oriented towards a 'glorious past'. Unlike in the friend-enemy schemes of the 20th century and unlike in Northeast Asia today, nationalism in European countries is rarely directed at other European countries (Habermas 2017, 173). But nationalism also affected the intergovernmental management of the financial crisis and EU governance.

Populist pressures and politicisation of the EU are not just recent phenomena but have accompanied the European integration process in different phases, although during the 1980s a 'permissive consensus' prevailed (Kriesi 2016; Hooghe and Marks 2008). However, the financial crisis and the EU's response have empowered populist Eurosceptic parties on the left and the right in various member states, although not in all (Börzel and Risse 2018, 84). Right-wing populists more than left-wing populists focused on nationalism (or national identity) in the political debate about the European order (Kotroyannos et al. 2018). It is important to broaden the left-right divide about economic issues for instance as an identity contest between traditionalism/authority/nationalism (TAN) and green/alternative/libertarian (GAL) parties and voters (Hooghe and Marks 2008, 16–23). Another way to make sense of the 'Babelian confusion of voices on populism' is to consider other cleavages: authoritarian/democratic, market fundamentalist/redistributive, exclusionary/inclusionary, xenophobic/cosmopolitan, electoral/participatory and nostalgic/aspirational (Gagnon et al. 2018, vii). All share the minimal reference to the alleged divide between the common people/the masses and the elite. Building on such a scheme a number of scholars have analysed populism and nationalism in the context of the EU crisis while integration scholars have tested how far their integration theories can explain backlashes against integration or disintegration (Schimmelfennig 2018; Börzel and Risse 2018). Some have emphasised that the problem is less with EU integration as such than with the larger crisis of democracy (Rosamond 2019) and the heterogeneity of political cultures of EU member states (Bellamy 2019). This is why here I focus more on populism/nationalism while in chapter 7 I will examine the integration literature on the EU response to the sovereign debt crisis.

Populists claim to represent the true will of the people and dismiss elected or bureaucratic elites and experts. Often this is a thinly disguised strategy to gain power. Moffitt (2018, 3) offers four perspectives on populism – ideology, strategy, discourse and political style. More problematic is the reduction of complexity to the national community and the vague promise to take back control, as if recourse to national sovereignty and autonomy would solve all complex problems (Kotroyannos et al. 2018, 2). In that sense populism reflects a deep-rooted phenomenon of a citizen perception of a chronic failure of democracy in a long list of policy fields (Gagnon et al. 2018, xv). The combination of populism with radical right wing parties taking up traditional nationalist themes such as the

rejection of other cultures, foreigners and supranational institutions is of course particularly challenging for the EU (Moffitt 2018, 11–2). On the other hand, the challenge that radical right wing and populist parties more generally pose tends to be exaggerated in journalistic accounts. Some studies find continued and even increasing public support for the EU, although of course data vary by member state, but overall there is no nationalist backlash in mass public opinion (Börzel and Risse 2018, 94–5).

The deeper issues that feed populism such as taxation, rising inequality, welfare, climate change, but also social issues such as gender relations, minorities, etc. (the TAN/GAL divide) are to a large extent and inevitably part of global challenges and complexity (Bellamy 2019). In the institutional set-up many of them are not issues under EU competence. But the EU can influence them through rules and regulations, for instance by macro-economic policy frameworks. Instead of focusing on the EU as a strong collective actor that can influence global rules and dynamics to defend European citizens, the EU is often made a scapegoat by populists as it is confounded with the ‘corrupt cosmopolitan elites’ they target. National responses by small European countries to geo-political and geo-economical dynamics seem delusional in the context of diffusion of power in complexity. The EU has a role in managing global governance in which most EU member states can no longer pretend to play significant roles on their own: the EU has ‘Member States that are small and others that have not yet realised that they are small’.¹⁷

The EU is also seen by some populists, mainly in the south (Kotroyannos et al. 2018, 14), as the promoter of socially harmful neo-liberal globalism. The EU has become more and more part of a political debate about social and economic choices in a complex world where disruptions and change question the status quo (Gowing and Langdon 2018; Lucarelli 2018). The populist denial of complexity reveals that ultimately populism is about gaining domestic power, not about national interest or an answer to the anarchy of complexity. The tragi-comic Brexit play acted out in the UK is a warning that nationalists and populists may have clear ideas about what they don’t want, but no convincing alternatives to the EU in a world of power diffusion.

The resilience of the multilateralist EU order

Nationalism potentially threatens the very existence of the EU from within. But all is not doom and gloom. Despite the journalistic hype about populism the EU and the Eurozone have defied predictions of their demise based on mainstream IR and economic theories. This has proven the resilience of the multilateralist order created through gradual integration. The EU remains part of the complex process of social adaptation that follows critical junctures such as the Global Financial Crisis in the anarchy of complexity. The intergovernmental or executive mode of decision-making has been sub-optimal and exposed the EU to international criticism and to a populist backlash (chapter 7).

Realists expected the EU would (finally!) disintegrate due to the sovereign debt crisis because of the unequal impacts of globalisation on individual member

states and a return to a state of anarchy. Some realists had predicted EU disintegration already in the 1960s (Hoffmann 1966) and again at the end of the Cold War. Europe, absent the Soviet threat, would break apart and revert back to its old power politics (Mearsheimer 1990). None of this happened – instead the EU grew from then 12 to now 28 member states and with Croatia's EU membership (in July 2013); even the last European 'war zone' in the former Yugoslavia seems set for pacification through EU enlargement. The EU has also deepened its integration through several treaties (Maastricht 1993; Amsterdam 1999; Nice 2001; Lisbon 2009), albeit with some difficulty. In fact, during the sovereign debt crisis several countries even joined the Eurozone (Estonia in 2011, Latvia in 2014, Lithuania in 2015). The EU – and the Eurozone – have kept growing in membership and new institutions and mechanisms of macro/economic policy have been set up. This does not seem to vindicate the idea that the EU is a sinking ship. Nevertheless, it has become quite fashionable to talk Europe into irrelevance:

Europeans (and others) tend to indulge in images of decline, to have a clear preference for being unbound in self-criticism and to look for weaknesses in order to compare with the strengths of others.

(Jørgensen 2013, 53)

The pending exit of the UK – so far at least – has raised more questions about the UK's, rather than the EU's, future with a closing of ranks among the remaining 27 EU members (Collins 2017). Neither does the political confrontation between supranationalist and nationalist approaches to European integration and the rise of Eurosceptic parties spell doom for the entire project. After all, this tension has always marked the integration process (Degner 2019). Perhaps it is rather a sign that finally political debate is replacing the past 'permissive consensus' with a contest over economic, ecologic and social priorities for European countries and the EU as a whole (Kriesi 2016). A major question in the next years will be to develop concepts that allow the EU to tackle its democratic disconnect and the compatibility of simultaneously pursuing democracy, national self-determination and globalisation (Bellamy 2019).

Despite a severe challenge the waves of financial, migration and Brexit crises have not washed away the EU's multilateral order. While nationalism has raised its head again in Europe, apart from the UK, it has not led to defections and it is unlikely that other EU members follow the UK's particular development path (Collins 2017). The UK has seen a surge in citizens pushing to remain in the EU and Brexit may not seal the end of the UK's association with the EU's multilateralist order in one form or another.

Most integration scholars noted that European integration progressed in the economic field after the sovereign debt crisis although the economic union remains far from complete (Börzel and Risse 2018; Höing and Kunstein 2019; Schimmelfennig 2018). Europe's trade policy has been very successful in linking with Korea, Canada and Japan to name but a few. Public opinion also seems to be fairly stable in support of European solutions to economic, security and

social problems. In sum, nationalism has not led to EU disintegration. A more intense politicisation and polarisation between nationalism/Euroscepticism and multilateralism/EU integration and a number of other TAN/GAL divides among political parties and voters seems to suggest a reordering of the party-political landscape in many EU countries. Social movements such as Pulse Europe, the school strike for climate, and others add salient issues and pressures on politicisation and preference formations in domestic and European politics that have shaped European integration since the 1990s (Bickerton et al. 2015; Degner 2019; Kriesi 2016).

The disintegrative power of nationalism meanwhile can be observed in North-east Asia's development path, both historically and at present – in an evolution almost inverse to the European trajectory.

Notes

- 1 www.elysee.fr/emmanuel-macron/2018/04/17/discours-du-president-de-la-republique-au-parlement-europeen-a-strasbourg, accessed 14 December 2018.
- 2 www.newyorker.com/magazine/2019/03/25/the-magical-thinking-around-brexite, accessed 16 May 2019.
- 3 However, the politicisation of EU integration and the salience of national sovereignty in the political debate in some countries started much earlier with referendums in founding members about the Maastricht Treaty and later about the draft Constitution for Europe immediately before the global financial crisis (Hooghe and Marks 2008; Kriesi 2016).
- 4 There are some varieties on the EU decision-making procedures which in particular determine the role of S, the supranational institutions like the Commission and the Parliament, or Court of Justice. In EU Commons Security and Foreign Policy (CFSP) the formula applies with a much diminished or no role for 'S', but countries still act collectively (A', B') and the object of the exercise of power or authority in CFSP is directed to external issues/actors, so not against A, or B. . . . The intra-EU intergovernmental bargaining within CFSP is about whether to do something, what and who pays.
- 5 The Lisbon Treaty even created the possibility for a European citizen's initiative to make proposals for legislation to the European institutions as of 1 April 2012: <http://ec.europa.eu/citizens-initiative/public/welcome>, accessed 20 May 2019.
- 6 Judgment of the Court of 5 February 1963. NV Algemene Transport - en Expeditie Onderneming van Gend & Loos v Netherlands Inland Revenue Administration. Reference for a preliminary ruling: Tariefcommissie – Pays-Bas. – Case 26–62. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:61962CJ0026:EN:HTML>, accessed 20 May 2019.
- 7 <http://curia.europa.eu/juris/showPdf.jsf?jsessionid=9ea7d2dc30d5fe8d00e697974af18c98c0669ccac029.e34KaxiLc3qMb40Rch0SaxuSbNr0;text=&docid=87399&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=855872>, accessed 20 May 2019.
- 8 For a deeper discussion of the confederal or federal nature of the EU including references to a wide literature on these issues: Bolleyer and Börzel (2014). These authors argue that it is widely accepted that the EU is a multi-level governance system with federal principles at work and can be compared with other multi-level systems such as federations or confederations. The EU has a large proportion of hierarchical modes of governance as well as non-hierarchical ones, but intergovernmentalism and differentiation are not as common as could be expected in an increasingly heterogeneous entity.

- 9 Bolleyer and Börzel (2014, 385) classify the EU as a confederation arguing that the EU's centre is weaker than cooperative-federalist analogies. The classification debate is not essential for my argument.
- 10 Here we note the importance of the third constitutive institution, the market economy and how it is conceived of on the spectrum of nationalism to cosmopolitanism, for instance, through the degree of liberalisation or regulation or in the EU case integration (Rosamond 2019, 40).
- 11 https://europa.eu/european-union/about-eu/agencies_en#type-of-agencies, accessed 22 March 2019.
- 12 "Greek demands for war reparations set creditors on edge", *Financial Times*, 11 March 2015.
- 13 www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/134069.pdf, accessed 20 May 2019.
- 14 Much was made about the German word for debt – Schuld – which also means guilt, creating a moral undertone already in the language.
- 15 But even treaty changes reflect results of bargaining and compromise in a multilateralist framework which are rarely zero-sum games.
- 16 According to research (e.g. Fligstein et al. 2012, 109–14) almost half of EU citizens view themselves as having a strictly national identity, a similar proportion see themselves as having a national and sometimes a European identity and a small percentage (4%) see themselves as exclusively European. Data sets and questions vary according to different researchers, but a number of surveys and studies conclude that national identity remains important in Europe, that the feeling of being European is not deep but widespread with over half of the population on aggregate supporting European solutions to problems. This varies by member states. People need not choose between a national and a European identity and ethnic concepts of national identity tend to see non-European migrants as 'the other' rather than other Europeans. This is to some extent also reflected by various right wing or Euro-sceptic parties (Kriesi 2016).
- 17 Speech by HR/VP F. Mogherini at Princeton University, 11 March 2019: https://eeas.europa.eu/headquarters/headquarters-homepage/59498/speech-high-representativevice-president-federica-mogherini-%E2%80%9C-eu-global-actor-challenges-and_en, accessed 8 April 2019.

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5 From Confucianism to nationalism in Northeast Asia

In this and the next chapter I explain the conflicted ‘regionness’ of today’s Northeast Asia (Wissenbach 2018) by uncovering the region’s pathway starting from a Confucian international society and security community (chapter 2). Nationalism and associated European ideas about sovereignty and international law destroyed this Confucian international society at the end of the 19th century. More importantly, the aftershocks of that critical juncture are still unsettling the relations between China, Japan and the two Koreas today (chapter 6). The ideological institution nationalism is key to understanding conflict and even economic dynamics in the region. The moralisation gaps, cultivated by nationalists on all sides, are both the obstacle to multilateralism and the key to potentially switch to a multilateralist pathway through recognition and reconciliation. But bridging moralisation gaps is so far not on the agenda of trilateral cooperation meetings.

Northeast Asia between the 1500s and the end of the 19th century formed an international society in its region akin to what today would be described as a security community that essentially functioned without the institutions of war and great power balance that were so characteristic of Europe during that time. While it had no ‘multilateral institutions or secretariats’ and came in a hub and spokes form with the Ming (1368–1644) and Qing (1644–1911) Court at the centre, it had a set of shared norms and procedures, a system of regulating official and private trading networks, a shared writing and recording system and culture and a clear sense of belonging together on civilisational grounds (as opposed to nomadic barbarians, pirates or Westerners; Kang 2010, 29–33; Kuhn 2014, 17–29, 133–59; Ringmar 2012). It was built on a formal hierarchy between members. This community was destroyed through Western and Japanese imperialism in the 19th and 20th centuries.¹ Japan’s transition to imperialism itself reflected the tension between its Asian-Confucian and Western-nationalist identities.

Imperial Japan in the first half of the 20th century tried to recreate an Asian community by force and take over regional hegemony from China in the name of anti-imperialism. Japan took possession first of some islands (like Ryukyu/Okinawa and Taiwan, 1895) then annexed Korea (1910), parts of China (1919, 1931) and then invaded China (1937) and other countries. This episode marked the definite end of the Confucian world and the emergence of ‘Westphalian’

nation-states in Northeast Asia. Nationalism and the moralisation gaps related to this historical juncture are crucial for understanding current disputes over uninhabited islets and wartime atrocities. The result has been a peculiar, conflicted regionness in Northeast Asia today that also affects economic relations and the apparent inability to engage in meaningful regional cooperation (chapter 6). These deeper problems transcend and help explain another plausible but narrow story of today's US-China strategic rivalry and power transition that is usually told about Northeast Asia (Green 2017; Swaine et al. 2015; Woodward 2017). That story of great power competition in Asia today is given meaning through earlier critical junctures. The questions that need to be addressed to understand international relations in Northeast Asia today are:

Why do countries in Northeast Asia reject their common history and focus on their differences instead, especially in the contemporary context of globalisation which is often said to force countries together like in the European case? How has a thick regionness in the Confucian past evolved to such a thin regionness today that makes Northeast Asia seem like a non-region?

Where has the common history gone?

Northeast Asia's common history is under-researched even in Asia. This may sound surprising, but analyses of Asian history textbooks show that pupils learn more about European history than Asian leading to 'East Asian Alienation by East Asians': both in terms of quantity of texts on each other and in their quality. Chinese, Korean and Japanese textbooks leave very little space for the history of neighbours or East Asia as a whole (Yu 2007, 226). History in these textbooks is thus nation-centric and Euro-centric: 'Even worse, Asia seems to have no history before modern times'. (Yu 2007, 228). There are also distortions of history when the textbooks do refer to neighbours in both ancient and modern periods, such as Chinese textbooks taking over Japanese imperial historiography on Korea (Schmid 2002). Lacking or distorted historical accounts and stereotypes allow nationalist politicians to exploit moralisation gaps and to dominate or manipulate schoolbooks and media accounts. Historical narratives of victimhood cement this alienation.

The people of Asia need to confront the past and build a common ground of historical understanding. Germany, by thoroughly reflecting on its past since WWII, has helped heal the long-festered wounds of European history, laying a psychological foundation for European integration . . . exemplified by Germany's initiative in co-authoring history textbooks with France and Poland.

(Former Korean president Roh quoted in Kim 2009, 94)

In an analysis from a Korean perspective on the French-German history textbooks Kim S. (2009) shows how important writing history from different viewpoints is both as a result of and as part of a process of reconciliation over a long timeframe.

Such a process is missing in Northeast Asia, although there have been some attempts by historians and CSOs and exhortations by politicians (mostly from Korea and China). Characteristically the government-to-government attempts of Korea-Japan and China-Japan historical committees

have not been productive because government-led projects are bound to the government's official stance and public opinion. . . . In contrast, civil society (NGOs, scholars, and teachers) organizations ended up producing many useful auxiliary materials.

(Kim 2009, 95)

The lack of consolidated and serious historical research and textbooks facilitates the nationalists' and the education bureaucracies' attempts to manipulate history for narrow ends in all countries. Add to this that diplomatic relations and the freedom to travel and even to import cultural products from neighbours are fairly recent (1990s), it is clear that alienation and stereotypes in Northeast Asia run much deeper than in Europe where they have been subject to deconstruction and reconstruction of identities since the end of WWII. The nationalist historiography of Northeast Asia is important to understand the conflicted regionness today.

In this chapter I cannot fill this gap in historical research and bridge competitive versions of history, but critical junctures need to be elucidated and the effects of nationalism on international society have to be pinpointed to understand the evolution of key institutions of international society in the region. Historians could perhaps use some of these ideas to carry out more comparative research than is possible in the space of this book.

Northeast Asia's long peace

In Confucian international society, states were strong but not conceived of as nation-states. They were dynastic-administrative states (Mühlhahn 2019, 21–3, 38–47). Bureaucracies were key domestic institutions to provide stability (Bell and Hahm 2003). Their identities were expressed through dynastic, hierarchical, administrative, ritual, cultural, local and family ties (Duara 2001, 117–25). States in Confucian international society (which included parts of Southeast Asia) had clear positions in domestic and international society and formed a civilised community demarcated from the (nomadic or semi-nomadic) barbarians and pirates. Unlike Europe with its wars and power balancing, the Confucian international society formed a community of states ordered in a hierarchy based on shared principles of state philosophy and common constitutive institutions of their society (chapter 2).

The 'long peace'² in Northeast Asia in the Confucian international society from at least the 17th to the 19th century is remarkable. Indeed, it contrasts with Europe's ceaseless warfare, territorial conquest and power-balancing during the same period. That long peace relied on very different institutions of international society than those developed in Europe. International relations in the Confucian

world operated in a logic of (Confucian) hierarchy with the Chinese Emperor at its centre based on a 'Mandate of Heaven' (Kuhn 2014, 45–6; Song 2012). Harmony, not power-balancing, was the key concept for that order. The hierarchy and the instrumental institution of the investiture and tribute system was more flexible and more polycentric than is usually assumed.

Power distribution, great power balance and war (traditional institutions of the Concert of Europe and in the English School's concept of international society borrowed from realism) cannot explain the constitution of the Confucian International Society in the Ming and Qing periods (Kang 2010; Kuhn 2014). The size and power of China is often seen as a problem for international relations and regional integration today – and of course it is, but in the past regional society in Northeast Asia, when China was even more powerful compared with its neighbours than it is today, the region did not balance against China, nor did China simply absorb its neighbour-states (Kang 2010, 33–7). Its expansion under the Qing was limited to its 'uncivilised' western and northern border regions and nomadic or semi-nomadic societies (Lovell 2011, 82–5; Kang 2010, 82–106; Mühlhahn 2019, 53–8). Contrary to Europe's violent history the region found a rather stable *modus vivendi* a few centuries before Europe did. This system was built around China at the apex of a regional status hierarchy but states remained independent (Kang 2010; Song 2012). International order was not a consequence of permanent war and power balancing, but of ordering role relationships (Cheng 1997, 38–40; Bell and Hahn 2003). In contemporary terms it was the productive power in the terms of Barnett and Duvall (2005, 55–7; figure 0.1.) emanating from the Ming and Qing courts and co-constructed by the other polities and thus not exclusively Chinese (Bell and Hahn 2003; Song 2012, 176–7). The humanistic and cosmopolitan philosophy underpinning the recruitment of elites and the conduct of state affairs in various countries provided the glue for the Confucian international society and order (see table 5.1).

States in Northeast Asia had developed their statehood earlier than most European states. They had clear boundaries between them, but less clearly delineated maritime and steppe frontiers (Kang 2010, 139–57). It is at these steppe frontiers, the frontier of civilisation and barbarians that the productive and structural powers of the Confucian world fizzled out and compulsory power was used in both offensive and defensive (Great Wall) ways. Japan on its islands – which also served as a pirate base – had another perception of the world than China. For China vulnerability to security threats has always been the main driver of the empire's management of its foreign relations. The world seen from China was a chaotic and complex terrain of risk and uncertainties stretching from the land borders to the coast. Maintaining peaceful relations with foreign powers was a critical concern for any Chinese dynasty (Mühlhahn 2019, 77). Some of these steppe civilisations, however, built up their own states (often using Sinic models) such as the Manchu who even took over control of the Chinese Empire in 1644 as the Qing dynasty until 1911. This takeover was a short invasion by a multi-ethnic alliance led by the Manchu helped by a *coup d'État* (Mühlhahn 2019, 49) and happened at the same time when Europe was in the last phase of

Table 5.1 Forms of international society and their institutions

<i>Ideal types (real or theoretical)</i>	<i>EU</i>	<i>Confucian world</i>	<i>Westphalian (realist)</i>	<i>Functionally multilateral</i>	<i>Cosmopolitan (world society)</i>
Hierarchy	Syndicated and to some extent organising principle (in field of EU competence), organised inequality	Formal, investiture and tribute system	Formal equality, informal hierarchy of great powers	Formal equality, output legitimacy of various group configurations; Informal hierarchy or club diplomacy	World government; federation effective equality, trans-national democracy
(national) Sovereignty	Syndicated with supranational components	Dynastic – administrative; mandate of heaven (supranational as recognised by several states)	Organising principle	Moderated organising principle	Redundant or subordinated
Nationalism	Weak, civic	Limited, cultural	Strong to extreme	Moderate	Weak or overcome, different allegiances and sources of legitimacy
Multilateralism	Institutionalised, constitutional	Limited and functional	Non-permanent alliances, treaties, positivist international law, balance of power	Issue-related, expansion of agreed rules/laws/regimes	Constitutionalised, not necessarily state-based
Cosmopolitanism	Democratic deficit, but team workers can address collective action dilemmas effectively; security community	Strong (Confucian), Tian Xia universalism, but not institutionalised; security community	Only in utopian writings	Limited cooperation; can address urgent and important collective action dilemmas ad hoc, but enduring cooperation difficult to sustain	Real and institutionalised (world government)

the Thirty Years War. Significantly, in spite of realist theoretical expectations, Japan did not ally with the Manchu troops to participate in the war against Ming China. The Manchu built up a multi-ethnic state connecting the Manchu, Mongol and Tibetan areas among others by creating the institution of the Dalai Lama. They preserved their own separate state, language and ethnic practices and this produced a diarchic political and legal system – one for the Han Chinese areas and one for the Manchu, Mongol and Tibetan areas at the core of Qing rule (Mühlhahn 2019, 54). Tibetan kingdoms were other examples of such sometimes semi-nomadic states at the frontiers of Empire caught between assimilation and resistance to Chinese rule.

The investiture and tribute system

For inter-state relations, the instrumental institution Confucian international society had developed was the investiture and tribute system (see tables 5.1 and 5.2). There are different interpretations of how the investiture and tribute system worked and even whether it existed as a system at all (Cha 2011; Zhang 2009). But it was clearly different from European diplomacy and not just a cloak for trade or merely symbolic:

these rules and rites were intimately involved with ordering diplomatic, cultural, economic, and political relations among a number of actors.

(Kang 2010, 13)

There is debate about its multilateral character: Kreiner (2012, 156) argues that this tribute system didn't just create exclusive bilateral links between China and another country, but rather that it created a multilateral international order in which, for instance, two countries in a tributary relationship with China would relate to each other on equal terms and thus avoid violent conflict. Gao (2015) who also builds on extensive existing literature, looks at the tribute system from the angle of regional public goods and finds it loosely cooperative and weak in terms of delivering public goods. The weakness of Gao's argument is that it projects today's market-approach to security and economic interaction into a past where there was no real market and demand in such a distinctive way for such public goods. But even so, arguably, the Confucian states did produce important public goods such as shared culture, script and literature and norms from a shared political culture (and philosophy), rules of behaviour, peaceful coexistence, cooperation in fighting pirates, smugglers, nomads and regulating trade, fishing and other economic activities (Song 2012; Kuhn 2014). Economic exchanges in Northeast Asia and beyond, contrary to Gao, but also contrary to state-centric readings of the tribute trade were important:

Beyond the tributary system and the centrality of silver is a spatial vision centered less on national economies and state policies, and more on open ports and their hinterlands, one that draws attention to maritime intercourse

Table 5.2 Equivalence of modern security community, Confucian society and today's EU and Northeast Asia

<i>Security community (Adler and Barnett 1998, 30–5)</i>	<i>Confucian international society</i>	<i>European Union</i>	<i>Northeast Asia today</i>
Members have shared identities, values and meaning	Confucian state philosophy, stability, cosmic harmony and order	Democracy, fundamental values and objectives enshrined in EU Treaties	Different political and value systems; exclusive national identity
Relations are many-sided and face to face	Various regulated diplomatic or tribute and trade relationships which required occasional face to face ritualistic interaction; only partly many-sided, mostly bilateral	EU summits, institutions, committees	Relations are largely bilateral or even non-existent, ad hoc and largely through Foreign Office channels; limited trilateral relations
Long-term interests are pursued and often a sense of altruism or responsibility develops	Long-term interest in social stability, defence against nomadic incursions and piracy and a cultivation of civilisational achievement and refinement, benevolence	EU treaty objectives, long-term policies through legislation, community method, majority voting, solidarity clause, respect for rule of law and court decisions; compromise culture	Focus on almost exclusively national interest, often short-term, no sense of shared responsibility or altruism
Peaceful resolution of conflicts	Number of wars/ invasions was very low, and the case of the Imjin War showed a strong moral reaction against aggression within the Confucian world	Compromises, procedures, ECJ	No mechanism for conflict resolution, risk of armed conflicts; antagonistic and mutually exclusive views on conflicts
Reciprocity	Very essence of the investiture and tribute system and in general relationships in the Confucian world	Solidarity, financial transfers	Conditional reciprocity and tit-for-tat

and the periphery, and that calls into question the statecentric parameters that have long dominated scholarship.

(Selden 2008, 9)

Incidentally that view seems to foreshadow the ‘open regionalism’ of contemporary Asia.

Asia, with China at its center, experienced a long epoch of peace and prosperity that resulted from the successful working of a tributary-trade order that placed the region at the center of the world economy at a time when Europe was plagued by war and turmoil. While our discussion has centered on finance, silver and banking, tributary and private trade lubricated the regional order. So too did common elements of statecraft in the Neo-Confucian orders in Japan, Korea, the Ryukyus, and Vietnam.

(Selden 2008, 10)

The investiture and tribute system varied over time and among the various actors which included not only the countries of Northeast Asia, but a large number of kingdoms and tribes in the larger Asian region (Kreiner 2012, 157). The investiture and tribute system therefore was the main instrumental institution through which a set of widely shared norms, formal and informal rules and protocol of interaction produced substantial stability in a formal hierarchy with the Ming and Qing Courts at the centre of the system. This system emphasized formal hierarchy but allowed considerable informal equality (Kang 2010, 54). Kings required formal approval by the Chinese court for their succession and the choice of their heirs to the throne (investiture), but the succession was generally determined autonomously without interference from China and then ‘rubber stamped’ (with gold or jade seals rather than rubber stamps). For instance, the royal succession in Korea required the approval of the Ming or Qing imperial court.³ Relations with China didn’t involve loss of independence, and countries were largely free to run their domestic affairs and foreign policy as they saw fit (Mühlhahn 2019, 78). This contrasts with the many wars over dynastic succession in Europe (chapter 3).

Tribute referred to the sending of envoys or embassies (high ranking officials) bearing gifts to the superior court (not only to China, but also among the members of the system) at determined intervals. Unlike the emerging network of resident diplomats in Europe after the 16th century, there were no permanent embassies residing in each other’s capitals. The exchange of gifts symbolized the relationship of deference to superior status *and* mutual recognition. It involved rather large amounts of expensive items exchanged (so not one way) and was part of ‘official barter trade’. At the same time the tribute missions which stayed for weeks or months dealt with other diplomatic matters such as exchanges of information, negotiations about politics and trade, agreements and settlement of disputes, fighting piracy, recognition of borders (for instance after changes of dynasty or other events), cultural achievements and matters similar in function

to what diplomats still do today (Kang 2010, 54–81). Thus, one can say that the system fulfilled a number of equivalent functions of modern diplomacy and trade agreements in a different form. The investiture and tribute system thus qualifies as an instrumental institution of the Confucian international society on a par with European diplomacy.

A key weakness of the system – and a major difference with multilateral orders like the EU – was its hierarchical hubs and spokes orientation around the centrality of China and a lack of integration despite flourishing international trade in the region (Kuhn 2014, 566–71). While from China's point of view the hierarchies were clearly established, countries among themselves – while establishing similar investiture and tribute relations amongst each other – often disagreed about status.

There is a great deal of evidence that both Korea and Japan regarded each other as inferiors. States without the cultural or civilizational influence of China had far less claim to superior status relative to other secondary states. As a result, states down the hierarchy had trouble dealing with each other and with determining their own hierarchical ranking.

(Kang 2010, 73)

Today, the competition about status and rankings is still an important issue of pride or irk between Japan and Korea (especially for the latter due to the colonial experience).

1592: the Imjin War as a critical juncture

However, this narrative of a shared long peace and of cultural and economic achievement in this proto-security community is largely absent in today's national narratives of often antagonistic identities. Visions for Northeast Asian cooperation also largely ignore this past community. Instead the narrative of commonality and harmony is disfigured by projecting modern nationalist narratives backward in time. Some Koreans I have spoken to believe a history of permanent aggression by their neighbouring countries over centuries being taught in schools where Western historians or political scientists can identify only one major war before the end of the 19th century, the Imjin War, a double attempt in 1592 and 1598 of Japanese Kampaku (imperial regent and later Chancellor of the realm) Toyotomi Hideyoshi to conquer first Korea and then China, and one further military operation by Manchu forces in Korea in the context of their invasion of China in 1644.⁴ The battles of the Imjin War took place on the Korean peninsula and Korean troops were helped by the Ming army to push back the aggression. It is likely that the other hundreds of invasions that seem to exist in the Korean historical consciousness refer to attacks by Japanese or Chinese pirates or border tribes on Korean villages and ships (Kang 2010, 86–9). In contemporary parlance that would be non-state actors and private violence and not inter-state wars (Münkler 2002). Kang (2010, 82–106) has counted and

classified the conflicts in the region (including Vietnam and others beyond my focus on Northeast Asia) and shows that China and other Confucian states did use force and engaged in numerous conflicts, but hardly ever against each other (12 out of 336 conflicts of different types between 1368 and 1841 – listed in a table by Kang 2010, 91). Most conflicts were with nomads in what is now Xinjiang, with Tibetan and Mongol polities or with the organised pirates (*wako*, many of which were based in Japan and the Philippines). Most were border skirmishes rather than wars (defined as causing more than 1000 battle deaths). The Imjin War was a critical juncture as it fractured the investiture and tribute system and set China and Japan on separate pathways that would culminate in a much longer and bloodier conflict almost exactly 300 years later. It revealed a pattern of covert and sometimes overt rivalry between China and Japan for leadership in East Asia and the Korean trauma of feeling like a ‘shrimp between whales’. In 1592 Japan challenged the China-dominated system militarily, first attacking Korea (as it would again 300 years later). Interestingly, this happened at the end of a century of civil war in Japan itself where local leaders fought against the central authority and each other (Kreiner 2012, 168–80). It was not one of the traditionally educated princes, but a military leader of low descent, Hideyoshi, who after unifying the warring states in Japan undertook the military invasion of Korea, apparently driven by a need to feed his army and the legitimacy deficit of his rule through conquest (Kang 2010, 96). Tellingly, Hideyoshi after reforming Japan and consolidating his rule wanted recognition by the Ming as an equal, not a secondary tribute state lower in rank than Korea and Vietnam (Kang 2010, 96–7). After the Ming refused to grant equality to the new ruler of Japan, Hideyoshi seems to have then decided to substitute himself for the Emperor of China (Kreiner 2012, 180–5) but he died during the war in 1598 and his successor, Tokugawa Ieyasu, abandoned the foreign adventure while preserving much of the unifying domestic reforms Hideyoshi had undertaken. Thus, the short-lived revisionist challenge to the Confucian regional order seems to have been partly a consequence of the breakdown of traditional Confucian order in Japan itself and the ambition of a Japanese ruler to operate a dynastic change (not to change the system itself). Such a dynastic change without change of the international system through foreign conquest happened 50 years later when the Manchu toppled the Ming dynasty and replaced it with their Qing dynasty (Mühlhahn 2019, 48–58). Interestingly, the Japanese established relations with the Ming loyalists who had escaped the Manchu conquest of China by seeking refuge on Taiwan which they controlled for several decades (Mühlhahn 2019, 51). Like this Japan could keep relations with the ‘legitimate’ China refusing to deal with the Manchu barbarians and the Qing dynasty.⁵ By contrast, Korea after many years of internal divisions about the question accepted the Qing’s mandate of Heaven; Kuhn 2014, 534–6). This is an interesting parallel to the 20th century: Mao’s ‘Red China’ was not recognised, instead Japan maintained diplomatic relations with the exiled nationalist government on Taiwan.

Contrary to contemporary realist theories about power balancing, Korea did not team up with Hideyoshi to challenge China’s hegemony. Instead, Korea

refused granting Japanese troops free passage to invade China. Neither did China take advantage of its large army in weakened Korea during the Imjin War to simply annex it (Kang 2010, 98). However, ever since this thwarted attempt by Japan to revise the hierarchy and change the order in Confucian international society of the time the ambiguous relations of Japan with the China-centred order have remained a feature of regional society (Kang 2010, 97). Moreover, the Imjin War for Koreans is an important element of their later victim narrative and the conception of Japanese as relentless colonisers trying for centuries to subjugate Korea. At the same time the role of the Ming troops in the victory is downplayed compared to the merit of Korea's national hero Admiral Yi. Even the abduction of Korean potters to Japan during the war (a major boost to Japan's porcelain manufacturing) is seen as a precedent for abductions of Koreans as forced labourers in wartime Japan during WWII. The underlying narrative on that episode that was created in the 20th century is an image of a rapacious Japan owing its own cultural or industrial development and power to exploitation of culturally superior, but militarily weak Koreans since time immemorial and analogous to the 20th century colonisation and the profit Japan drew from the Korean War.

Tokugawa Japan (1603–1808) which had actually lost the Imjin War but taken considerable spoils from Korea, obscured the result and indeed portrayed Korea as a subjugated state. Many years of negotiations and falsified documents led both sides to believe different things about their respective status after the war (Kang 2010, 74–6). Tokugawa Japan kept appearances and the respect for Confucian tradition, but in fact left – or was expelled from – the China- (and Korea) dominated investiture and tribute system in the mid-17th century. Japan became largely inward-looking, however, it kept trade relations, including with Qing China and Joseon Korea, and established its own system of tribute relationships (Mühlhahn 2019, 79–80, 83; Kreiner 2012, 197–203). Japan was thus not closed or isolated but no longer actively participated in the China-centred international society (Kang 2010, 79–81). The Confucian world became more obviously polycentric. The Dutch were part of this system (in the Japanese perspective) and followed the rules of the Japanese (Suzuki 2014). This included also Taiwan, the Ryukyus (now Okinawa) and the Northern islands (Kuriles). The territories concerned by the ambiguity of the falsified peace settlement after the Imjin War and the expansion of Japan trade and control in the 17th century foreshadowed the annexation of all these territories by Imperial Japan at the end of the 19th century when ambiguity gave way to the zero-sum view of sovereignty and nationalism. Ryukyu was forced into this second tribute system through an invasion in 1609 confirming the alienation of Japan from and rivalry with the China-centred world order but continued its tribute missions to China. As a result, the Ryukyu Kingdom owed allegiance to both China (since the 14th century) and Japan (since 1609) until it was annexed by Japan in 1879 (Oberländer 2012, 268–72). Japan for the 300 years after the failed invasion of China via Korea by Hideoshi was still a part of the Confucian world, but it was a boundary case of the Confucian international society (Kang 2010, 9). A more nuanced view is that while Japan remained strongly impregnated by Confucianism and

Chinese cultural practices it sought a larger degree of isolation from China as a state and from its hegemony than, for instance, Korea and established rival networks of allegiances and trade (Kuhn 2014; Suzuki 2014).

From this brief account, it becomes clear that the China-Japan rivalry became more entrenched after the Imjin War and that the Sino-centric system became paralleled by a similar Japan-centred one, albeit without causing major wars as could have been expected in a realist reading of history. The ambiguity of the post-Imjin War period allowed appearances to preserve a peaceful status quo without violent conflict. That lasted 300 years until the end of the 19th century. It cannot adequately be captured or disentangled with notions of power-balancing or international law.

One can thus say that present rivalry between China and Japan for leadership in East Asia and Korean tensions with Japan over equal status have deep roots in this first important episode of the Imjin War and its aftermath (roughly coinciding with the Thirty Years War in Europe) which can thus be identified as a critical juncture on the region's pathway, but it – importantly – required a second critical juncture: Western imperialism and nationalism to turn this rivalry into actual conflict, war and conquest in the 19th century.

The destruction of the Confucian international society

Around 1800 Northeast Asia was the most prosperous and stable society in the world with significantly higher living standards than Europe (Kuhn 2014, 510; Selden 2008, 9). Qing China was part of a truly global economic system with silver imported from Latin America and exports of silk, tea, porcelain and other manufactures to Europe (Mühlhahn 2019, 66). China alone produced more goods than the whole of Europe, about a third of world production (Kuhn 2014, 560) and during that time Europeans (Portuguese, Dutch and British) traded and conducted diplomatic relations with China on China's terms (Zhang 2014). At the same time the Qing was the dominant economic and geopolitical centre of an East Asian order that facilitated two centuries of stability and prosperity (Mühlhahn 2019, 77). We saw earlier that its international society came close to what today would be called a security community (see table 5.2) and a somewhat regulated common market. How did this successful international society disappear? Why did even its memory get so distorted that it has become discredited and associated with a new Chinese hegemonic design (French 2017)?

A tsunami of globalisation as imperialism following the industrial revolution in Europe in the 19th century swept away the Confucian world. When Western powers overthrew the Confucian investiture and tribute system, they destroyed the regional security community. When Japan then emulated Western imperialism, the region was completely transformed through war, domestic turmoil in all countries and conflicting processes of nationalism.

Japan broke sharply with the dynamics of center-periphery relations associated with the tributary order. Perhaps most strikingly, in contrast to the

protracted peace of eighteenth century East Asia under the earlier tributary order, Japan precipitated successive wars that kept the region in turmoil and ended in defeat for the brash, upstart empire within half a century.

(Selden 2008, 12–3)

The territories taken by Japan in this period included the nowadays disputed islets like Dokdo/Takeshima, Diaoyu/Senkaku.

There is no general account of the regional impact of the West on the Confucian world as Kang (2010) and Kuhn (2014) focus only on the past Confucian society and how it worked, not how it was destroyed. Mishra (2014) comes closest, but his book – which also covers the Middle East and India – focuses on China and Japan and very little on Korea, for instance. A regional history of 19th and 20th century Northeast Asia remains to be written. However, there are sources usually focusing on individual countries, and the works I used list a large number of original sources and secondary literature: Lovell (2011), Mühlhahn (2019), Qu (2010) for China; Schmid (2002) for Korea; Oberländer (2012) for Japan.

This destruction of the regional order, the implosion of Confucian international society and the de-centring of China was a critical juncture where behavioural patterns of the state system in Northeast Asia changed dramatically due to a number of different and at first unrelated, non-linear changes and trigger events: developments of military technology giving Western countries an edge over their Asian counterparts, the industrial revolution and scientific progress in Europe (Morris 2011; Kocka 2013; O'Brian 2010 on the 'great divergence' theory)⁶ and the European discourse of a superior standard of civilisation and racism resulting in 'civilising missions' (Gong 1984; Duara 2001). Moreover, demographic, economic, social and environmental challenges as well as internal political ones destabilised the Qing (Mühlhahn 2019, 120–46).

This destruction of the regional order started with the Opium Wars of the British Empire against the Qing Empire (1839–42) to open it up to British trade.⁷ Essentially this was driven by the British East India Company (Mühlhahn 2019, 91–2) to force China's trade surplus with Britain into a more favourable balance for Britain by exporting opium grown in India to China (Kuhn 2014, 568–9). As a result of the Second Opium War (1856–60) the Qing Court finally agreed to the initially rejected Western demand to establish foreign consulates (Qu 2010, 67), a major change from the non-resident tribute missions in the past. Sources from both sides reveal a large perception gap and failure to understand the respective positions of the two sides (Lovell 2011; Mühlhahn 2019, 94–106). China was not only under pressure from the coast, Russia advanced in Manchuria and in Central Asia/Xinjiang (Mühlhahn 2019, 99–100, 149–51).

After the Opium Wars and other conflicts with Western powers, China lost its civilisational superiority and central status – or some would say its hegemony – in East Asia. The investiture and tribute system was replaced by a system of unequal treaties imposed by European powers, Russia and the US on the Northeast Asian countries (Mühlhahn 2019, 104–19). The legitimacy of the Confucian world

dissipated quickly. The game of modernisation was played with a different set of cards and China was not dealt a good hand.

The period of Japanese imperialist aggression started as a fight against the unequal treaties imposed by Western powers on Japan. Japan borrowed the Western ideas to strengthen the central government in 1868 (Meiji Restoration) and to reject in 1911 the unequal treaties it had been forced to sign after the US forced opening of its ports in 1853–4 (Treaty of Kanagawa 1854, 1858 First Unequal Treaty with US on trade ending Japan's tariff autonomy, followed by similar treaties with Prussia, the Norddeutsche Bund, Austria-Hungary; Green 2017, 47–51; Oberländer 2012, 264–7). However, Japan went further to become an imperial power itself. Japan claimed the mantle of civilisational superiority from the Chinese Empire cloaked in Western modernity and finally reversed the roles that had led to the rivalry at the beginning of the 17th century after the Imjin War (Oberländer 2012, 268–87). Japan's power manifested itself first in a military victory over China in 1895. The war started over a Chinese intervention requested by the Korean government against a local rebellion (Schmid 2002, 25–7) but also by conflict over trade and market access (Moon 2008). In the first clause of the Treaty of Shimonoseki in April 1895 – ending the war between the Qing and Meiji Japan – the Qing dynasty recognised the full sovereignty of Korea, formally ending the investiture and tribute system (Schmid 2002, 56; Green 2017, 69–70). Japan forced the Qing through this treaty to cede Taiwan – and initially also the Liaodong Peninsula. The latter, however, had to be returned after the triple intervention by France, Germany and Russia only to become a theatre for the war with Russia in 1904–5, resulting in its annexation in 1905 (Mitter 2014, 25). But the Treaty laid also the groundwork for Japan's subsequent annexation of Korea which had been Japan's objective since the 1870s (Schmid 2002, 26; Oberländer 2012, 272). Japan's war with Russia in 1905 was elevated to a particular level of symbolism as the first military victory of a non-Western power over a Western one (Oberländer 2012, 272–87; Mishra 2014).

The Japanese aggression against China is a story that extended over 50 more years and that I cannot possibly adequately tell here (Mitter 2014 provides a detailed account), but the early victory of Japan in 1895 over the Qing dynasty was a key event which precipitated the fall of the dynasty (in 1911). The Qing were already weakened by the Opium Wars and especially internal tensions, most notably the extremely large and bloody rebellion of the Taiping (1850–1864).⁸ The defeat led to a profound crisis in the Chinese elite that saw its old cherished civilisational superiority not only crumble under the Western barbarians' modernity, but destroyed by a formerly inferior tribute country. A sense of humiliation was certainly palpable then, but more importantly China's intellectuals were prompted to reject their own Confucian culture and imitate Japan in its successful modernisation (Mitter 2014, 17–33; Mishra 2014, 174–204). Japan was partly admired as a model for reform, partly hated because of the humiliations.

From being the gold standard of civilisation China almost overnight was pushed in the mud of the world's backyard and Confucianism came to be seen as an obstacle to modernisation not only in Europe (Max Weber, Karl Marx), Korea

or Japan, but also in China itself (Lovell 2011, 299–308; Mishra 2014, 174–225): Chen Duxiu, a leading intellectual figure (and a founding member of the CCP), wrote in 1916 ‘We must be thoroughly aware of the incompatibility between Confucianism and the new belief, the new society and the new state’ (Lovell 2011, 315). These important intellectual figures and political activists deplored China’s backwardness, attributed it to corruption, selfishness, isolation, ignorance, conservatism of which the Western countries had merely taken advantage in the ‘struggle for survival’ as the social-Darwinist and racist thinking of the time (for detailed analysis of this Hobson 2012; Mishra 2014, 182; Mitter 2014, 26) spread around the globe. And that struggle for survival required the cohesion of the racial and social group into a nation (Miscevic 2010, 6, 10, 12), with the idea, the institutions, the technology and the vocabulary all imported from the West, often via Japan (Lovell 2011, 298–300; Mishra 2014). This nation-building ideology was quite different from the later humiliation narrative.

In China the shock of the Opium War was first interpreted as victimising and humiliating by the nationalist party (Guomindang) in the 1930s. Almost a century after the event this move served

to persuade the populace to blame all China’s problems on a single foreign enemy: to transform the Opium War and its Unequal Treaty into a long-term imperialist scheme from which only the Nationalists could preserve the country, thereby justifying any sacrifice that the party required of the Chinese.

(Lovell 2011, 318–22)

The same interpretation was later used by the Chinese Communist Party (CCP). Initially the CCP ignored that aspect of history as it tried to minimise the Guomindang’s role and enhance its own role in the fight against Japan and class struggle rather than nationalism (Wang 2008, 790–4). In the 1990s, however, the topic began to be taught in schools in the name of patriotism (Mühlhahn 2019, 541–5). Today China portrays itself mainly as an innocent victim of repeated foreign aggression – with little introspection about its own mistakes and internal problems, such as the Taiping Rebellion and other insurgencies against Qing rule, whose foreign (Manchu) character was duly emphasised:

The Opium War’s birthday extravaganza of 1990 was the start of one of the Communist Party’s most successful post-Mao ideological campaigns, Patriotic Education, a crusade designed – as the *People’s Daily* explained in 1994 – to “boost the nation’s spirit, enhance its cohesion, foster its self-esteem and sense of pride.”

(Lovell 2011, 344)

The narratives of ‘de-centring’ China because of civilisational decline dominated thinking also in Korea and Japan at the end of the 19th century, when China, the erstwhile Confucian role model, ‘became the most common example of a

nation lacking civilization' and the West became the new standard of civilisation (Schmid 2002, 57; Gong 1984). All 'new' nations in the region found proofs in their often distant past that their nations had not always been weak and inferior as they were portrayed to be in the social-Darwinist climate of the time. Historians quickly noted that past territorial control was not congruent with present-day borders – notably in the frontier lands of Manchuria and the maritime domain (Kang 2010, 139–57). Reconfiguring the own nation in the centre was crucial:⁹

The “Middle Kingdom” was no longer seen as occupying the center but was decidedly on the periphery, both globally and regionally. And as peripheral, China was anything but civilized. This reorientation called into question the full range of practices, texts, and customs that for centuries had been shared by Koreans as part of their participation in the transnational Confucian realm. Formerly accepted as universal, these were increasingly deemed Chinese and thus alien to Korea.

(Schmid 2002, 11)

Yet at the same time the common history was needed to differentiate Asia from the West and to elevate Asia's and thus Korean (or Japanese or Chinese) civilisation to the same level of universality. Japan consequently developed a pan-Asian narrative to justify its expansion, especially after the traumatising experience of the Versailles Peace Conference where it became clear that Wilson's Fourteen Points referred only to Europe. Japan's main demand, the racial equality clause, was rejected by the US President and the European imperialist powers despite a majority vote in favour (Duara 2001; Mishra 2014, 244–6; Mitter 2014, 46; Green 2017, 128–9). China in 1919 refused to sign the Versailles Treaty as contrary to promises during WWI (which China entered on the allied side in 1917); the German colonies in China were not returned to China, but instead handed to Japan. This prompted a very strong nationalist backlash and deep resentment at the West's (in particular Wilsonian America's) duplicity, led by the modernist youth, the Fourth May Movement (Mishra 2014, 251–7). After WWII, history seemed to repeat itself as Japan was allowed to keep some of the spoils of war at China's expense despite allied promises and China's sacrifices in the war (Green 2017, 292–3).

The de-centring of China: nationalism and sovereignty 'invade' Asia

In the 19th century Western ideas were forced on Asian societies through imperialist power by negotiation and by force and asymmetric use of law. Western ideas about civilisation, modernity, nationalism and territorial and economic interests replaced Confucian tradition (Qu 2010; Gong 1984). A new order (or disorder) was built on Western ideas and, in particular, that of sovereign equality and domestic sovereignty. This finding is crucial to explain Northeast Asia's pathway to nationalism today. In the 'short timespan of 100 years' China initially

rejected the concept of sovereign equality that Europeans tried to impose on it in the 19th century and then became the champion of the ‘sacred principle of national sovereignty’ that it is today. Ironically China in order to be able to sign the *unequal* treaties after the second Opium War first required the recognition of its sovereign *equality* by the foreign invaders (Qu 2010, 67). Those ideas were partly imposed, partly espoused opportunistically. In the minds of the countries in Northeast Asia, international law was associated with intrusion, colonisation and the violent promotion of European standards of civilisation – a facade for conquest. Hence, they used it mainly to defend themselves and insist on equality. Their sense of nationhood and victimhood till today feeds distrust regarding universal or cosmopolitan claims advanced by former imperial powers. This (simplified) perception of Western powers using international law to promote their own interests and values contributed to undermining the credibility of some of the post-war liberal order in particular intrusive pluralist concepts such as ‘responsibility to protect’. Hence there is a strong insistence by virtually all non-Western countries on the safeguards provided by sovereignty. This affects global governance in the economic sphere and in the fight against climate change (chapter 9).

Adopting Western norms and institutions like international law was at that time the entry ticket into international society defined on European terms. These terms replaced China’s superior civilisation as the defining institution for the region (Qu 2010, 72). Japan’s Meiji Restoration and Korea’s emancipation from China essentially meant adopting Western ways. Korea’s emancipation was particularly ambiguous as it rejected its own Confucian traditions while it actually had made itself into an exemplary Confucian society:

a fascinating example of the way in which philosophies developed in one place actually find their fullest and most “orthodox” expression in another.

(Bell and Hahm 2003, 22)

Japan’s discomfort with Asia, its preference for the Pacific as its region of choice and its alleged choice to leave Asia as the country modernised or westernised in the 19th century is a topic that became prominent in the 1850s and 60s. The imperialist turn of Japan’s Meiji Restoration was due to European ideas about social Darwinism, imperialism paired with sovereignty and *Lebensraum*, which replaced the investiture and tribute system with its ambiguities that had allowed shelving any conflicts. Such expansion was in line with the nation-state idea in the 19th/20th centuries and often simply justified by the interest of the nation to gain more territory or resources (Miscevic 2010, 10). The ‘Europeanisation’ of Japan paved the way for Japan’s imperialism later on (Korhonen 2014, 2; Mishra 2014, 158) although this was not a linear path:

The history of the Japanese people does not contain any categorical betrayal of Asia in a cosmological sense. Redescribing, and then forgetting the “leaving Asia” issue, of course does not wipe away the legacy of Japanese

colonialism, invasion of neighbouring countries, war atrocities and the perennial political inability to bring closure to these issues.

(Korhonen 2014, 6)

In fact, Japan's narrative of 'leaving backward Asia to join the civilised modern West' evolved into the ideas of pan-Asianism which became the justification of Japanese imperialism. Pan-Asianism was not a specifically Japanese idea but widely shared in Asia (Mishra 2014). However, the specific objectives quickly diverged:

Sun Yat-sen had had no success in persuading the European powers to back him. He had more hopes of Japan, declaring in a speech in Kobe in 1924 that since Japan's victory over Russia in 1905, the peoples of Asia had cherished the hope of "shaking off the yoke of European oppression". However, Sun's idea of pan-Asianism, the philosophy of Asian unity, meant something rather different in governmental circles in Tokyo: not cooperation, but domination by Asia's major power.

(Mitter 2014, 35)

The Japanese version of pan-Asianism did not imply equality, but a vertical structure with Japan at the top (Kaneko 1999). In his lecture, Sun (a Chinese revolutionary politician who later became China's first president after the fall of the Qing in 1911) distinguished between the Western despotic hegemony (*badao*) and the Confucian virtuous king's rule (*wangdao*) associated with the investiture and tribute system. In this way Sun appealed to his Japanese audience to renounce the hegemonic, imperialistic way of the West and return to the Confucian, solidarist international society.

As it turned out, the Japanese military appropriated the language of *wangdao* and used it to rule China instead.

(Duara 2001, 116)

The concepts Japan pursued in the 1930s and 1940s of an 'East Asian Community', a 'New Order in East Asia', the 'Greater East Asian Co-Prosperity Sphere' and an 'Asian Community', all under Japan's leadership, were portrayed (and, outrageously for Japan's neighbours, continue to be) as an attempt to liberate fellow Asians from Western colonialism and leading them into modernity. However, rather than a cynical disguise for imperialism, these concepts rooted in Japanese Pan-Asianism, were part of an intellectual heritage building on East Asian commonality of culture, script, race and common ancestors (Duara 2001, 111; Duus 2008, 146). 'The Japanese were imperialists in China who thought of themselves as friends and mentors, rather than occupiers'. (Mitter 2014, 46–7)

The wider ideological clash between Japan and China was a central cause of the tragedy [the Nanjing massacre]. Japanese Pan-Asianism had

metamorphosed in the decades between 1900 and the 1930s, and the Japanese were seized with a sincere, if deluded, belief that they had the duty to lead their Asian neighbours, including China, in a journey of liberation from Western imperialism. The notion that China might have developed its own vision of nationalism, in which Japan was as much an aggressor as the West, did not fit into the world view of the invaders. This cognitive dissonance did a great deal to fuel the contempt of the troops for their victims and their consequent savagery.

(Mitter 2014, 139)

The pan-Asian dream nourished Japan's national identity and restored a sense of national pride after decades of humiliation by foreigners. But Japan's first 'regionalism' project in 20th century Northeast Asia was an imperialist one, imposed through dubious uses of international law, coercion, annexation and war, thus discrediting regionalism projects for a long time and opening large moralisation gaps with all of Japan's neighbours. The territories concerned by Japan's imperial expansion are those which today remain divided or divisive, contentious and problematic for various reasons, not only the disputed islets, but also Taiwan and the divided Korean Peninsula, indicating that this episode was a critical juncture in Northeast Asia's development as a region also in security terms. This puts the US role in East Asia in context. Post-war Japan

has been notably lagging in formulating approaches to regional accommodation partly due to Japan's tendency to look to the US rather than to Asia for solutions.

(Selden 2008, 17)

Japan's war against America and its allies (the 'Great East Asia War' of 1941–45) was portrayed as a fight for liberation and for a new and more just international order¹⁰ and an Asian 'racial awakening' (Duus 2008, 148–50). Nevertheless, these wars and occupation of neighbours also offered a way out of Japan's economic impasse in the wake of the Great Depression in the 1930s and catered for the fear of a largely resource-poor country stifled by foreign protectionism (Duus 2008, 149). America's 'Open Door' closed in 1930 following the Smoot-Harley Tariff Act and US-Japan trade dropped by 60% (Green 2017, 154). Despite these 'noble' aspirations, the occupation of the Asian countries by Japanese forces 'proved to be at least as harsh and exploitative as the European colonialists' (Duus 2008, 151; Kaneko 1999) and consequently became seen as hypocritical at best, opening a large moralisation gap that has not been bridged in the 70 years since the Pacific War (as the Americans call it) ended. Losing this war portrayed as a 'fight in the name of Asia against colonisation', rather than starting it motivated by imperial designs, thus has become the key historical memory, or chosen national trauma for Japan. Official Japan could create its own victim narrative as the target of nuclear bombs (very obvious in the Hiroshima Peace Museum and the Yushukan Museum adjacent to the Yasukuni Shrine). Japan even after

the war claimed the mantle of anti-colonial liberator (in Southeast Asia) and participated in the 1955 Bandung Conference.

After losing the war against China and the Pacific War against the US, the Cold War ‘renversement des alliances’ – the US-Japan alliance against the communist USSR and the People’s Republic of China (Green 2017, 278–84) – resulted in a rapid ascent of former US foe Japan and its economic networks in East and Southeast Asia. This deprived the victims of Japan’s aggression of a sense of victory and historical justice: Japan was allowed to rapidly put its imperialist past behind it under the Cold War alliance against (some of) its victims. The erstwhile colony Korea fared less well than its coloniser: it was divided by the superpowers and then devastated in the Korean War (1950–53). Japan, despite losing the 1937–45 war against China and the US and – in its wake – most of its colonial empire, benefited from the Korean War and the Cold War through the anti-communist alliance with the US to re-emerge as a major power, regional leader (‘flying geese’)¹¹ and economic giant (Japan overtook Germany in 1968 to remain the second biggest economy in GDP terms until 2010, when China overtook it in turn) and only non-Western G7 member. The Japanese identity construction since the destruction of the Confucian world by the West has thus been focusing on its superiority over its neighbours, notably China and Korea. That superiority was expressed in military, modernisation and civilisational terms in the first half of the 20th century, and through economic and civilisational superiority (member of the Western international community entwined with a peace state narrative) in the second half of the 20th century. More recently Korea and China caught up with the lead goose in many areas, achieving equal status in the G20, and China is beginning to again take centre-stage. In the 1990s Japan’s economic network came under challenge from China, paradoxically actually then a part of the Japanese economic network (Chen et al. 2011) which later allowed a rising China and a rising Korea to challenge Japan’s superiority and ignorance of its imperialist past. For a decade or two before their rise, territorial disputes and historical grievances ‘were swept under the carpet’ by a generation of pragmatist leaders like Deng Xiaoping, who set aside history and geopolitics in favour of trade and economic development, which allowed Northeast Asian countries to achieve their ‘economic miracle’ (Hahm 2017, 2, 7).

Many Japanese more or less shamefully ignored their history of aggression and atrocities and atoned by subscribing to a pacifist, US-drafted, constitution that barred the country from using force again except in self-defence. But the ‘never again’ commitment to future peace was hardly accompanied by converting shame or guilt and apologies for the past into sincere reconciliation efforts by most governments. The normalisation treaty between Japan and Korea was signed in 1965 under pressure from the US government which wanted to liberate resources for the Vietnam War. The treaty was signed in a period of *de facto* US control of Korea and despite massive popular protest (Park 2012, 6, 242–8). This episode explains why nationalist opposition towards Japan (and the US) is left-wing in Korea, but also why many Koreans consider the normalisation treaty as more or

less another 'unequal treaty' they were forced to sign (Hahm 2017). It didn't help that President Park had been an officer in the Japanese imperial army. However, for Japan the treaty put to rest any compensation claim from Korea for colonisation or wartime atrocities although the compensation payment linked to the normalisation went into infrastructure (and was marred by corruption) rather than to victims (see chapter 6).

Under the leadership of Prime Ministers Koizumi (2001–6) and Abe (2006–7 and again since 2012), the commitment to the pacifist constitution has been weakened after two decades of economic stagnation that imbued Japan with a sense of decline and weakness that some politicians tried to compensate for with nationalism. China's increasing 'parity' in the 21st century led to a securitisation of China as a threatening and backward, non-democratic 'other' which – in contrast to Japan – didn't follow 'international norms' (Hagström and Hanssen 2015). Hence, there is a continuity of the de-centring of China and the rivalry of civilisational superiority to this day. All Northeast Asian countries seem to have 'left Asia' to adopt Western institutions of international society.

Notes

- 1 This is not to ignore important domestic weaknesses and problems in China and the other countries.
- 2 The expression is from Gaddis (1986) to describe how bipolarity, nuclear deterrence, the reconnaissance revolution and ideological restraint in the face of mutually ensured destruction during the Cold War preserved peace.
- 3 Such documents can for instance be found in *The Academy of Korean Studies Catalogue of Special Exhibition* (2011) on King Yeonjo the Great (1694–1776), pp 50–57, with exhibits such as the Qing Emperor's edict approving Yi Geum as Crown Prince of Joseon, a list of gifts from Qing Emperor to the Crown Prince, Qing Emperor's edict approving Yi Geum as Jeoson King and his instructions to the new king. These were essentially formalities, but clearly document a hierarchical relationship. King Yeonjo re-established a number of Confucian rituals underlining the rapprochement with Qing China after a prolonged constitutional crisis in Joseon (Korea) provoked by the overthrow of the Chinese Ming dynasty by the Manchu invaders (the Qing dynasty) 50 years earlier (Kuhn 2014, 534–6).
- 4 Korea, Japan and China have different names for the same wars. Imjin is the Korean one, with the Chinese pronunciation Renchen used in the Chinese name, marking the name of the year 1592.
- 5 Note again the parallel with post-war recognition by Japan and Western countries of the ROC in Taiwan which represented China in the UN until 1971 before the PRC took over.
- 6 Paradoxically, China and Asia contributed considerably to the rise of the West, including through Confucian ideas about good governance and economic management during the European Enlightenment (Kuhn 2014, 607–30).
- 7 Arrighi (2010) explains the structural and enduring trade imbalance in China's favour as due to the simple reason that China was not interested in imports from Europe whereas Chinese exports had been in high demand in Europe for centuries (similarly Lovell 2011, 37–8). It needed the economic and military assault on China (and later on Japan and Korea) by the Western imperialist nations to change that. It is interesting to note in this context that China is now back in a position of nearly structural trade surplus but, of course, nowadays imports are crucial for China.

- 8 Referring to the self-proclaimed Kingdom of Heavenly Peace by a rebel who believed he was the younger brother of Jesus Christ. Hong Xiuquan proclaimed himself heavenly king against the Manchu rulers and led an anti-Manchu, anti-Opium rebellion mainly in the South of China. This civil war was devastating. The rebellion spread over 17 provinces and probably around 20 million people were killed in the upheaval.
- 9 Miscevic (2010, 13–5) explains that the moral claim of the centrality of the nation is at the very heart of the nationalist programme.
- 10 Note that a new and just international order is nowadays an important issue for China and other developing countries.
- 11 The expression flying geese development, with Japan the lead goose, was coined in the 1960s to describe a model of international division of labour in East Asia based on dynamic comparative advantage with Asian nations catching up with the West as a part of a regional hierarchy where the production of commoditised goods would continuously move from the more advanced countries to the less advanced ones (Chen et al. 2011).

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6 China, Japan, Korea trilateral cooperation

No way to regionalism?

Northeast Asia today has not taken the path to regional integration. China, Japan and Korea have associated themselves to ASEAN (Association of South-east Asian Nations) and its multiple forums and mechanisms. They signed the ASEAN Treaty of Amity and Cooperation (TAC). North Korea participates only in the ASEAN Regional Forum (ARF). Apart from North Korea, North-east Asian countries are important stakeholders in global governance not least as members of the G20, the WTO, APEC (Asia-Pacific Economic Forum) and the Bretton Woods Institutions (BWI). However, despite this embrace of multilateralism and regionalism there is no integration process between the three countries apart from a very limited trilateral cooperation process. This is despite strong economic relations and interdependence.¹

Conflicted regionness in Northeast Asia today

The beginning of the 21st century saw a rise in tensions and conflicts between Northeast Asian countries mostly in the maritime domain. And of course there is the globally significant conflict about North Korea's nuclear and missile development programmes (Hilpert and Meier 2018). But there were also recurrent tensions linked to divisions of Korea and China and issues concerning wartime atrocities and colonisation, notably between South Korea and Japan. All these tensions have been heating up in the context of rising nationalism in all countries of the region (and in the US more recently) and are driven by issues of national identity following the critical junctures reviewed in chapter 5.

Integration theories based on European models (chapter 3) have little to say on regionalism in Northeast Asia.² This is mainly because of nationalist rivalry between the countries due to moralisation gaps as well as territorial and other conflicts that go back to earlier critical junctures (chapter 5). Moreover, from an international law perspective there has been no multilateral settlement in which all belligerents had a seat at the table of the legacy of either the Second World War or the Korean War. Political system differences also play a role, notably because of the divisions of China and Korea, but they are part of that complex legacy of the earlier critical junctures, especially of Japanese imperialism between 1895 and 1945. Moralisation gaps and unresolved legal issues make Northeast Asia a conflicted region.

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Not all moralisation gaps can be covered here, but the most significant and salient moralisation gaps could look like this (and my point is not to argue who is right or wrong or to draw up a complete list of problems and issues; more detail in Wissenbach (2018):

- 1 China-Japan: Japan's imperialism (Taiwan including the Diaoyu/Senkaku in 1895; Shandong/Tsingtao in 1919; Manchuria in 1931), its invasion of China (1937–45) and related atrocities (Nanjing massacre; genetic, biological and chemical experiments on humans and many more); the visits of Japanese politicians to the Yasukuni Shrine (where class A war criminals are enshrined among the war dead); the comfort women controversy; controversies over history textbooks; apologies and how they do or do not cover these subjects (Gustafsson 2016).
- 2 Korea (both South and North)-Japan: colonisation and forced labourers (abductees) and comfort women/sex slaves (1910–45) and related requests for compensation and sincere apologies; international law disputes about the validity of the annexation treaties of 1905 and 1910 and the normalisation treaty of 1965 as well as over more recent agreements; Dokdo/Takeshima, the Yasukuni Shrine visits; Japan vis-à-vis China and Korea deplores a perceived lack of recognition as liberator from Western colonial rule and the economic benefits of its former colonial rule, of its apologies and post-War contributions to peace and prosperity; comfort women often portrayed as volunteers (Selden 2011); vis-à-vis Japan, North Korea has similar moralisation gaps as South Korea, but is even more hostile than ROK on abductees of Koreans to Japan (while for Japan more recent abductions of Japanese citizens by North Korea are a key grievance).
- 3 China-South Korea: ownership of ethnic and cultural heritage and the Korean or Chinese character of the ancient kingdom of Goguryo; China's participation in the Korean War saving the North and perpetuating Korea's division (Hahm 2015, 19); some maritime disputes.
- 4 China-North Korea: borders (Yanbian district); DPRK's emphasis on ethnic purity and autarky; China's reforms and capitalist ways seen as betrayal of socialism; China's hegemonic attitude; Chinese irritation at North Korea's ungratefulness towards China after it sacrificed its conquest of Taiwan in favour of helping North Korea fight America; North Korea's destabilising nuclear brinkmanship which undermines Chinese arms control diplomacy and complicates China's relations with the US.
- 5 Japan-US: Pearl Harbour; Hiroshima;³ legitimacy of war crime tribunals; comfort women; US-imposed constitution with limited sovereignty and the renunciation of the use of force.
- 6 Japan-Russia: loss of territory (Northern territories/Kuriles in 1945 to the USSR, with the 1956 Joint Declaration between Japan and the USSR making the restitution of two of the four islands conditional upon an elusive peace treaty).
- 7 North Korea-US: DPRK poses as victim of US aggression and hostile policy (US carpet bombing during the Korean War; sanctions and US threats – 'axis

- of evil' – against the regime); DPRK nuclear and missile programmes (Hilpert and Meier 2018).
- 8 North and South Korea: two different accounts over the anti-Japanese struggle and the Korean War. South Korea sees the North as an illegitimate 'other' responsible for the division of the Korean nation, while North Korea sees itself as the true, independent Korea and the South as an American colony; abductees and separated families; naval battles along the contested Northern Limit Line (NLL – Roehrig 2009); the DPRK's nuclear programme; attacks on ROK and political assassinations (including former President Park's), military exercises and threats.
 - 9 Peoples' Republic of China-Taiwan and Hong Kong: one China policy; opposite views on the anti-Japanese struggle, the civil war and democracy.

It is nationalism that is the key to understanding these moralisation gaps and that drives most current conflicts. Realism or political system differences are subsidiary variables. In some realist prisms nationalism has been appropriated in power transition explanations. In this view nationalism is a result of confidence in China to be a power on the rise and in Japan of the fear of a power in decline (Hahm 2015). Japan's rising nationalism has been linked to its economic stagnation since the 1990s (Nakano 2014). Emotions are a key ingredient in Northeast Asia's conflicts:

Nationalism makes sovereignty in the East China Sea a highly explosive issue, as sentiments over the Diaoyu/Senkaku Islands run deeper in the Chinese psyche than any other territorial dispute in modern Chinese history, with the exception of Taiwan. Anti-Japanese sentiment in China is a legacy of the Japanese invasion during the Second World War and has been reinforced by decades of government-driven patriotic education and mass media recounting Japan's brutal occupation and China's heroic triumph under the CCP leadership.

(ICG 2013, i)

'Sentiments', 'psyche', 'patriotic education' are not part of the realist toolkit. These emotions, historical experiences and national objectives, strongly related to status and identity give meaning to the constitutive institutions of international society: sovereignty, international law and the economy. It is nationalism that gives meaning to power in Northeast Asia and interests are national and sometimes emotional ones. These are not only government driven, but can be grass-roots such as civil society in South Korea on comfort women or compensation claims for forced labour in Japan (Yoon 2010). Even in China, nationalism has a strong grass-roots component that is not always controlled and sometimes challenging for the party (Mühlhahn 2019, 546–9). In Northeast Asia conflictual relationships and rivalry have remained together with moralisation gaps from the 20th century. These moral beliefs about historical right and wrong and moral justice keep conflicts alive that could theoretically be solved rationally through liberal institutionalist methods (such as shared regimes for fisheries and gas, joint

administration of the disputed islets or regional integration). But such liberal approaches do not seem to promote conflict resolution let alone integration.

Nation-building was intimately linked to the end and deliberate rejection of the consensual, mostly peaceful Confucian regional order at the end of the 19th century (Schmid 2002) and even more the end of the Japanese Empire in 1945 (chapter 5). These distant critical junctures underlie territorial conflicts today, but also created a formidable obstacle to regional cooperation.

The meaning given to historical developments and moralisation gaps has in no small part to do with the desire for recognition, which is also a driver of nationalism.

The struggle for recognition provides us with insight into the nature of international politics. . . . Nationalism, a modern yet not-fully-rational form of recognition has been the vehicle for the struggle for recognition over the past hundred years, and the source of this century's most intense conflicts. This is the world of "power politics," described by such foreign policy "realists" as Henry Kissinger.

(Fukuyama 1992, xx)

Recognition of one's place in the hierarchy was highly significant in the Confucian world (among states but also within society down to the rankings in the family). Recognition was linked to a particular place in the hierarchy and didn't involve nationalism or power politics. We saw how the ambiguity of Japan's post-Imjin War parallel tribute system and then the de-centring of China (de-recognition of its superiority and recognition of nationalism and Western civilisation as the new moral standard) played out. Recognition and derecognition of the inversion of hierarchy in the pre-war period occurred through a 'sharp reversal of past practice': 'Asians had always come to China to learn, but now Japan was the mentor' (Mitter 2014, 27) and 'Japan had been mentor as well as monster' (Mitter 2014, 17). The post-war period saw yet another complex inversion of hierarchies and recognition and derecognition of superiority between China and Japan (Gustafsson 2016) accompanying China's rapid rise since the turn of the millennium – a process which is still ongoing and destabilising Northeast Asia.

Korea's nation-building process and its entry into international society as an independent nation were delayed by colonisation, civil war and the Cold War division. The two Koreas only joined the UN in 1991. It is in fact a recent and complex process, deeply marked by trauma and isolation, which is why the moralisation gaps of the past have so much political salience today. Korea had to carve out its national identity and autonomy first from the previously enthusiastically owned Confucian (later labelled Chinese) tradition and then from Japanese colonisation. Later the division of the country by the US and the USSR followed by a civil war after liberation only added to the national trauma and sense of victimhood (vis-à-vis both the USA and China). Particularly agonising for many Koreans was that as a consequence of the Korean War which devastated the whole country – the erstwhile coloniser Japan benefitted from US leniency

regarding its imperialist and wartime responsibility and from heavy US aid as an ally in the Cold War, while Korea was arbitrarily divided along a line drawn by a US official (Dean Rusk). In a moralisation gap with the US, nationalist, left-wing Koreans also point to the role the US had in brokering the Treaty of Portsmouth in 1905 (Mitter 2014, 25) that ended the war between Russia and Japan and in the Root-Takahira agreement of 1908 which reinforced international acceptance of Japan's control over Korea (Green 2017, 98–100; President Theodore Roosevelt got the Nobel Peace Prize 1906 for his role). In Korea – especially in the progressive camp – there has been widespread resentment about Korea's quasi-colony status and US support for military dictators and suppression of democracy movements as well as the US-imposed normalisation treaty with Japan during the Cold War (Park 2012). North Korea and Japan have not even established diplomatic relations.

Sovereign equality, and its recognition by others, has served as the bulwark to avoid repetition of past humiliation and as a rallying cry to fan nationalist emotions, even over far-flung and uninhabited bouts of territory such as Dokdo, Diaoyu and the Kuriles. The moralisation gap's essence is the respective mutual non-recognition by each side of the moral claims and grievances each side firmly believes in, often rationalised as we have seen, but fundamentally emotional. Nationalism crystallised around rocks in the ocean because recognition is the desire to try to bring in line the perception of others with one's own, with the minimum being respect and equality (which is what all formerly colonised countries demand from their former rulers). To some extent the focus on recognition is re-assuring as it focuses less on possession than on status reminiscent of the Confucian world order built on ritual enactment of status and recognition.

In Northeast Asia national sovereignty has thus been elevated to a sacral institution that is taboo and bolstered by selective accounts of national history. Respect for sovereignty is a *conditio sine qua non* for any type of interaction with friend or foe. This fortunately entails the respect for each other's sovereignty except where it clashes with one's own (territorial conflicts!) as a strong norm of co-existence. It is thus unlikely that any attempt by one country in the region to establish itself as a hegemonic power or a consensual leader of regionalism will succeed unless ideas about sovereignty, nationalism and moralisation gaps change dramatically. The competition between China and Japan for a central role in East Asia goes back to the crisis of the old tribute system in the 17th century after the Imjin War and its demise in the 20th as we have seen, but countries in Northeast Asia (or in Asia at large) would not accept a revival of traditional, China-centred hierarchy, nor for that matter Japanese leadership compromised by its 1930s Asian imperialism (chapter 5). China's pursuit of regionalism is often viewed with suspicion as the attempt to create a Chinese sphere of influence or even the restoration of a Sino-centric world order for which Chinese scholars provide the intellectual underpinnings (Zhao 2005). The US role in the region is thus seen by many as a guarantee that neither Japan nor China reclaim a leadership role (Hahm 2017; Soeya 2015) and only then does the balance of power make sense – and tilts and rebalances when China or Japan are perceived as

trying to dominate. But in fact, this is less a balance than a lid on a rice-cooker. Therefore, this does not translate into uncontested US leadership either, notably since the US has been tilting towards containment and a ‘new cold war’ against China (Woodward 2017; The White House 2017). In this sense we have a rather unstable order in Northeast Asia in which power-based hierarchy is both informally accepted to some extent (US role; Hahm 2017) and formally contested to a larger extent (in particular amongst Asian countries themselves).

Thus, configurations of Asian institutions are fluid and often either include or exclude the US, depending on the acceptance of the US informal leadership role (hierarchy) which is of course strongest in alliance relationships (Japan, South Korea). This fluidity spins a myriad of comments and analysis in Asian or Asia-focused think tanks with many analysts focusing on a power contest between China and the US as the dominating theme (Terhalle and Depledge 2013; Woodward 2017; Hahm 2017).

An integration project EU-style with a syndicated hierarchy seems unlikely in the short term, but it is not impossible to envision a Northeast Asia integration project *if* attitudes to nationalism and historical narratives change in ways European nations’ have and *if* countries started to stress their common heritage and cosmopolitan coexistence in the past. Such a process is both overdue and unlikely to progress very quickly.

Memory politics – key to regionalism?

All territorial disputes and national divisions in Northeast Asia hark back to Japan’s ascent to a modern, nationalist and imperialist power after the Meiji Restoration and the concurrent collapse of the China-dominated Confucian investiture and tribute system. Countries have gone through traumatic modernisation experiences, occupation and wars which have left moralisation gaps and a sense of victimhood and thirst for historical justice on one’s own terms on all sides. All countries have moralisation gaps with the others. All cultivate their chosen trauma and victimhood narratives notably through education of younger generations without personal memories. East Asian integration projects remain under the shadow of Japan’s imperial Pan-Asianism of the early 20th century (Duus 2008) or of a the fear of a new Sino-centric tribute system (French 2017).

The narrative of Japan as a champion of pan-Asianism and noble liberator of Asia has survived the defeat and persists among influential right-wing politicians in Japan today. There are strong connections between the Abe government and a right-wing nationalist group called Nippon Kaigi (Japan Council) which aims at reforming the constitution, worships at the Yasukuni Shrine, considers China as a threat, promotes patriotic education and the deployment of Japanese defence forces overseas. Nippon Kaigi also rejects a ‘masochistic’ view of history, apologies and guilt for war and aggression arguing instead that Japan was the wronged party:⁴

In 1993, when Prime Minister Hosokawa publicly expressed the belief that Japan had brought “unbearable suffering” to the people of Asia and elsewhere

through “national aggression and domination,” prominent LDP leaders like Nagano Shigeto, Sakurai Shin, and Hashimoto Ryutaro countered with public statements that denied the war had been “an aggressive war” or reaffirmed it as a “war to liberate Asia”. . . . What kept a positive memory of the dream alive among right-wing conservatives was a complex set of factors, a reluctance to come to terms with defeat and failure, a desire to make sense of the costly wartime sacrifices of the Japanese people, a feeling that Japan had once become a “victim” of outside forces beyond control, a desire to protect the memory of the war dead, resentment of American hegemony in postwar Asia, and electoral politics.

(Duus 2008, 152)

Seen in this light the significance of the pronouncements of Prime Minister Abe at the occasion of the commemoration by Japan of the 70th anniversary of the end of WWII on the words ‘aggression’ and ‘invasion’ and the scrutiny of neighbouring countries of whether this word would appear in the statement by Japan’s PM becomes clear. The (untitled) statement issued by Japan’s PM Abe as a Cabinet decision on 14 August 2015⁵ also puts Japan’s apologies into a context that stresses another kind of Japan’s superiority and casts doubts about its remorse about history (Wissenbach 2018 for more details).

In a clear reflection of the moralisation gap, the dominating conservative view in Japan privileges a narrative of WWII being forced onto it (repeated in the statement of PM Abe in 2015), the victimhood of the Hiroshima and Nagasaki bombs and the benefits Japan allegedly brought to the countries it occupied (in terms of development or liberation from Western colonisation). Contrary to what happened in Germany – the other aggressor of WWII – Japan felt victimised, by the nuclear bombs and destruction of Japanese cities and the cost of war rather than feeling the guilt of aggression. Some Japanese right-wing scholars have gone to great length to reject comparisons with Germany’s post-war repentance (Kaneko 1999). It is as if Northeast Asians were competing for a ‘victimhood distinction’ with the recognition of victimhood status being an important objective. Instead of remorse for actually having started the war, Japanese people’s own suffering from wartime destruction and death was the focus of remembrance in parts of the population and in government statements. Japanese also point to their pacifist constitution and the contributions Japan made to regional and international development and human rights after the war, but atrocities committed by Japan are not easily admitted by the mainstream or reflected in the public consciousness. The statement of PM Abe 70 years after the end of the war clearly emphasises this ‘moral high ground’ and Japan’s post-war credentials as a Western (i.e. democratic, liberal, peace-loving) leader in opposition to (unnamed) China which is not a liberal democracy like Japan. This echoes the claims of a superior standard of civilisation by Japan vis-à-vis a ‘de-centred’ and democratically backward China.

Of course, there are other accounts within Japan which focus on Japan’s guilt, but they have remained a critical, albeit vocal, minority. For them Japan’s defeat

in WWII 'became a prism through which a complete rereading of prewar history was made' with a sense of tragedy about how rapidly Japan had moved from the position of hope of Asia at the end of the 19th century to that of traitor of Asia in just a few decades (Korhonen 2014, 2).

Japan's post-war diplomacy focused on national economic recovery and expansion (Yoshida Doctrine), a strategy for Japan laid out by then Prime Minister Yoshida Shigeru just after the end of WWII which allowed Japan to rely on the United States for its security needs so the country could focus on its economic recovery. This strategy could be seen as pursuing regional dominance through non-military means.

Since the late 1990s, invigorated nationalism has accompanied the rise of China and the rise of Korea and the revisionism of Japan's right-wing parties. The territorial disputes that had been swept under the carpet while China and Korea focused on their economic catch-up development only became salient disputes at the beginning of the millennium in the wake of Japan's rising revisionism. They are in fact recent political ones, not historical issues. Nationalism, identity and status recognition are driving history politics – and conflict – in the region and present an almost unsurmountable obstacle to creating a security community (Arai et al. 2013, 6, 21–7). This indicates an instrumentalisation (and ritualisation) for domestic purposes and for nationalist identity construction which is actually often recent:

For more than half a century, since 1953, Dokdo has been under South Korean jurisdiction. The Dokdo question was not resolved, however, by bilateral or multilateral agreement, and although the issue surfaced at various times including the 1965 negotiations over Japan-ROK normalization, it was not until 2005 that Japanese claims led to public standoff over the islets. (Selden 2011, 1)

In China nationalistic propaganda also serves regime stability after the promises of socialism, and later of economic growth, lost their legitimising function for communist party rule (Mühlhahn 2019, 541–4; Liu and Ma 2018). Students tend to learn only the officially sanctioned curricula with their patriotic-nationalistic accounts, not only in authoritarian states, but also in Korea and Japan. The heritage of 19th century nationalism and 20th century Japanese imperialism is formative for the relations in Northeast Asia today:

History education is no longer a domestic issue in East Asia. Historical narratives and the interpretation of the past have always been the major barriers for a real reconciliation among countries in the region. To a great extent, memories of the past conflicts have come to shape international relations in East Asia. (Wang 2008, 801)

The comfort women issue is the clearest illustration of a moralisation gap, the different viewpoints of victims and perpetrators, the influence of nationalism and

the limits of international law on the failure to address historical justice. The UN Human Rights Commission concluded that:

the Japanese military and government officials and their agents committed the crimes of rape and sexual slavery against women and girls as a part of, and in the course of, their war of aggression in the Asia Pacific. These crimes were widespread – occurring on a vast scale and over a huge geographic area – being highly organized, heavily regulated, and sharing common characteristics. They were crimes against humanity committed against tens of thousands of civilian women and girls who were forced into sexual servitude to the Japanese military as part of the comfort system during World War II.

(Argibay 2003, 14)

The issue has poisoned bilateral relations between the two democracies in North-east Asia, Japan and Korea, where most of the women (and also a lot of forced labourers) were from, for years.

Japan argues that the 1965 Treaty on Basic Relations with the ROK provided for reparations for the occupation and it is not willing to reopen that basic agreement by agreeing to further official compensation. The 800 million USD Japanese compensation to the Korean government under the 1965 normalisation treaty went, in fact, to economic development and infrastructure projects rather than the victims (Doh 2011), an issue that Japan feels is Korea's problem. Indeed, Korea's Constitutional Court ruled in 2011 that the government was remiss in solving the grievances of the former sex slaves.⁶ Records from the 1965 negotiations about the normalisation of Korea-Japan relations

show that the Park Chung-hee administration rejected a Japanese proposal to directly compensate wartime workers, while claiming itself the responsibility of distributing funds received from Japan to individual Koreans harmed by forced labour and other colonial injustices.

(Underwood 2010, 1)

There was strong nationalistic opposition in Korea against normalising the relations (Hahm 2017). While this treaty did not cover the comfort women, at least explicitly, it makes court decisions in Japan that deny Korean victims' individual claims legally more difficult to dispute. All claims by Korean or Chinese former comfort women have been denied by Japanese courts due to the statute of limitations and to the individuals' lack of standing to sue the state. However, Japanese documents made public in 2008 that show that Japan then understood the treaty very differently with the Ministry of Foreign Affairs interpreting the claims waiver language as legally separate from individuals' rights to seek damages. Apparently Japan wanted to preserve Japanese citizens' legal options for wartime damage claims as in other treaties Japan signed with the victorious powers (San Francisco Treaty 1951 and Treaty with the USSR in 1956; Underwood 2010).

The normalisation of Japan-China diplomatic relations in 1972 hardly touched on war crimes. Even the territorial issues were reportedly shelved for later generations to solve, as the political priorities at the time were different: the Cold War anti-Soviet alliance, development assistance, Mao's narrative of victorious China (Hagström and Hanssen 2015). However, Japan continues to insist, like vis-à-vis Korea, that the normalisation treaties have legally and finally settled all compensation issues, notwithstanding the emergence only much later of evidence of war crimes and notwithstanding that the victims at the time of the agreements had no possibility to claim compensation.

Many war crimes, and notably the comfort women issue, only became known in the 1990s (Drea 2006, 4), some due to publications by researchers, some through opening of archives (e.g. Soviet ones after the Cold War) or personal diaries and records. Only after such publications and the pursuit of the sexual slavery issue, for instance by women's rights groups, did some of the deeply traumatised surviving victims step forward (Yoon 2010). This led, after serious controversy in Japan, to the carefully worded (if not winded) apology statement by Japan's Chief Cabinet Secretary Kono in 1993⁷ that acknowledged state involvement and coercion and offered apologies, but no direct state compensation for the victims (Nakano 2014, 6). In 1995 the (socialist) PM Murayama issued a more general apology for Japan's war guilt at the occasion of the 50th anniversary of the end of the Asia-Pacific War⁸ which, like Kono's, has served as a reference and benchmark for other Japanese politicians, but unsurprisingly has also drawn the ire of the Japanese right (French 2017, 190–5).

Importantly, the Japanese government didn't accept legal responsibility for the suffering of the comfort women (closed with the San Francisco and normalisation treaties in their view) and merely set up an 'Asian Women's Fund' financed by private donations for 'atonement money'. Many disappointed victims refused to take any of that charity money. The Fund at least compiled a substantial documentation regarding sexual slavery. The AWF closed 'successfully' in its own view in 2007 after payments of 'atonement money', but without having achieved reconciliation given how contested the issue remains.

Political efforts to reach settlements and apologies were thus made by Japanese leaders in the 1980s and 1990s but with too many reservations and counter-statements to be accepted by the victims (including the governments of Korea and to some extent China).

The background of such initiatives was a certain liberal/neoliberal, internationalist orientation that became dominant in the newly assertive Japan of that period. This was, however, followed by a revisionist backlash in Japan since the late 1990s that challenged and undid the fragile compromise with its neighbors as a revisionist, nationalist orientation took over.

(Nakano 2014, 1)

History textbooks and political narratives⁹ are part of history or memory politics using memory not on the basis of historical accuracy, but to create a specific

national identity narrative that serves political ends. Some right-wing Japanese history textbooks even perpetuate Japan's pre-war narrative justifying imperialism:

The Husousha . . . textbook version of history asserts that Japan never embraced imperialism or militarism. The book even says that Japan never invaded any neighbouring countries or managed any colonies; therefore it does not acknowledge the fact of anti-Japanese nationalist movements within the region or Japanese occupation. According to this view, Japan acted as a liberator against the imperialism of Western powers alone.

(Yu 2007, 222)

Yu in this case singled out one of the most extreme cases among Japanese textbooks, but even this minority view does a lot of harm in the perceptions of neighbours who are all too eager to use these examples to criticise Japan in general, as Yu's analysis precisely confirms. The author acknowledges this, but adds a particular Korean grievance which is that in the focus on the Pacific War, Japan's earlier colonisation of Korea tends to be 'forgotten':

Some other Japanese textbooks acknowledge Japan's war of aggression, but see the aggression beginning only with the Japanese invasion of Manchuria in 1931. They exclude aggressive military campaigns prior to 1931 from the analysis of aggression.

(Yu 2007, 222)

Yu explains this mainly as a result of the US focus in its own historiography of WWII (Pacific War) and the 'Japanization' of US post-war policy due to the 'loss of China' (the victory of the Communists in the Chinese Civil War) and at the same time the willingness of China's nationalist leader Chiang Kai-shek in the immediate post-war period to maintain an anti-communist strategy and to 'pay virtue back to the enemy Japan' which effectively led Japan to come off the hook lightly for its historical responsibility in East Asia (Yu 2007, 222–5).

Against this background it is easier to understand the current territorial conflicts in Northeast Asia which are more about history, moralisation gaps and nationalism than anything else (even though mismanagement by governments did play a role). To some extent they can be seen as a 'ritualization' of positions in line with the Confucian understandings of ritual recognition of hierarchy and status even if it is the status of victim. The key to bridging moralisation gaps lies in education ministries rather than foreign offices.

Sino-Japanese territorial conflicts

The recent conflicts between Japan and China around the islets in the East China Sea called Senkaku (尖閣諸島) in Japanese and Diaoyu (钓鱼岛) in Chinese are also the most serious and consequential. In September 2010 a Chinese trawler rammed a Japanese coastguard vessel in the disputed waters. The captain was

detained by Japanese authorities (which was widely seen as a blunder by the inexperienced Democratic Party of Japan (DPJ) government ICG 2013, 20–1) leading to harsh Chinese diplomatic reactions which initially were not unlike similar incidents in the past. However, several subsequent Chinese reactions were considered as ‘newly assertive’ retaliation, including an alleged ban on exports of rare earth minerals to Japan and the arrest of Japanese employees of Fujita accused of filming in a military zone in China. The alleged economic boycott came as a shock as the pragmatic practice in the past between Japan and China had been to separate politics from business. However, Hagström’s research (2012) provides evidence (from Japanese sources) that the rare earth ban in fact occurred and was hotly debated already a month before the trawler incident and was thus unconnected to the incident (it came according to Chinese explanations in the process of a reorganisation of the environmentally damaging rare earth mining industry). The connection with the trawler incident, portraying the ban as a retaliatory sanction was apparently made ten days after the incident by the *New York Times*. From then on it became ‘received wisdom’ confirming China’s ‘new assertiveness’. As for the arrested Japanese citizens, Hagström (2012) also establishes that the Japanese indeed illegally entered and filmed in a military restricted area and refutes the claim that the Chinese authorities orchestrated the incident in retaliation for the Japanese arrest of the trawler captain. The Japanese offenders were in fact released relatively quickly without charges pressed against them.

The later release of the Chinese captain was then widely criticised by Japan’s right-wing opposition as humiliating weakness which in turn made the DPJ government vulnerable to the right-wing anti-China politicians, such as then Tokyo Governor Ishihara (Arai et al. 2013, 42–4). This interpretation fits the Japanese anxiety over China’s rise and its own weakness. A month before the incident, the media were full of headlines that China had overtaken Japan as the world’s second largest economy (a status Japan had proudly held since the 1960s). Hagström (2012, 283–7) shows that Japan actually did not come out of the trawler incident weakened or humiliated, which were the dominating accusations levelled by right-wing politicians against the DPJ government. The detention of the captain could be seen as a demonstration that Japan actually controlled the islands effectively. Rather than just drive him away as previously done (and in line with a 1997 agreement with China on fisheries), Japan for the first time arrested an intruder. In addition, Japan scored points as the incident was turned (as shown earlier) by international media and pundits into evidence of China’s bullying and ‘new assertiveness’. Japan even managed to get the US Secretary of State to explicitly acknowledge that US security guarantees also applied to the Senkakus, something the US had refused to do at senior level before (French 2017, 211).

In 2012–3 the dispute between Japan and China over sovereignty over these five islets and three rocks in the East China Sea escalated once more and brought relations between the world’s second and third biggest economies to a post-war low (ICG 2013). This crisis started when the Japanese government bought three of the islands from private owners after Tokyo Governor Ishihara Shintaro (a right-wing politician) announced in April 2012 that the Tokyo Metropolitan

Government wanted to buy and build on them, citing the need to counter China's challenge to Japan's control (ICG 2013, 5). The DPJ government apparently underestimated China's reaction as it thought that the purchase by the central government to pre-empt Ishihara, was the lesser of two evils. However, the government announcement came just a day after a meeting between PM Noda and China's President Hu causing the latter 'loss of face'. In fact, for the Chinese the perception of the sale was the opposite: the purchase by the government was seen as a nationalisation and thus as a change of *status quo* in terms of sovereignty since the islands were now no longer owned privately but directly by Japan. The Chinese Ambassador to the US explained in an interview in *Foreign Affairs*: 'it's quite clear Japan's decision will lead to very serious consequences under international law – even more serious than whatever the governor of Tokyo tried to do' (Tepperman 2013).

Alongside strong statements by senior leaders came an announcement that China had drawn territorial sea baselines around the islands, formalising its territorial claim and declaring that Japanese public service and Self-Defence Forces vessels entering the area would be considered as violating Chinese territorial sovereignty (ICG 2013, 11). Chinese Marine Surveillance and Fisheries Law Enforcement boats then regularly entered these waters. In November 2013 China unilaterally declared an exclusive Air Defence Identification Zone (ADIZ) overlapping with that of Japan and covering the island group (ICG 2014, 10–14). This was widely interpreted as an offensive move and yet another indication of China's assertiveness (ICG 2014, 11) feeding the Japanese threat perception. While it is clear that China's announcement and the way it was handled after years of preparation was diplomatically inept (the Foreign Ministry was apparently not informed by the military; ICG 2014, 11), the decision to establish it may have been triggered by assertive Japanese gestures such as announcements to shoot down drones entering its airspace (including the disputed islands) and Japanese surveillance of a Chinese naval drill (ICG 2014, 12). In fact, China may merely have been seeking parity with Japan, which had established its own unilateral ADIZ in 1969 and enlarged it in 1972 to cover Okinawa and the Diaoyu/Senkaku group then handed to Japan from US administration (ICG 2014, 13).

The island purchase crisis provoked by Ishihara marked the deepest rift between China and Japan since the establishment of diplomatic relations in 1972. It was not only diplomatic but affected economic ties. According to a report in the *Financial Times*,¹⁰ shipments were down by 14 % in September 2012 compared to a year earlier, and 'exports of consumer goods such as cars and motorcycles collapsed, dropping 42 percent and 31 percent respectively'. Flights were cancelled as angry Chinese didn't want to travel to Japan anymore (or be criticised for doing so) and Japanese feared for their safety in China after violent boycotts and riots against Japanese companies or owners of Japanese cars in China. Those boycotts, according to Katz (2013, 19), cost Japanese companies 120 million USD in property damage and a fall in sales by approximately 40–50 percent. In the months after this crisis erupted Japan's PM Abe (in office since December 2012) embarked on a diplomatic reorientation away from China to countries

in Southeast Asia, India and the US. China then moved to strengthen its ties with Korea, which, as we have seen shares China's frustration over Japan's lack of sensitivity for historical grievances.

Following the island purchase China implemented a strategy of 'reactive assertiveness':

A string of measures that bore the hallmarks of a well-planned campaign with multi agency coordination and high-level decision-making.

(ICG 2013, 10)

China used action by Japan as justification to push back and change the facts on the ground in Beijing's favour while claiming to be acting in response to Japan's provocations. In the light of Hagström's research (2012), this interpretation does not hold, as Japan changed the *status quo* of the islands and was even able to improve its position notably by securing explicit US backing for including the Senkaku islands into the purview of the US-Japan alliance. The incident also facilitated Japanese security reforms pursued by the right-wing parties that allow Japan's military (the SDF) a greater role than initially provided for under prevailing interpretations of the Constitution (Article 9). Taking also account of Selden's (2011) and McCormack's (2012) research on Japan's expansion of its maritime domain, the 'aggressive China' versus 'weak and defensive Japan' narrative promoted from Tokyo and Washington does not look very convincing. Jerdén (2014) offers an interesting analysis on why this purported new 'aggressiveness' of China became so widespread despite obvious flaws in the analysis such as the chronology of the rare earth and the trawler incidents. Etzioni (2011) shows in more general terms the propensity in US policy think tanks to portray China a threat to US national security. This has in 2017 become official US policy (The White House 2017).

In short and without going into further detail (provided by the reports of the ICG 2013 and 2014 and the reflections of Arai, Goto and Wang 2013, as well as by Mochizuki 2007 for the antecedents and growing problems in China-Japan relations) the situation around the Diaoyu/Senkaku to a large extent got out of control because of an escalation of incidents that were perceived in very different ways by both sides in line with their nationalist narratives and moralisation gaps and their desire for recognition of their respective (but mutually exclusive) positions. The deterioration was accompanied by a lack of trust, bad timing, untested leaders, lack of communication channels, domestic playing up and a flawed US media spin of the 'new assertiveness' of China.

Competitive nationalism had become the distinguishing trait of relations between the two countries since PM Koizumi adopted a more China-critical stance and started visiting the controversial Yasukuni Shrine annually since 2001 (Nakano 2014; Fukuda 2015) and replaced China-friendly officials in his administration (Mochizuki 2007; ICG 2013, 36–7). On the Chinese side the relationship has suffered from a suspicion that Japan was in fact playing Washington's game of constraining China's rise (ICG 2013, 23–4; Mc Cormack

2012; Woodward 2017). In this view any incident could fit neatly into the narrative of humiliation through foreign aggression and Japanese imperialism. The 'century of humiliation' has thus moved more and more to the forefront of Chinese 'propaganda' under the nationalistically inclined CCP SG Xi Jinping. However, the 'Chinese dream' and previous similar narratives about harmonious development and China's peaceful rise go beyond the humiliation narrative by focusing on restoring China's greatness and its place in the world. Moreover, the 'national rejuvenation of China' has lately been presented as a global dream and opportunity for other (developing) countries to join China's development. Hence it emphasises a story of peaceful cooperation rather than a 'Westphalian' give-and-take of territory, military dominance and power politics (Hinck et al. 2018, 109). Perhaps there is a deliberate contrast to the explicit focus on realist power politics in the US national security strategy (The White House 2017). This amplifies the negative dynamics in the region. There are thus many factors explaining the crisis in the context of a deteriorating relationship, but they are all given meaning through (different) perceptions, moralisation gaps and nationalism rather than just as a function of a military or power balance game. Power is the function of nationalism: for China 'to be a great power would in part make up for the humiliation and shame of the past' (Mühlhahn 2019, 545). The recognition or mis-recognition of identities and (self-)perceptions therefore plays an important role for international relations in the region (Gustafsson 2016). While US-China strategic rivalry and China-Japan-Korea disputes over exploration rights for fish and hydro-carbon resources in the area are of course part of the issue, they do not explain the root causes and why these issues surfaced at the time of Koizumi's Yasukuni Shrine visit. Neither does US-China rivalry explain the nationalist dynamics between Japan and Korea over Dokdo. The control of the islets does not affect the military balance significantly and fisheries and other resources in the area are not decisive in economic terms either. These issues could be solved 'the European way' by agreements over sharing resources. On fisheries a pragmatic agreement had actually been struck in 1997 and a resources-sharing idea for possible hydro-carbons had been floated. These could still be pursued *if* the historical and sovereignty issues were solved or shelved.

The North Korea conflict also reflects historical sensitivities among the actors involved and focuses on the unresolved questions about the US-North Korea relationship following the division of Korea and the Korean War. North Korea essentially sees its nuclear and missile programmes as the only effective means to protect its national sovereignty against American threats against its regime, especially following the placing of North Korea on the 'axis of evil' together with Iran and Iraq by President Bush and the subsequent invasion of Iraq (and Libya) (Hilpert and Meier 2018, 9, 14). But the nuclear programme goes beyond security considerations and power politics – it is clearly linked to (North) Korea's national narrative of Korea having been for centuries the victim of foreign aggression and the legitimisation of the North Korean regime as a great and strong nation (a status for which it demands sacrifices from its people) (Hilpert and

Meier 2018, 11–5). This narrative is thus similar to the Chinese one. The nuclear power status gives North Korea parity with China (and the US) and superiority over former coloniser Japan and the South whose higher prosperity is recognised but portrayed as due to its status as a puppet regime of the US.

Territorial conflicts and international law

The underlying dispute over sovereignty and control of the Diaoyu/Senkaku islands is very complex as the two countries claim the islands under different aspects of international law: Japan argues to have acquired the islands as *terra nullius* (uninhabited, not owned by anyone) in 1895 by a secret Cabinet decision that, Japan argues, was unconnected to the then ongoing Sino-Japanese war. China argues that the islands were not *terra nullius*, as they were discovered, named and used as navigation aids during the Ming dynasty and administered as part of Taiwan by the Qing dynasty and that they were seized by force during the Sino-Japanese war (Arai et al. 2013, 21–7). The islands were then lost to Japan together with Taiwan – the province administering the islets – under the Treaty of Shimonoseki (1895) and therefore should in China's view have been returned to China under the Declarations of Cairo (1943) and Potsdam (1945) which stated that Japan should return all territories acquired through war. The problem of the Japanese invasion of China, has been compounded by the absence of an inclusive peace agreement involving all parties, hence, international law is remiss in settling some of the disputes. The San Francisco Treaty of Peace with Japan,¹¹ signed in September 1951 (entered into force in April 1952) during the Korean War left out some of the victims and victors, notably 'Red China' and Korea (both North and South), but also the Soviet Union (hence the controversy over the Kurile Islands between Russia and Japan which some see as a deliberate policy by the US to drive a permanent wedge between Tokyo and Moscow in the future; Green 2017, 278–84; Hahm 2017). However, China was party to some of the wartime conferences that declared the war objectives including that Japan should return all territories acquired by force as stated in Article 8 of the Potsdam Declaration of 26 July 1945.¹² After WWII the islands together with the Ryukyus (Okinawa) were occupied by the US under the San Francisco Treaty (1951). The US returned Okinawa and the Diaoyu/Senkaku islands to Japan in 1972 (Okinawa Reversion Treaty). China contested the US decision and claimed the islets. Japan argues that China had not lodged a claim for several decades which in its view implied unchallenged acceptance of Japan's sovereignty. This argument is somewhat disingenuous, as Japan had kept the original annexation secret and as the San Francisco Treaty, to which China was not part, put the islets under US control until 1972. Hence, it was only possible for China to challenge Japan's control in 1972. There is also a dispute between Japan and China over whether when the normalisation treaty was negotiated in 1972 there had been a tacit agreement between the two Prime Ministers that the issue should be shelved and dealt with later. China says there had, while Japan denies such a tacit agreement was struck (Arai et al. 2013, 24–5). The US officially takes no position on

the territorial disputes, but asserts that the US-Japan alliance covers the islands as they are under Japan's administration (ICG 2013, 2).

International law cannot actually solve the conundrum especially if one of the sides (the one which controls the islands) simply refuses to acknowledge that there is a legal dispute despite the daily evidence of conflict. This makes calls on settling the dispute through international law sound rather absurd. The solution must be political either to shelve it or to close the moralisation gap (cf. Arai et al. 2013 for various suggestions on how to tackle the issue).

The focus here is not to establish who is right or who is wrong or to review each claim in detail (which is probably impossible), but to show how a number of key issues affect how the broad line of the story is perceived and spun by different players. Nationalism as a variable is a key explanation for the incidents in recent years and how they have been used to add to narratives from the past. But nationalism also has a bearing on the use of international law. China associates Japan's control of the islets with Japan's aggression and invasions and Japan's non-compliance with the Cairo and Potsdam decisions of the wartime allies. Japan, meanwhile, does not link the issue to the war at all claiming rightful ownership under international law and does not even admit that there is a dispute. Note the parallel with the legal disputes about the validity of Japan's annexation of Korea (chapter 5). Conversely, Japan sees itself as a victim of a rising China that is allegedly threatening and acting as a bully against international law because it doesn't accept Japanese sovereignty over the Diaoyu/Senkaku. That 'confirms' the Japanese narrative from the early 20th century that China is not a civilised nation. This in turn links to the US view of China as an illiberal country not respecting the rule of law. However, as we have seen, international law here does not offer any clear solution. And as Japan even refuses to acknowledge a dispute, international law does not provide any avenue for arbitration or mediation either. The perception associated with the unequal treaties that international law served as an instrument of imperialist power (chapter 5) is still lingering in the region today. This helps explain why it is not directly actionable in domestic courts and systems of law, why countries insist on explicit consent as a precondition for applying international law and why it is mainly used to defend sovereignty.

The dispute between Japan and Korea on Dokdo/Takeshima is of a similar nature, albeit less virulent because the historically victimised party – Korea – actually controls the islands. Korea seized control of Dokdo unilaterally in 1952 by drawing the so-called Peace Line into the sea. The irreconcilable positions on the island, but also on other issues such as the 'comfort women' have also brought Japan-Korea ties to a historic low. This also spilt over into the economic domain with both sides unwilling to even continue a bilateral currency swap agreed in 2008 and enhanced (to 70 billion USD in 2011).¹³ In this case it is Korea which refuses to enter an international arbitration on the grounds that its sovereignty over Dokdo is 'undisputed'. The issue has also dampened hopes for the conclusion of a bilateral trade agreement. A Korean supreme court decision in October 2018 to allow Korean forced labourers to claim compensation from Japanese companies led Japan to threaten to block Korea's accession to the Transpacific

Partnership (TPPP-11) because Korea couldn't be trusted to respect international agreements. The ruling had overturned the legal basis for friendly cooperative relationship between Japan and Korea; Japan's Foreign Minister lashed out, despite this being the ruling of the independent judiciary.¹⁴

International law is thus used instrumentally for power politics related to historical grievances and moralisation gaps, not as a basis for a regional integration project to escape the troubled past (as the European integration project did – chapter 4).

Trilateral cooperation in Northeast Asia today

How does Northeast Asia's divisive past affect regional cooperation today? China, Japan and South Korea have created a process of trilateral cooperation that is weakly institutionalised. In principle, the three countries hold regular summits, ministerial and other dialogue meetings loosely coordinated by a small Trilateral Cooperation Secretariat (TCS) established 2011 in Seoul (Böhmer and Köllner 2012). Despite an increasing density of dialogue meetings and technical cooperation in a variety of fields, the process is politically fragile as the repeated suspension of summits and ministerial meetings due to bilateral tensions demonstrated. Trilateral cooperation provides a mechanism to meet, avoiding politically even more difficult bilateral formats.

The first trilateral summit of leaders from the three countries was held in 1999 in the margins of an ASEAN Plus Three summit. In the wake of the Asian Financial Crisis, then Japanese PM Obuchi wanted to reconstruct Japan's regional leadership role that had suffered during the Asian Financial Crisis to the advantage of China (Park 2013, 100–2). The stated aim of what was called tripartite partnership was to promote good-neighbourliness, mutual trust and benefit, comprehensive cooperation and common development. China's proposal in 2004 to develop 'ASEAN + 3' into an East Asian Summit (EAS) in the same format (i.e. Asians only) was thwarted by Japan which secured the involvement in the EAS of Australia, India and New Zealand (ASEAN + 6; later also the USA). Japan took advantage of the lack of prior consultation by Beijing of its partners and the fear in some Asian countries of a too Sino-centric order (Park 2013, 102–6). The trilateral summit practice became an annual event, and the first independent trilateral summit (without ASEAN link) was held in Fukuoka, Japan ten years later (December 2008) under the impact of the global financial crisis. Leaders merely issued a very short statement to agree a tripartite partnership. The practice of the 'ASEAN + 3' summits and trilateral summits in its margins has continued alongside the independent trilateral process increasing the frequency of high-level meetings.

The trilateral process was clearly linked to the growing realisation of economic and financial interdependence and the need to coordinate among the three economic powerhouses in the region (Jo 2012). However, in 2005 a summit was postponed after Japanese PM Koizumi visited the Yasukuni Shrine (Böhmer and Köllner 2012, 3) and in 2012 (this time for three years) the summit and Foreign Ministers (FM) meetings were suspended because of PM Abe's nationalist stance

and resulting tensions with both China and Korea. After a trilateral FM meeting was held in March 2015 (the first since 2012) summit prospects improved, but had to wait for the 70th Anniversary of the War Statement by PM Abe and China's commemorative activities for the end of its war of resistance against Japanese aggression (attended by the South Korean President, but not the Japanese PM). The summit was held in Seoul on 1 November 2015 with the main result merely a pledge to resume annual trilateral summits. Here one can observe the importance of relational dynamics (Qin 2016). The suspension of meetings and contacts expressed displeasure about relational issues such as historical grievances and territorial conflicts.

Trilateral cooperation happens essentially at pragmatic and functional levels (Böhmer and Köllner 2012), driven by increased interdependence in various fields, from economic and financial to environmental issues and concerns about nuclear safety and disaster management (especially since the 2011 Fukushima tsunami and nuclear accident; joint statements have been issued on all these issues at the various summits). Political issues are usually not on the agenda or referred to in formulaic ways. It does not question the traditional concept of national sovereignty (Jo 2012). Apart from the political steer provided by leaders and foreign ministers meetings, there are annual ministerial meetings of ministers of finance, economics, environment and of the central bank governors plus a multitude of meetings at experts and officials levels.

There are no really common institutions, despite the existence of the TCS. The secretariat, despite its name, does not have a multilateral secretarial function as agendas and minutes of meetings are the responsibility of each country and the country holding the annually rotating chair. However, the head of the secretariat participates in the summits and foreign ministers' meetings and TCS staff provides public information and research functions. One of its official tasks is to provide annual progress reports to the foreign ministers' meeting.¹⁵ The first such report covered the years 2008-12 and was presented to foreign ministers' meeting in Ningbo, China, in April 2012. The TCS plays an important role in documenting and consolidating the proliferating meetings at expert and technical levels (over a hundred according to Böhmer and Köllner 2012, 2) as well as the political process. Moreover, it carved itself a role of policy think tank organising research seminars and international forums as well as networking with the EU and other international organisations.¹⁶

Trilateral cooperation stays well clear of any politically sensitive topics such as the situation of the DPRK, historical issues, territorial disputes, security and the like. It thus plays an important role in keeping dialogues going (below the high political levels) on matters of common concern even when bilateral relations are tense. The areas of cooperation are not defined in the form of a treaty like in the EU, but essentially *ad hoc*, based on shared interest and summit statements including a Trilateral Cooperation Vision 2020 for five major areas and 40 projects and several action plans in the various domains.¹⁷ The key projects on the trilateral agenda are an investment agreement signed in 2012 and a trilateral FTA for which studies have been conducted for many years (an 'Academic Joint

Study' carried out over seven years followed by a 'Joint Study among government officials, business representatives and academia' launched in 2010 and presented in 2012). The conclusion of a trilateral FTA seems rather doubtful at the time of writing not only because of the political situation, but also because of fundamental differences between the three countries in various sectors such as agriculture, fisheries, electronics and services. However, in trade facilitation, such as the Northeast Asia Logistic Information Service Network (NEAL-NET), customs cooperation and some standardisation there has been progress. Similarly, in the environmental field there has been effective cooperation on early warning about dust and sandstorms but less so on prevention (Böhmer and Köllner 2012, 4; Kim 2009). The three countries found consensus on aspects of international cooperation on biodiversity. In the financial field the meetings of ministers and central bank governors have provided a coordination platform including for preventive measures such as currency swaps (which, however, have not been used and some have expired because of political reasons). In other fields such as disaster management, mutual information and assistance has been on the agenda prompted by the 2008 Sichuan earthquake and the 2011 Fukushima tsunami, while a student exchange programme CAMPUS Asia (inspired by the EU's ERASMUS programme; Chun 2016) has been operated between a few selected universities.

All three countries consider the process as valuable *per se* and have shared interests addressed within it, but it is primarily functional cooperation rather than institutionalised multilateralism. There has been no fundamental change in the sovereignty-focused, nationalistic and inward-looking attitudes and identities of the three countries through trilateral cooperation (Jo 2012). The trilateral format is also not used by the three countries to work out coordinated positions for larger regional or global meetings in which they take part (such as APEC, EAS, ARF or G20). 'Regionness' is therefore thin and integration low. The vulnerability to the political climate between (and within) individual nations shows the limits of trilateral cooperation, while the process itself helps stabilising and perpetuating dialogue at least in more technical areas. Pragmatism and functional cooperation are thus the current limits to multilateralism in Northeast Asia. Trilateral cooperation is not addressing the nationalist conflicted 'regionness' and not bridging the moralisation gaps from the historical critical junctures. It serves more as a fig leaf to mask difficulties in bilateral relations which inevitably imply status issues. Following the spat over the Diaoyu/Senkaku, no summits were held between China and Japan for seven years until 2018, but Xi Jinping and Abe met eight times in the margins of multilateral summits. We are far from the beginning of a trilateral integration process, but at least there is a venue for dialogue and pragmatic cooperation, albeit that being often held hostage by nationalistic memory politics.

Notes

1 For a comprehensive overview, Armstrong and Westland (2018).

2 Not surprisingly the literature on Asian regionalism usually focuses on the wider Asian region, with ASEAN at its core (Armstrong and Westland 2018).

- 3 Joji Sakurai, 'Shinzo Abe's act of peace at Pearl Harbour masks a hawkish intent', *Financial Times*, 21 December 2016.
- 4 Benjamin Charlton, 'Influence of nationalist group will rise in Tokyo', *Oxford Analytica Daily Brief*, 28 April 2017.
- 5 https://japan.kantei.go.jp/97_abe/statement/201508/0814statement.html, accessed 6 May 2019. The date is significant as 15 August marks the announcement of the unilateral end of hostilities by the Emperor. The Japanese capitulation to the Allies was signed on 2 September, but China's military parade to mark the victory anniversary was held on 3 September 2015. China recently decreed the creation of two new public holidays targeted at Japan, the first being 3 September named 'The 70th anniversary of Chinese People's Anti-Japanese War' and the 'World Anti-Fascist War Victory Commemoration Day' for 13 December, marking the Japanese takeover of Nanjing, China's then-capital under the Nationalists and the Nanjing massacre.
- 6 'Korea slams Japanese PM's "Comfort Women" Denial', *The Chosonilbo*, 5 September 2012.
- 7 Statement by the Chief Cabinet Secretary Yohei Kono on the result of the study on the issue of 'comfort women', 4 August 1993. www.mofa.go.jp/policy/women/fund/state9308.html, accessed 6 May 2019.
- 8 Statement by Prime Minister Tomiichi Murayama 'On the occasion of the 50th anniversary of the war's end' (Translation), 15 August 1995. www.mofa.go.jp/announce/press/pm/murayama/9508.html, accessed 6 May 2019.
- 9 Narratives are here understood as communicative tools to achieve political objectives by combining a sequence of events and justifications related to national identity to give a determined meaning to past present and future (Hinck et al. 2018, 101–2, 107).
- 10 'Rift hits Japan exports to China', *Financial Times*, 23 October 2012, p. 2.
- 11 <https://treaties.un.org/doc/Publication/UNTS/Volume%20136/volume-136-I-1832-English.pdf>, accessed 6 May 2019. Interestingly the war is defined in Article 8 as initiated on 1 September 1939, thus ignoring the invasion of China by Japan in 1931. Article 10 states that Japan renounces all rights and interests in Japan including those acquired by the 1901 protocol following the Boxer uprising.
- 12 www.atomicarchive.com/Docs/Hiroshima/Potsdam.shtml, accessed 31 March 2019.
- 13 'Korea, Japan halt currency swap compact', *Korea Times*, 10 October 2012.
- 14 Choe Sang-Hun, 'South Korea's Top Court Rules Japanese Company Must Pay War-time Compensation', *The New York Times*, 30 October 2018.
- 15 www.tcs-asia.org/common/img_en/main/download/Trilateral%20Cooperation%20Secretariat%20Annual%20Report%202017-2018.pdf, accessed 29 March 2019.
- 16 Author interviews with TCS staff, 28 June 2012 and 15 October 2012.
- 17 www.mofa.go.jp/region/asia-paci/jck/summit1005/vision2020.html, accessed 29 March 2019.

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7 Financial crises in the EU and Northeast Asia

We noted in chapter 6 that trilateral cooperation in Northeast Asia emerged from the Asian Financial Crisis (AFC; 1997–8) and was institutionalised during the Global Financial Crisis (GFC) ten years later. The AFC was one of a series of financial crises in Latin America, Russia and other emerging markets. After the AFC, regional and global mechanisms were established that were further developed during the GFC. The G20 group of Finance Ministers and Central Bankers was created in 1999 to move beyond uncoordinated national policy-making and in 2008 was elevated to summit level. The FSF (Financial Stability Forum) was also created as a reaction to the Asian Financial Crisis and converted by the G20 into the Financial Stability Board (FSB) in 2009 (Moschella 2013). In fact, international crisis management for the AFC was undertaken to a large extent at the global level (IMF) rather than at the regional level. This was due to the absence of effective regional mechanisms (Rhee et al. 2013). Global coordination led by the US was also necessary because of the hierarchical structure of the global financial networks centralised on the US. They have a strong trans-Atlantic link but lack a regional system in Asia (Oatley et al. 2013, 141). The prime role of the US in the GFC and its containment was even more obvious (Tooze 2018). That seems to suggest that crises are (costly) opportunities to strengthen multilateral cooperation (as the EU and other cases also show; Rhee et al. 2013). Hence, examining the structure of a crisis and its response at regional and global levels is important for a diagnosis of the functioning of international society and polycentric governance on the spectrum of nationalism and multilateralism (chapter 9).

The global financial crisis is an example of the anarchy of complexity in which traditional power diffused (chapter 1). The idea of ‘national economies’ was exposed as anachronistic – states had no control over the complex web and ‘corporate oligarchy’ of large banks and financial institutions (Tooze 2018, 9–13). Even countries maintaining capital controls and state-managed economies, like China, were profoundly affected. The experiences of the last decade suggest that managing financial crises requires global, regional and national institutions and coordination between them (Rana 2017). The complex chaos pattern of the crises, in simple terms, can be traced back to the ‘Nixon shock’ in the 1970s. The end of the gold standard unilaterally announced by the US destabilised the post-war monetary system (Tooze 2018, 43; Rhee et al. 2013). The Bretton Woods

Institutions (IMF, World Bank) and national central banks had focused on welfare, security and power rather than profit (Arrighi 2010, 287). The supersession of the gold standard and fixed exchange rates accelerated a tendency of governments losing control of the production and regulation of world money propelled by the off-shore (seen from the US) petrodollar and Eurodollar markets (Arrighi 2010, 323). Neo-liberalism reversed the Bretton Woods system of state production of world money and its focus on prosperity, welfare and development. The globalising economy shifted to a much more dominant focus on private profit:

The foundation of the global dollar was the private banking and financial market network, materialized in the Wall Street-City of London nexus. This was a cocreation of American and European finance, deliberately erected beyond state control.

(Tooze 2018, 219)

Vast amounts of capital have since been circling the globe for ever more lucrative profits through ever more complex instruments and transactions and kept growing tremendously. Cross-border capital movements increased from ca. 4% of global GDP in the 1980s to 13% in 2000 and 20% in 2007 (Kocka 2013, 93). For many economists this is one of the reasons for chaotic and complex dynamics and periodic boom and bust cycles. In this view, the deregulation of the financial markets 30–40 years ago in the US and most Western countries caused them to get out of control (Arrighi 2010, 329–30; Kocka 2013, 92–5; Underhill 2011) and led to crises such as the Asian Financial Crisis, the transatlantic financial crisis, the European sovereign debt crisis and others. But only a crisis in the centre of the network – the US – sparked a global crisis (Oatley et al. 2013). Since crises in the periphery, like the AFC, conversely do not have major global impacts, there is no guarantee that the centre (the US, the IMF) will assist, even more so when the US pursues narrowly defined nationalistic ‘America first’ policies. Therefore national and regional safety nets have become more important (Rana 2017).

Through the ‘financialisation of capitalism’ (Kocka 2013, 92–9) a number of traditional aspects of the capitalist economy changed: capital as a source of investment and factor of value creation in the ‘real economy’ has become more self-centred, focusing on speculation and ‘gambling’ instead of ‘solid banking’ (Kocka 2013, 94; Tooze 2018, 106); credit and debt, including state debt has risen exorbitantly since the 1980s,¹ replacing a more traditional mode of saving and future-oriented investment and making the market economy more unstable. Trade flows and balances are no longer what drive the dynamics of the global economy. Financial crises thus also tend to be more disruptive capital account crises, not just currency or debt crises (Rana 2017, 7). Complex and chaotic dynamics of financial globalisation have geo-political consequences making the GFC a critical juncture (Kocka 2013, 96, 117; Oatley et al. 2013; Tooze 2018).

I am less concerned here about reviewing the crisis, its causes and all the policy measures in detail, or about assessing the individual policy choices and their

appropriateness or impacts. I focus on the balance of institutionalised multilateralism (multi-level and polycentric governance) and nationalist policies in the EU and in Northeast Asia (not domestic repercussions in individual countries) and what these mean for the EU, Northeast Asia and multilateralism/nationalism in international society. The EU has been badly hit through a prolonged sovereign debt crisis whereas the Northeast Asian countries managed the global crisis rather well through national stimulus measures and US liquidity provision.² Northeast Asia didn't have to rescue a common currency, an integrated financial market or a multilateral polity in the first place. They 'only' needed to protect their national banking and corporate sectors³ and to some extent those of their main trading partners (such as ASEAN, hence the regional ASEAN plus three upgrades). This was achieved through national stimulus programmes and with the help of the global liquidity provision by the Fed (Rhee et al. 2013; Tooze 2018). Besides national measures Northeast Asia reinforced its very weak regional safety nets built up after the AFC out of concern about contagion from the Eurozone sovereign debt crisis and global instability. However, they were not used. Northeast Asia has avoided (for now) a sovereign debt crisis, although in all countries public debt (notably regional and municipal) has risen sharply due to massive and, in China's case, gigantic stimulus programmes launched in 2008 (IMF 2019; Tooze 2018, 243–51). Despite some reforms in Northeast Asia (or rather the wider Asian region) there was no major overhaul of regional economic and political governance unlike in Europe.

The Eurozone crisis, by contrast, was seen by many as a life or death 'experiment'. Such real-life experiments are rare in social sciences, hence, comparing the reactions in two regions to the same crisis is a good opportunity to answer one of my research questions related to the effects of nationalism and multilateralism on governance in International Society 2.0 (Introduction).

In this chapter, I will examine what the link is between nationalist development paths and critical junctures, and the emerging multilateralist response at regional level. Conversely, the question in the EU is about how the multilateralist constitution of the EU/Eurozone and the balance with the national economies was affected by the crisis. Despite obvious differences between the European and Asian cases, several economists have compared the two and concluded that the Asian financial safety nets are unlikely to be used in the next crisis. Based on the EU experience, experts call for a more structured and institutionalised cooperation in Asia (Rana 2017; Rhee et al. 2013). This all the more so as US support is now in doubt.

The EU was affected by the GFC in both similar and different ways than Northeast Asia. The European integration process, notably the Eurozone, was deeply challenged, but was also a cause for the mutation of the global financial and banking crisis to the European sovereign debt crisis. Regional multilateralism, much deeper than Northeast Asia's, was put under a severe and costly stress test. But the multilateral fabric and the EU's multilateralist development path didn't unravel and revert to nationalistic ones at this critical juncture, unlike for instance during the Eurosclerosis in the wake of the 1970s economic crisis.

Instead, integration was reinforced despite a more intergovernmentalist tendency of the EU as a whole since the Lisbon Treaty.

Northeast Asia's multilateral mechanisms played a more symbolic role than a real one during the crisis. In both the AFC and the GFC, Korea was more affected than China and Japan due to its openness and integration with the global financial markets (Tooze 2018, 256–61). Interestingly, the Korean case resembles the Greek one in one aspect: Just as Greece's weak spots and risks were at first underestimated through its inclusion in the EMU, which made investors automatically consider Greece as a safe place, Korea's financial liberalisation in the 1990s was linked to the entry into a multilateral institution:

When Korea became a member of the OECD, this automatically put it in a much lower risk category for banks in countries following the Basel rules and contributed to the excessive inflow of capital in Korea.

(Willett 2009, 120)

In both the Greek and Korean cases, only a crisis revealed the real underlying risks and weaknesses.

Northeast Asia's reaction to the financial crisis is comparable in some technical aspects to the EU's because there were efforts to expand and improve global and regional safety nets and macro-economic surveillance (Rhee et al. 2013). Northeast Asia's multilateral mechanisms are not designed for its own subregion, but for ASEAN where all three Northeast Asian countries have major trade and investment interests. These regional mechanisms, such as the Chiang Mai Initiative (CMI), were created in the larger context of ASEAN Plus Three and as additional lines of defence after national currency reserves and bilateral swap agreements which are faster to activate and nationally controlled. However, in stark contrast to the EU's financial safety nets, they were not actually used in either the Asian Financial Crisis or during the Global Financial Crisis due to major shortcomings in design (Hill and Menon 2012; Rana 2017; Willett 2009). Moreover, China and Japan (and to some extent Korea) were competing about regional leadership (Park 2013). There was much less political will to commit to regional solutions than there was in EMU on economic and fiscal integration. This is not surprising, because Northeast Asia had neither created a regional single market like the EU nor a currency union. Safety nets and financial assistance require financial solidarity and trust (Rhee et al. 2013). Instead national programmes and bilateral assistance were preferred mechanisms, while the IMF played a central role notably in Korea and Indonesia with deep social consequences.

Northeast Asia's regional and nationalist responses to financial crises

In a conflicted region, like Northeast Asia, one does not expect integration to be on the *political* menu.⁴ However, the *economic* dynamics of globalisation have led

to more interdependence between the countries. Economic interdependence is usually assumed to lead to some degree of multilateralisation. How did this interdependence fare in times of economic crisis? And how does it compare to the EU's response to the financial crisis? Northeast Asian countries are focused on national development and national competitiveness (Willett 2009) and have not overcome past moralisation gaps (chapter 6). State-led economic regionalism has been a conscious policy choice of individual East Asian states in response to the domestic transformations of the government-business relationships to embrace globalisation as the main objective (Shu 2015, 88). The crises in 1997–8 and 2008–9 have shown that this nationalist model of the development state has been resilient, albeit expensive (Kalinowski 2008). There has been no major switch to a multilateralist development path despite the creation of some incipient regional mechanisms and institutions by ASEAN and its Northeast Asian partner countries (linked to it through the Treaty of Amity and Cooperation).⁵

Regional cooperation in Asia has been largely about trade and investment and shows little institutional substance. Intra-regional trade has increased slightly during 1995–2015 from 45 to 47.2% but non-tariff measures between ASEAN countries increased significantly during the same period (Tangkitvanich and Rattanakhamfu 2018, 186, 192). Most intra-regional trade is not covered by trade agreements, especially Japan's (Tangkitvanich and Rattanakhamfu 2018, 189). The trade and investment linkages between ASEAN and Northeast Asia are stronger than the intra-regional linkages in each subregion. The region maintains strong linkages with the outside world in a triangular trade structure (open regionalism). Financial and banking integration is even weaker and advances very slowly (Tangkitvanich and Rattanakhamfu 2018, 186, 198).

Regional agreements have not yet brought great benefits, but neither have they imposed substantial costs.

(Willett 2009, 115)

Northeast Asia's economic and monetary cooperation remains a far cry from integration and is still characterised by self-help strategies (Rhee et al. 2013) as well as ASEAN's, whose member countries see each other 'as rivals in their pursuit of exporting to the global market or attracting FDI' (Tangkitvanich and Rattanakhamfu 2018, 200). This challenge is political not economic as the exercise of full national sovereignty and economic integration are seen as incompatible in Asia (Tangkitvanich and Rattanakhamfu 2018, 203). China in particular has taken a very cautious, state-centred and gradual approach to financial liberalisation after the AFC (Huang and Bailis 2015).

The AFC was a critical juncture for multilateralist endeavours in Asia more than the GFC (Shu 2015). But as with the 'open regionalism' in the trade field, the problem has been a lack of substance and institutionalisation and recourse to external support (IMF, bilateral currency swaps; Rhee et al. 2013).⁶ This lack of institutionalisation contrasts with the deeply multilateralist approach of the EU which of course makes the crisis and crisis response different by nature.

In a nutshell the AFC was prompted by a huge inflow of (Western) capital into Asian countries that had started liberalising their financial markets under the impulse of the Washington Consensus and the pressures of globalisation after the Cold War. The perception of an East Asian miracle drove investor capital into the new growth region, creating asset bubbles and over-investment. The unilateral currency pegs created large amounts of foreign debt contracted with over-valued currencies as well as current account deficits. Lack of prudential supervision and insufficient risk-focused regulatory oversight (Rhee et al. 2013) in combination with the currency pegs created ‘perverse incentives’ (Willett 2009, 59). There is a similarity in the root causes of the Asian and the Global Financial Crises:

In each case the fundamental problem was one of perverse incentives and tendencies toward herding by financial-market participants that resulted in excessive risk taking and overinvestment in particular areas.

(Willett 2009, 118)

When investor sentiment changed and capital was withdrawn the debt became unsustainable, currencies were devalued, and foreign exchange reserves melted down rapidly. Korea had to turn to the IMF for assistance despite the existence of an ASEAN Swap agreement created in the 1970s, like in Europe as a consequence of the collapse of the Bretton Woods system of managed exchange rates (Sheng 2014; Willett 2009). China was concerned about the prosperity of Hong Kong, just returned from Britain in 1997, and about its international credibility. Therefore, it pledged not to devalue and thus became an anchor of stability. This marked a turning point which led to a rapprochement between Northeast Asian countries and ASEAN (Huang and Bailis 2015, 499; Shu 2015). The ASEAN Plus Three (China, Korea, Japan) process started in 1999.

The Asian Financial Crisis affected South Korea as well as several ASEAN countries through dramatic outflows of capital that forced the countries to turn to the IMF for bail-outs. The IMF imposed very painful conditions creating deep-seated resentment, reinforced by the realisation that the IMF imposed ‘bitter medicine’ was based on a misdiagnosis, as the IMF acknowledged later on (Hill and Menon 2012, 3; Rana 2017; Rhee et al. 2013; for a more nuanced view Willett 2009, 122–4). This resentment prompted the realisation that Asia needed its own regional financial safety nets. There was also bitterness that the US ally had let Korea and other Asian nations down in times of need, while it had assisted Latin American countries in their crises. The resentment was still palpable ten years later, during the Global Financial Crisis, when Koreans felt that the IMF and EU displayed too much leniency towards Greece and too easily derogated from the strict conditionality and prescribed medicine which was decidedly less bitter than the one administered to Korea during the AFC (Rhee et al. 2013).

Countries pursued self-help strategies not least because of the lack of international (multilateral) support and the stigma associated with the IMF (Rana 2017). Korea – the country most affected by the AFC in Northeast Asia – achieved its post-AFC recovery, applying the pre-crisis development model relying on export

orientation and strong state intervention, rather than market opening and financial liberalisation (Kalinowski 2008). Nevertheless, Korea's banking system was vulnerable to the sudden stop of liquidity after Lehman Brothers' collapse (Tooze 2018, 8). National self-help strategies were costly in terms of foreign currency accumulation, providing cheap credit to the US and to a lesser extent Europe, with huge sums of money being invested with very low returns in US and other foreign government bonds (and at the mercy of currency fluctuations in terms of value) (Campanella 2015). But they were costly also in terms of social security, possible market failures and economic inefficiencies (Kalinowski 2008). Shu (2015, 104) emphasises that for all Northeast Asian countries, post AFC domestic reforms and regional cooperation were pursued as an integral part of their pro-globalisation agenda. China reformed its SOEs and joined the WTO prompting a period of super-high growth (Mühlhahn 2019, 549–59). Japan reformed its economic bureaucracy during a phase of stagnation and Korea its chaebols and pursued FTAs with external partners. The reaction to the GFC was consistent with that globalisation approach with Korea signing free trade agreements with the EU and the US and urging the preservation of the open trading system against protectionist reflexes. After the GFC, however, China, given the environmental and economic unsustainability of its high-growth model, has structurally changed to a 'new normal' of lower growth while the total debt in the Chinese economy quadrupled from 7 trillion USD to 28 trillion USD between 2007 and 2014 (Mühlhahn 2019, 562, 591–614; Green and Stern 2017, 426). This 'new normal' of Chinese growth will undoubtedly have a major long-term impact on the Asia region. The export orientation of the Northeast Asian countries was challenged by the crisis in their main export markets (EU and US), prompting at least some efforts to promote domestic and regional investment (mainly infrastructure through stimulus programmes) and consumption as well as a drive to pursue other export markets in the emerging and developing world. Hence, a regionalisation or multilateralisation of economic and financial policies was not on the agenda.

The first proposal for a regional financial safety net came from Japan just before the AFC in 1996 (Rhee et al. 2013). Japan proposed to create an Asian Monetary Fund as an alternative to the IMF to bolster its regional leadership role (Park 2013, 95; Shu 2015, 98; Sussangkarn 2017). But China, the US and the IMF opposed Japan's initiative arguably to preserve the central role of the IMF for developing countries. China was irked by the lack of consultation by Japan, which had sent its AMF proposal only to several ASEAN countries, Korea and Hong Kong (Park 2013, 96).

As a consequence, the Chiang Mai Initiative (CMI) was set up in the aftermath of the AFC in 2000 by ASEAN, extending the ASEAN Swap Arrangement (ASA) to the three Northeast Asian countries (whose currency reserves were crucial for the initiative's funding). Instead of an Asia-only project, the CMI was linked to the IMF at China's insistence (Park 2013, 100; Shu 2015, 98–9). In 2000, when Japan proposed the CMI (in the hope to internationalise the Yen; Rhee et al. 2013), China supported the initiative not least echoing the widespread frustration in Asia about the US and IMF in the Asian Financial

Crisis (Park 2013, 98–9). Rivalry or conflictive competition (Park 2013, 87) proved to be dysfunctional for multilateral solutions. Besides this ‘multilateral’ safety net a network of bilateral swaps was set up in 2002 between ASEAN and the ‘plus three’ countries. However, both arrangements are simply a series of national agreements, not based on funds deposited in a central institution or managed jointly that could be drawn upon quickly in an emergency. Besides, and like in Europe before the European Stability Mechanism (ESM) was created, the pledged funding was inadequate.

The first test for the CMI came in 2008, when the GFC hit Asia with a short-term liquidity crisis (capital outflows). But the CMI failed the test, as the countries in need of liquidity support used bilateral swaps with the US, China, Japan, Australia and multilateral development banks (Hill and Menon 2012, 2; Rhee et al. 2013). As a consequence, the CMI was multilateralised in 2009 (CMIM) by repackaging the set of bilateral swaps into one self-managed reserve pooling arrangement. In 2012, as fear of contagion from the Eurozone crisis mounted, CMIM participants doubled its size to \$240 billion (with an increase of the share that could be mobilised without an IMF programme to 30%). In 2011 the ASEAN + 3 Macro-economic Research Office (AMRO)⁷ was set up to enhance surveillance. An ASEAN Plus Three Finance Ministers and Central Bank Governors meeting was also created in 2012, bringing together for the first time the monetary and fiscal authorities of member countries (Hill and Menon 2012, 6). This was perhaps drawing a lesson from the EMU design problem, but also mimicking the G20 meetings of finance ministers and central bank governors. The new forum decided to create preventive and precautionary credit lines (similar to those created a bit earlier by the IMF through the G20 process; for details on how they work Hill and Menon 2012, 6). However, as things stand the CMIM is unlikely to be called upon at all and it is neither a complement nor an alternative to the IMF, its purported *raison d’être* (Hill and Menon 2012, 7–13; Rhee et al. 2013; Sussangkarn 2017). The three Northeast Asian countries, while propping up the CMIM, agreed bilateral currency swaps and bond buying programmes among themselves, but because of political tensions, Korea, for instance, did not prolong its swap arrangements with Japan (chapter 6).

The CMIM was designed to favour the more vulnerable ASEAN countries (Hill and Menon 2012, 4) and is thus less a Northeast Asian mutual assistance pool than a safety net provided by Northeast Asian countries to their weaker ASEAN neighbours (in which they all have invested for industrial production). However, drawing on the funds is a cumbersome, time consuming process that involves a series of meetings of non-resident bodies including, for most of the funds, a tie to an IMF programme (Hill and Menon 2012, 4–5 for details and borrowing quotas; Rana 2017).

The surveillance mechanism, AMRO, which started working in 2011 in the form of a company under Singaporean law and has since become an international organisation (Rana 2017, 10), is part of the multilateralisation drive for the CMI to provide independent monitoring and analysis for due diligence to minimise moral hazard in the borrowing process under the CMIM (Watanabe 2018). Thus

reinforcing both the multilateral safety net and the multilateral surveillance resembles the EU's approach, but led to much weaker structures (Rhee et al. 2013). The independence, mandate and resources of the ASEAN Plus Three arrangements are far more limited and controlled by the national 'principals' and allow only very limited agency by the new mechanisms. This is also reflected in the extremely small staff numbers (12 in AMRO; Hill and Menon 2012, 5). Not surprisingly during the GFC Korea, when it chaired the G20 in 2010, promoted the idea of global financial safety nets rather than a series of regional ones (Rhee et al. 2013).

The weakness of the Asian regional financial safety net, despite its substantial reforms during the global financial crisis, shows that it is only a token third line of defence, after the use of national reserves, programmes and controls, or bilateral swaps and that it is still largely dependent on IMF support (Sheng 2014). While the technical approach is similar to the EU's, the Asian financial safety net does not reflect a deeply multilateral or even regional approach. Regarding Northeast Asia, this is even less the case, as the CMIM and AMRO are focused on potential borrowers, with the 'plus three' in the role as potential lenders (for whom the IMF link provides decidedly more assurance against moral hazard than relying on the small AMRO). This is very different from the EMU, in which, after the GFC, the European Commission and European Central Bank play the major roles in surveillance and supervision for the creditor countries based on legally binding treaty provisions (Rhee et al. 2013). However, even in the EU, for the large bail-out programmes launched at the beginning of the sovereign debt crisis the IMF had to be accepted as part of the process.

Northeast Asia's response to the financial crisis obviously differs from the EU response. It shows how nationalist, development state approaches to solving the banking and debt crises produced successful, but costly, self-help solutions with occasional cooperation and only a weakly institutionalised regional or multilateral framework almost designed not to be used (CMIM, AMRO). This case study shows that:

- 1 The main risk insurance mechanisms in Northeast Asia are almost exclusively national (massive forex reserves, forex and capital controls; Nakamura 2018; Sheng 2014) not least because they experienced a lack of international solidarity and multilateral support (Rana 2017). China and Japan lacked mutual trust and had a 'dual identity' as rivals and responsible leaders (Park 2013, 93–4; chapter 6).
- 2 Northeast Asia had put in place self-help mechanisms that were dealing quite successfully with the GFC based on lessons learnt from the 1997–8 Asian financial crisis. National self-help and 'light' multilateral processes show path dependency. The US and the IMF remain the financial backstop for the region (Rhee et al. 2013; Sussangkarn 2017; Truman 2018, 6).
- 3 Rational interest and interdependence did not produce institutional structures of multilateralism for the region apart from the TCS (chapter 6) (Tangkitvanich and Rattanakhamfu 2018). There is a clear preference for

non-intrusive *ad hoc* mechanisms about which countries exercise control (Truman 2018, 6). Some additional regional co-operative measures were taken together with other Asian countries (ASEAN), such as enhancing the Chiang Mai Initiative through multilateralisation, AMRO and bilateral currency swaps, but these remained marginal or unused, producing only a token regional project. Neither Asia nor the global financial safety net are ready for the next crisis in the region (Rana 2017; Truman 2018, 5).

- 4 Northeast Asia used the G20 and other global governance mechanisms to improve international coordination and to enhance their global national status and international influence, but hardly to change global governance substantially, although a proposal by South Korea to set up global financial safety nets based on the insufficient regional experience was launched in 2010 when Korea chaired the G20 summit (Rhee et al. 2013). Northeast Asian countries have sometimes similar, but no common position in the process and are mainly competing with each other.

In short, the very limited cooperation on financial safety nets (CMIM, AMRO, etc.) is a weak indicator for nascent regionalism in (Northeast) Asia or for any substantial evolution of international society institutions towards multilateralism there. This is obvious not only by comparison with the EU, but also on its own merit (or the lack thereof). Northeast Asian countries focus on national solutions and global cooperation. Regional cooperation is not a priority although it is clear from the financial network structure that without regional cooperation Asia depends on US (and IMF) support in critical times (Oatley et al. 2013). This lack of cooperation in a world characterised by disruption and complexity is risky:

The world – and the Asia Pacific region maybe more than other regions – is vulnerable to spillovers from events like trade and currency wars, military conflicts and security posturing getting out of hand.

(De Brouwer 2018, 13)

The global financial crisis and the EU response: shaken, stirred but not broken

In integrated Europe with its single market and currency union the impact of the GFC was more profound as it challenged the multilateral constitution of the EU itself. Protecting the EU from disintegration (or renationalisation of the multilateral polity) was thus a key objective of the crisis response that Northeast Asia didn't have to deal with. The EU experience in reaction to the financial crisis illustrates the diffusion of power in complexity. It also shows how multilateralist approaches to solving the sovereign debt crisis within an (insufficient, ill-designed) institutionalised framework (EMU) clashed with the national principle when major decisions had to be taken through intergovernmental bargaining (chapter 4). After prolonged and costly tensions among creditor and debtor nations, a consensus emerged to address structural institutional weaknesses and

policy leading to an evolution of the multilateral institutions towards more integration, but also towards a reformed polycentric set-up (new agencies and modes of supervision and economic governance; Priewe 2017, 18–26).

The bankruptcy of Lehmann Brothers bank on 15 September 2008 created a global liquidity crisis (credit crunch). It was a devastating blow for Europe's overexposed banks that lacked dollar liquidity and brought EU GDP growth to a sudden halt more than the sovereign debt crisis (Tooze 2018, 143–56). The fear of toxic assets and bankruptcy prompted a lack of trust in the global and European banking system which initially in 2008–9 was handled quite well by the EU, including through (modest) stimulus packages (Schelkle 2011), but the lack of a comprehensive recapitalisation of European banks was an omission that later transformed into a sovereign debt crisis in early 2010. Both the financial and the sovereign debt crisis were linked through a 'negative feed-back loop' to the failures of the banking system. The Eurozone crisis directly followed from the 2008 shock (Tooze 2018, 7).

Many critics of the EU's crisis response failed to see that the 28 member countries of the EU are still sovereign countries, even though they have shared part of that sovereignty in some policy areas, including, for 19 (as of 1 January 2015) of them, their monetary policy by adopting a common currency. But they have shared less sovereignty in economic and fiscal policy and in financial supervision (Priewe 2017). For instance, at the beginning of the crisis the EU had 27 different regulatory systems in place and national measures for bailing out banks. There was no common 'bail-out fund' or financial safety net. Moreover and crucially, the ECB was not conceived as a lender of last resort or given the powers of micro-prudential supervision of European financial institutions. The qualifying, but quite arbitrary, Maastricht membership criteria were deemed sufficient and EMU was left without a central fiscal capacity. The EU budget managed by the supra-national institutions was far too small to confront the massive scale of the various national debt problems: it was about 1% of EU total GNI, whereas the overall share of member states' public authorities was about 47% (Piris 2012, 41). State aid in the form of re-capitalisation and forms of asset-relief measures between October 2008 and December 2012 amounted to 591.9 billion EUR or 4.6% of EU GDP – even 12% if non-activated bank guarantees are included.⁸ Thus the individual member states (and the IMF) had to come to the rescue directly with their own budget and largely without EU funds under the pre-crisis multilateral institutional framework for financial decision-making, leaving the field largely to intergovernmental negotiations. This aspect is crucial, as the intergovernmental decision-making process is vastly different from the 'normal' syndicated EU procedures and contributed to unleash nationalist emotions. This has slowly been changing through the establishment of common mechanisms (for a detailed review of the change in governance of EU financial markets: Kudrna 2016).

Crisis management was thus also accompanied by the overhaul of economic, fiscal and monetary governance to prevent the next crisis. This was an immensely political process more profound than the largely national crisis management in Asia.

At the height of the sovereign debt crisis pundits predicted that the EMU would collapse, the Eurozone would disintegrate and maybe bring down the EU itself.⁹ This debate was led mainly by US economists who had from the start of EMU held the view based on Mundell's (1961) optimal currency area theory that the EMU could not work (Rhodes 2011; Vollaard 2014, 1145; Krugman 2013). But most of the critics focused on the first-generation optimal currency area theory ignoring that Mundell himself (who changed his original position by 180°) and others had developed a second and third generation of the theory by including monetary and trade integration aspects. This evolution of the theory questions less the creation of EMU as such as it touches upon how it should be governed (Priewe 2017, 8–10). These theory-based 'rational' views produced plausible arguments (which were known by EU policy makers: Eichengreen 2012), but tended to ignore the political nature of the EU and the EMU (Willett 2009, 110–14). There has been a pattern of political compromises in EU integration from its beginnings more than of any institutional grand design (Schimmelfennig 2018; chapter 3). The insufficient design of EMU was due to its political nature: after German unification there was a strong desire to bind in Germany further through EU integration in line with earlier French policy. Germany for its part sent an irrevocable signal of its continued commitment to European integration. For others there was the wish to enhance fiscal discipline or to push through unpopular reforms at home (Eichengreen 2012). Europeans came together for different reasons. The process was somewhat hasty and left many rules ambiguous. In the *Zeitgeist* of that time EMU was mainly a logical step to complete the single market and markets were believed to be sufficient to regulate economic and monetary activity through factor mobility (Priewe 2017, 6–8). No one had anticipated the irresponsible and toxic sub-prime lending in the US. US and European national regulators were not aware of the extent to which European banks that 'operated just like their adventurous American counterparts' (Tooze 2018, 75) were exposed to the risk (Tooze 2018, 75–9). Finally there was the lack of national and international supervision and regulation of this gigantic toxic sub-prime mortgage industry and the collusion between rating agencies and the banks they rated (Tooze 2018, 51–64). No one gauged the global impact of the decision to let Lehman Brothers go bankrupt (Tooze 2018, 9).

Looking back at the Eurozone crisis the sceptics seem to have been proven wrong as the EU and EMU survived and economic growth has picked up – after a lost decade. Nevertheless, the EU integration project and process has revealed at least five deep flaws and weaknesses (Priewe 2017):

- 1 divergence of inflation and real interest rates between EMU members (the most fundamental and most difficult to tackle)
- 2 too little, too late reactions of the ECB before 2012 and its continued lack of competence to act as a lender of last resort
- 3 excessive austerity at the wrong time coinciding with excessive debt
- 4 lack of fiscal policy capacity
- 5 problems of banking supervision.

There are a number of more or less detailed diagnoses of the various governance failures with a number of economic theories applied (Höing and Kunstein 2019), but the essential problem is widely agreed: 'The European crisis is rooted in a failure of institutional design'. (Bergsten 2012; Piris 2012, 41; Priewe 2017). While through the Maastricht Treaty a currency or monetary union was created, the signatories of that treaty left the economic union to the economic convergence assumed to follow through a mix of market forces and light-touch policy guidance (like the Stability and Growth Pact) and associated regulation (of the financial services sectors; Eichengreen 2012) In essence, fiscal and macro-economic policy as well as prudential supervision remained national, while the currency became supranationally managed. Moreover, the ECB was given a very narrow legal mandate (price stability) to ensure that it would not become a 'federal reserve' or a lender of last resort. The German governments and others fiercely opposed such a status for the ECB because of the fear of a 'transfer union' and moral hazard (Priewe 2017; Tooze 2018).¹⁰

The original blueprints for Economic and Monetary Union (the Werner plans of 1970¹¹ and the Delors report of 1989)¹² were less lopsided than the political result set out in the Maastricht Treaty which was strong on monetary union (supranational) and weak on the politically difficult and re-distributive economic or fiscal union left largely to national management and 'the markets'. Thus, the problem of EMU design was not due to ignoring the 'we told you so' of grand-standing American economists or a lack of informed macro-economic analysis and plans. The problem was what level of further supranational integration was politically feasible in a particular moment in time for the states and leaders involved, regardless of potential for future problems and conflict. EMU was thus not the result of a Balassa-type functionalist logic, but a political project:

Rather than being a historical inevitability, the creation of the euro was in fact a low-probability event that relied on a highly unusual combination of circumstances and interpretations.

(Willett 2009, 110–1)

The 'political' dramatically re-emerged during the sovereign debt crisis. The EU had to tackle these sensitive issues, as leaving them to the markets had proved a disastrous abdication of political responsibility. In fact, within the EU, the multilateral and the national principle conflicted, but have been accommodated through a difficult and costly process that has catered for both the integration (community method) and the intergovernmental way. Crum (2013) describes this conflict as a trilemma between executive federalism (equivalent to my multilateralism and syndicated hierarchy with a democratic deficit), national autonomy and democratic federalism. Democratic federalism describes a development of multilateralism through transfer of democratic decision-making to the EU level as proposed by Habermas (2011). The trilemma between EU integration in some fields and national policy making as well as democratic accountability/policy-making continues to plague the EU amidst persisting high unemployment

and tepid growth (Bellamy 2019; Crum 2013, Macaes 2013, Dauderstädt 2014). Path dependency and the cost of the dissolution of EMU suggest that the well-trodden European integration path remains the most likely course of the EU (Schimmelfennig 2018). Not-so-kind observers speak of continued EU muddling through or see ‘no exit from the Euro-Rescuing Trap’ (Scharpf 2014).

The reasons behind the debt problem were as diverse as EU membership. In many cases, it was not because of profligacy in public spending¹³ but because of banks which needed rescuing by the taxpayer (nationalisation of private debt) (Tooze 2018, 98–102). The additional public debt through the national stimulus measures led to the opening of Excessive Deficit Procedures by the EU against 23 out of 27 member states¹⁴ (Schelkle 2011, 377). In other cases, the debt problem arose because of asset bubbles which burst with the global crisis, increasing budget deficits and debt. These bubbles were linked to the imbalances within the Eurozone design, as the capital from northern competitive countries found lucrative, but assumedly equally risk-free investment possibilities in the less competitive southern countries (Priewe 2017, 12–3). Some countries had neglected structural reforms when times were good, and they could borrow money cheaply. While the Irish government bankrupted itself by converting banks’ debt into sovereign debt (Tooze 2018, 186), the sovereign debt crisis in Greece and other countries had more fundamental macro-economic (and political) reasons linked to debt accumulated before the crisis.¹⁵

In terms of crisis reaction measures, there are quite a few steps and new institutions to list.¹⁶ Without going into all the details, which would fill entire books, a short overview is in order: in the beginning (2008), when the crisis was diagnosed as a banking crisis, the EU re-vamped the financial supervision bodies which had a national focus and only a very light EU-level governance dimension; for micro-prudential supervision the European Securities and Markets Authority, the European Banking Authority and the Insurance and Occupational Pensions Authority were set up. This created an increasingly polycentric network governance format which left the bulk of the competences in the member states, but with stronger involvement of the supranational institutions in oversight and for systemic issues. A European Systemic Risk Board was also created for macro-prudential supervision. Governing the EU financial markets through the *Larosière* reforms ‘hardened’ from soft law and guidance to binding standards in a polycentric mode of governance relying on the community method and the concepts of delegated and implementing acts introduced by the Lisbon Treaty. The European Banking Authority (EBA) accountable to the EP and the Council gained supranational powers (Kudrna 2016, 77–80). As the crisis deepened and in early 2010 mutated into a sovereign debt crisis, the EU created financial safety nets, reformed fiscal governance and macro-prudential surveillance.

The reaction to the sovereign debt crisis in Greece was in emergency mode and prompted by fears of imminent collapse and contagion. The European Commission was allowed to issue up to 60 billion EUR in bonds guaranteed by the EU budget and the temporary (three years). The European Financial Stability Facility (EFSF) was set up to mobilise another 440 billion EUR (up to

750 billion) guaranteed by the Eurozone member states. Since late 2010 through the ‘European semester’¹⁷ the European Commission regularly analyses the fiscal and structural reform policies of every member state, provides recommendations and monitors their implementation as the surveillance counterpart to the safety nets. In 2012 a permanent financial safety net, the ESM was created to take over from the temporary EFSF. To give a legal basis for these measures which contradict the ‘no bailout clause’ of Art 125(1) of the Lisbon Treaty, the EU agreed to invoke Art 122(2) of the Lisbon Treaty to allow financial assistance to a member of the Eurozone ‘with severe difficulties caused by natural disasters or exceptional occurrences beyond its control’ (Schelkle 2011, 380; Crum 2013, 620). The legal basis was created through a simplified treaty amendment under Art 48–6 TEU (Huberdeau 2017, 155).

The underlying problem with the financial safety nets was that no country and no EU institution would throw good money after bad without guarantees and conditions and specific reforms implemented. These reforms were defined through legislation and European Commission monitoring or in specific country cases the negotiations led by the ‘troika’ of European Commission, ECB and IMF. The problem with financial support in such cases was that of ‘moral hazard’ and the possibility that assistance reduces the incentives for reform. It explains the resistance of creditor countries against a ‘transfer union’ (Draghi 2014). This moral hazard, together with the limitations to its mandate was also a problem for the ECB.

The ECB is one of the most independent of the supranational institutions of the EU (Huberdeau 2017, 145). The treaty mandate of the ECB is price stability, but it stepped in when the member states’ fiscal authorities were not able to or could not agree on fiscal measures. The ECB started in spring 2010 to buy Greek debt (government bonds) on the secondary market (so by-passing the Treaty’s interdiction of direct financial assistance by the ECB to a government) and it extended this bond buying programme to other countries as the crisis spread (Ireland, Portugal, Italy, Spain). In December 2011, the ECB initiated a more long-term stabilisation policy, the Long Term Refinancing Operation (LTRO), making inexpensive loans available to Eurozone banks for three years. A second LTRO round followed in February 2012. In July 2012, the ECB President finally announced that the ECB would provide a financial backstop to sustain the Euro:

Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough.

(Draghi 2012)¹⁸

This announcement stopped the escalation of speculation against the euro and prevented an existential crisis of the EU although in reality the ECB is still not a lender of last resort (Priewe 2017, 14). If the ECB had made such a declaration in 2010, ‘it would have nipped the crisis in the bud and prevented the catastrophic austerity policy’ (Dauderstädt 2014, 32). However, the ECB did not want to send a message that member states could go on with ‘irresponsible’ fiscal

policies, unsustainable levels of debt and lack of supervision. This produced a balancing act and a series of ‘unconventional’ monetary policy measures that were judged very differently by the various member states as well as by ‘the markets’ and analysts:

Compared with conventional monetary policy (i.e. interest rates), these measures are less easy for the market to anticipate and their effects are less well understood.

(Draghi 2015, 3)

In 2011, crisis management turned increasingly into crisis prevention and focused on addressing causes of risk. In parallel to the ECB’s monetary measures, the EU adopted the so-called Six-Pack and later Two-Pack legislation in December 2011 to enhance EU level economic and fiscal governance, coordination and supervision. The Six Pack (five EU regulations and one directive)¹⁹ defined more robust economic and fiscal surveillance of national policy (deficit, debt, expenditure, macro-economic imbalances, early warning system) by the EU level reinforcing the 20-year-old, far less constraining Stability and Growth Pact. The Six Pack legislation is based on the Treaty but introduces a new decision-making model of ‘reverse qualified majority’ i.e. the Council of the EU, on the basis of a Commission recommendation, can impose sanctions on a state not complying with the rules unless a qualified majority of member states votes against it. This rule and the sanctions defined in the legislation makes enforcement of rules more automatic. Therefore, the new legislation strengthens the syndicated sovereignty of the EU in the field of economic policy.

In addition, the intergovernmental Treaty on Stability, Coordination and Governance (Fiscal Compact Treaty)²⁰ was signed on 2 March 2012 by all but two member states (UK and Hungary), creating a rather complex legal structure outside the treaty frameworks, but involving the EU institutions and providing for a new Eurozone only summit (Huberdeau 2017, 154).

Finally, and simultaneously, the financial market regulation and its governance framework were overhauled (Kudrna 2016). A European System of Financial Supervision (ESFS) was created reforming the looser European level committees of national supervisors that had been set up just before the crisis. The banking union (single supervisory and resolution mechanisms) has been advanced but with important difficulties to implement a unified, effective multi-level governance system to overcome the dilemma that ‘European banks are European in life, but national in death’ Macaes (2013, 7). The Single Rulebook for supervision was followed by the Single Resolution Mechanism (the Single Resolution Board started operations on 1 January 2016) and the new bail-in rules of the Bank Recovery and Resolution Directive²¹ provide for the orderly resolution of banks and a burden-sharing between shareholders and creditors, reducing the negative feedback loop between bank and sovereign debt further. The banking union remains incomplete but has been ‘Europeanised’ compared to the pre-crisis situation which was characterised by the contradiction between a single currency and

a single market for financial products and services as well as 17 separate, national bank regulators (Eichengreen 2012, 129). The Europeanisation or integration proceeds through the gradual implementation of the European resolution fund (funded by annual levies on banks). The EU put a polycentric system in place which involves private actors (banks contributing to the fund), national governments/regulators (back-stop in line with EU state aid rules) and the European financial safety net (ESM). The single Supervisory Mechanism is managed by the ECB creating a risk of fragmentation with the ESFS managed by the European Banking Authority (EBA) and the EU members who chose not to opt-in into the banking union such as Sweden and the UK (Kudrna 2016, 79). There is as yet no European fund for deposit guarantees but EU rules on levels of protection exist. This shows the difficult limits of financial solidarity between countries ('transfer union'). The banking union illustrates the polycentricity of internationalisation with its transnational (banks' funding), trans-governmental (network of regulators) and supranational (ECB guidance) elements.

Perspectives on EU integration after the crisis

The sovereign debt crisis was no doubt a critical juncture in the European integration process. It was not a simple debt crisis but a combination of complex interlocking crises and dynamics (Dullien 2018, 6) that left a legacy of moralisation gaps between creditor and debtor countries, populism as a reaction to elite failure and in some member states it led to a rise in nationalism and a collapse of traditional party systems. In some member states questions were raised on the EU as a whole and about the adequacy of the EU's institutional setup (Piris 2012) and its insufficiently democratic constitution (Bellamy 2019; Habermas 2011; chapter 4).

There is consensus that further changes to the current EMU architecture are needed to address the structural weaknesses of the original arrangements and to ensure stronger foundations for a sustainable single currency such as divergence in competitiveness, debt levels, boom and bust cycles (Dullien 2018; Priewe 2017). But as the sense of urgency recedes the political diversity in how precisely to address these weaknesses will increase and make deep reforms – some of which would require treaty changes – more difficult. This resembles familiar patterns of integration in incomplete leaps and ambiguous bounds, usually crisis-driven where the EU institutions tend to produce the (more or less grand) design and the member states pick holes into them or where integration continues in one area after it breaks down in another (Jones 2012). In this case, the reform initiatives were no longer just Commission white papers, but collective proposals by all the institutions involved: The December 2012 report *Towards a Genuine Economic and Monetary Union*²² set out four essential building blocks for the future of EMU: an integrated financial framework, an integrated budgetary framework, an integrated economic policy framework, and strengthened democratic legitimacy and accountability. In February 2015, the 'analytical note' by the Commission President Juncker, in consultation with his colleagues at the Council, the

Euro-group and the ECB on *Preparing for next steps on better economic governance in the Euro-area*²³ focused on preparing the ground for stronger economic policy coordination, convergence and solidarity. This was necessary because the crisis response had led to greater divergence, rather than convergence in the EU (Dauderstädt 2014). But implementing these limited proposals proved to be slow with a palpable reluctance in member states. There are different visions on the future of EMU among member states which considerably limit the policy development options as laid out in the Five Presidents' Report on completing Europe's economic and monetary union of June 2015²⁴ which takes a long-term stepwise approach with the second reform step envisaged only for 2025 after a period of consolidation. The collective proposals by the institutions focus on completing the banking union (with the main contest on deposit insurance), an enhanced fiscal capacity and fiscal coordination for the EU (but falling short of fiscal federalism advocated by other influential expert groups; Dullien 2018; Priewe 2017; Schellinger 2015) as well as some institutional reforms such as a Euro-Treasury or Eurozone budget echoing earlier calls for a European Finance Minister. New proposals have also been made in the areas of labour market and social policies (which have largely been absent in earlier discussions on EMU) such as introducing competitiveness councils and monitoring of labour market and social policies, enhanced coordination of social security systems, recognition of qualifications and minimum social standards (Dullien 2018; Schellinger 2015; Huberdeau 2017, 156–9). In particular ECB President Draghi (Draghi 2014, 2015) has raised the necessity to consider these wider so-called automatic stabilisers which could temporarily redistribute money, help synchronising business cycles and provide shock-absorbers such as through an additional common unemployment insurance (which has been taken up in the European Commission's 2017 proposals).

In the EU governance overhaul in response to the crisis the following main tendencies are discernible:

- 1 A tendency of incrementally increasing institutional integration²⁵ and multilateral policy cooperation and coordination. This path dependency (also illustrated by the fact that these measures regarding economic integration were largely predicated already in the Delors report) was characterised by a crisis-driven creative muddling-through, not unlike that in previous integration phases (Schimmelfennig 2018, 974) although with a number of problems due to the complex nature of the issues: there were legal constraints prompting different modes of integration including outside the treaty frameworks; there were the market forces adding sometimes irrational – and thus unanticipated – risk, creating time and cost pressures; there were specific negotiation dynamics given the need for member states rather than the EU institutions to foot the stimulus programmes and bail-out bills. The EU overhauled the European financial regulatory framework that supervises banks, insurance and security firms, and new EU laws strengthened budgetary and macro-economic surveillance. It created new or reformed existing mechanical institutions of its international society. The new Fiscal Compact Treaty

increased the institutional and legal complexity of the EU without fundamentally changing the institutional set-up (similar to Schengen and other intergovernmental arrangements outside the treaty framework; Piris 2012). The ECB (slowly and against notably German resistance) moved beyond a narrow definition of its mandate and adopted 'unconventional' and more complex monetary policy measures (Draghi 2015; Priewe 2017). All these decisions were made under pressure from the markets, the US and other countries and the IMF (Tooze 2018) and had to take account of the nature of the EU with its partial, asymmetrical competences in the fiscal and monetary fields, the narrow mandate of the ECB, the limited common governance framework for financial regulation and supervision and the complex multi-level negotiation games notably between creditor and debtor countries. Changing the EU Treaty to overcome legal limits and constraints was not a realistic option as that would have required unanimity, possibly referendums in some countries, and would have taken too long. This led to slow, costly and sub-optimal outcomes (Tooze 2018), but this was an international and multilateral political process not a centralised national one like in the US or China. The proposals by the European Commission to complete the EMU, tabled in December 2017, are in keeping with this incremental approach, rather than an attempt at fundamental reform. European integration has long been about the politically feasible not the theoretically desirable optimum (Bickerton et al. 2015). Even proposals that sound 'revolutionary' such as the proposed creation of a European Monetary Fund (EMF) and an EU Minister of Economy and Finance are, in reality, rationalisations and adaptations of the systems developed during the crisis.²⁶ The EMF is simply but importantly (Rana 2017) anchoring the ESM in the EU's legal framework without changing the contribution key and governance structure, similarly the intergovernmental treaty (fiscal compact) of 2012 is to be incorporated into the EU framework while the minister is a rationalisation of the competencies of the vice-president of the commission and the chair of the Euro-Group. The legislative proposals by the European Commission were basically aimed at avoiding parallel structures by incorporating the intergovernmental elements into the normal institutional framework (including accountability to the EP and judicial review by the ECJ).

- 2 A second tendency was a dilemma/trilemma between the need for European governments and EU institutions to manage market pressures, and the requirement to be accountable to national electorates, not to financial markets (reflecting the diffusion of power in complexity and the need for a polycentric response). They have to deal in a democratic way with a wide array of short but also often long-term issues at the heart of their citizens' concerns such as jobs, pensions, savings, education and how to finance all this (taxes, debt). In this respect, the EU differs from the IMF which faced no such democratic accountability constraints towards the citizens of Asian countries during the Asian Financial Crisis and imposed much more bitter conditionality. Any reform of EMU needs to be carried out in

a democratically accountable way not least through involving at the minimum the European and national parliaments. This is needed to ensure democratic oversight of the process and to reassure the citizens of Europe that they are a part of the process (Bellamy 2019). More integration means more demand for democracy and more accountability at EU level (which is also a pattern in other areas of integration): no taxation without representation, no austerity without solidarity. The intergovernmental mode of decision-making is neither effective (need for unanimity) nor democratic (a small minority party in a national government – like the ‘True Finns’ or German coalition politics – could block EU level decisions affecting other countries and millions of citizens; Priewe 2017, 18; Tooze 2018, 331–9). The lack of ‘proper’ accountability mechanisms has led to a crisis of citizen confidence in the EU (reflected in surveys and a surge of votes for Euro-sceptic or anti-establishment parties and movements; Börzel and Risse 2018; chapter 4). The ECB recognised this and, in 2015, started for the first time to publish summaries of its policy meetings (Draghi 2015). There are calls to replace the EMU’s indirect democratic governance in the second degree (national leaders accountable to national parliaments) with a European economic government elected by the EP and decision-making through qualified majority voting (Priewe 2017, 18–19). The Commission proposals of December 2017 emphasise the enhanced accountability to the EP, although – critically – it is not the EP which is financing the EMF but member states. Hence, the concern seems to be to enhance legitimacy and effectiveness of the *status quo* and streamlining the complexity which arose during the crisis as the wider-reaching option of fiscal federation and political union doesn’t seem realistic in the current situation of European integration.

- 3 All crisis measures were negotiations – extremely complex and polycentric negotiations – where there were different players, different games, different perceptions and different cultures involved (Schimmelfennig 2018, 977–8). Markets in particular were unpredictable and amorphous ‘negotiation partners’ with their own games. The EU ‘experiment’ revealed the need to effectively deal with the plurality of the political and economic context of a multilateral polity and the diffusion of power in complexity. Multilateralism as such was a weakness compared to the US or Northeast Asian countries. Decision-making was by definition slower and less efficient than in a national system – although there were many controversies, blockages and compromises in the US, too, between the executive, congress and the FED that produced sub-optimal outcomes (Tooze 2018, 291–311, 449–70) especially in the intergovernmental mode (Bickerton et al. 2015). The EU performs better when decisions can be taken through majority voting in the Council and the EP, but consensus has been the rule for a long time with powerful member states often determining the intergovernmental bargaining (Degner 2019). This lesson of multilateralism under existential pressure of complex market, economic and political dynamics is also an important one for global governance.

- 4 Beyond crisis management, the EU has put in place or is in the process of establishing preventive mechanisms based on lessons learnt in the form of deeper financial integration and public-private risk sharing (through the banking union) and medium-term fiscal planning supervised by the EU peer review mechanisms and sanctions and regulation of rating agencies. This governance reform will make the EU/EMU governance more polycentric but at the same time more clearly regulated and centralised and probably better prepared for the next crisis than Northeast Asia (De Brouwer 2018; Rana 2017; Rhee et al. 2013).
- 5 In terms of the multilateralist constitution of the EU and the integration process one can observe a tendency towards centralisation of the polycentric set-up:

The response to the crisis has been one of veritable constitutional “mutation.” The development of the conditionality criteria for debtor states and the more general requirements of fiscal discipline and detailed macro-economic monitoring under the European Semester have shifted the balance of power notably towards the European centre. And at the centre, as is well summed up in the spectre of “executive federalism”, under the new structures of economic and monetary governance there has been a further dramatic shift in power to the executive organs of the European Council and Commission and away from European and national Parliaments. These developments, in turn, are exacerbated by the move towards a more differentiated Treaty regime, with the use of international law for the European Stability Mechanism and the Fiscal Compact bypassing the normal system of EU Treaty amendment in a way that reinforces the power of initiative of coalitions of powerful states.

(Walker 2016, 349)

On the one hand, the very high levels of economic and financial interdependence, particularly in the euro area, call for a qualitative move towards an economic and fiscal union, in order to ensure the smoothest possible functioning of the EMU for the benefit of European citizens. Therefore, such national economic, social and fiscal policies must reflect fully the realities of being in a monetary union and convergence has to go beyond the arbitrary Maastricht criteria. Maintaining an appropriate level of competitiveness, coordination and convergence accompanied by social policies and investments to ensure sustainable growth without large imbalances and reducing inequalities is essential. The governance of structural reforms should be exercised jointly at the eurozone level:

Like any political union, the cohesion of the euro area depends on the fact that each country is permanently better off within the union than without. Convergence is therefore essential to bind the union together, while permanent divergence caused by structural heterogeneity has the opposite effect. For this reason, that every national economy is sufficiently flexible should be

accepted as a part of our common DNA. It has to be a permanent economic feature that comes with participation in the euro area, in the same way that the Copenhagen Criteria are permanent political features of membership of the EU.

(Draghi 2015, 3)

On the other hand, the crisis and its populist backlash has shown that moving towards more decisions made at European level on *financial, fiscal and economic policies* requires strong mechanisms to legitimise the decisions taken in common and to ensure the necessary democratic accountability and political participation. This is essential to build public support for European-wide decisions that have a far-reaching impact on the everyday lives of citizens. Far-reaching decisions profoundly affecting citizens and states alike had to be made and consequently deep tensions between and within member states rose to an unprecedented scale (Kriesi 2016).²⁷ The real economy had to cope with disintegrative tendencies rather than the economic convergence the EU had been experiencing since 1999 and which was the underlying objective of EMU in the first place (Macaes 2013; Dauderstädt 2014, Vollaard 2014). This political process affected the constitutive institutions of the EU's international society and its syndicated hierarchy: national fiscal sovereignty, the community method, the intergovernmental agreements were at stake and characteristically a number of moralisation gaps typical for a critical juncture appeared (e.g. accusations of irresponsibility, laziness, heavy-handedness, arrogance and the like; taking of moral positions on policy choices; mutual acrimony; digging up old stereotypes or even wartime reparation issues). Member states pursued more integration in deliberative and consensual decision-making processes but resisted supranationalisation (Bickerton et al. 2015). This has produced a tendency away from relying on self-regulation and a further centralisation of the polycentric governance framework for the macro-economic policies and surveillance. By depoliticising crucial economic decisions, the democratic disconnect between the citizens and their representatives (mainly the national governments, but the blame got often blurred by shifting it to 'Brussels') has produced a crisis of legitimacy at member states and EU levels. This *political* crisis cannot be solved by harmonising fiscal policy or creating a political union as the fundamental citizen consent for such a move is precisely absent (Bellamy 2019). This political crisis of legitimacy is continuing and weakening popular support for European integration.

The two cases, Northeast Asia and the EU, demonstrate the staggering challenge for global governance. The tensions between national sovereignty, democratic accountability, the hierarchical structure of global finance, and the interdependence associated with it make efforts to pursue international coordination in what is by necessity a polycentric governance endeavour very challenging. In the next chapters, I will examine the climate change challenge and the implications of the lessons learnt from the different regional cases on global governance.

Notes

- 1 Kocka (2013, 95) gives some examples Germany's debt as a percentage of GDP hovered between 16% and 24% between 1950 and 1975, climbed to 41% in 1985, 56% in 1995, 69% in 2005 and 81% in 2011; France's from 16% (1975), 31% (1985), 55% (1995), 67% (2005), 86% (2011); US 33% (1975), 68% (2005); Japan 24% (1975) 186% (2005).
- 2 However, debt from the stimulus programmes especially by local authorities has become a major problem in China and Korea, although it is largely domestic debt. Decline in global demand has also slowed their GDP growth.
- 3 Due to the AFC Korea had to close and restructure almost a third of its banks at high cost (Oatley et al. 2013, 143; Japan's economy during the GFC contracted at a rate of 20% per annum and exports by 50% (Tooze 2018, 159).
- 4 However, in 1996 (the AFC) the overall political situation was less conflicted – China was pursuing a good-neighbourliness policy after the Tian An Men incident – establishing for instance diplomatic relations with South Korea in 1992 – and was negotiating its accession to the WTO (achieved in 2001). The territorial disputes covered in chapter 6 came to the front burner only around the turn of the millennium when Japan's economic stagnation was accompanied by a rise in nationalism under PM Koizumi.
- 5 <https://asean.org/treaty-amity-cooperation-southeast-asia-indonesia-24-february-1976/>, accessed 14 May 2019.
- 6 Bilateral currency swap lines, unlike measures to mitigate balance of payment and liquidity crises mainly aim to facilitate trade and investment through a predetermined exchange rate (Kazumasa Iwata, 'Bilateral currency swap lines: facilities and risk', *East Asia Forum Quarterly*, 2018, 29–30).
- 7 <https://amro-asia.org/>, accessed 14 May 2019.
- 8 'Banking union gaps leave European doom loop intact'. *Oxford analytica: Daily Brief*, 3 September 2014.
- 9 The same topoi returned with the migration crisis in 2015 but did not get tackled in the same integrationist way (Schimmelfennig 2018; Börzel and Risse 2018).
- 10 For a critical view of creditor countries, especially Germany's policy: Underhill (2011).
- 11 The Werner report already highlighted disequilibria within the European Community and through the interdependence of industrialised economies including the flows of speculative capital. EMU was supposed to contribute to satisfactory levels of growth, high employment and stability including in an unstable global environment. Full liberalisation of factors of production and capital were recognised as essential just as in any national economy. More importantly the authors saw the transfer of essential fiscal and monetary matters to the community level and a harmonised management of national budgets (size, balances and how to finance deficits and utilise surpluses) as essential. These ambitious initial plans for an economic and monetary union as a response to the collapse of the Bretton Woods system were shelved not least due to the 1973 oil crisis. Instead on a Franco-German initiative in 1979 the European Monetary System and the European Currency Unit (ECU) were created, which later became one of the foundations of the EMU. http://ec.europa.eu/economy_finance/publications/publication6142_en.pdf, accessed 8 April 2015.
- 12 The Delors Committee also emphasised the need for intensive and effective economic and fiscal policy coordination and the need to promote convergence, as under the stable exchange rates in the EWS and the elimination of capital controls and non-tariff barriers through the single market programme, countries lost tools to shield their economic policy from developments elsewhere in the Community. This required a cooperative economic and fiscal policy-making including through binding measures at supranational level. While the Delors report was drawn up to inform policy makers,

- the treaty – as an outcome of a political process – ignored some of the recommendations described as essential. From 2012 onwards a series of reports and speeches have come back to the formulation of essential requirements to develop EMU further in a reiteration of the political process of deepening (or not) European integration. http://aei.pitt.edu/1007/1/monetary_delors.pdf, accessed 8 April 2015.
- 13 Before 2008 a number of countries often accused of irresponsible government spending, like Spain, Italy or Ireland, had actually reduced government debt assiduously.
 - 14 EU press release, 'EU Economic governance "Six-Pack" enters into force', 12 December 2011. http://europa.eu/rapid/press-release_MEMO-11-898_en.htm, accessed 8 April 2015.
 - 15 For a country-by-country overview: Kershaw (2018, 488–512).
 - 16 The EU website http://ec.europa.eu/economy_finance/economic_governance/index_en.htm contains a collection of all the legal measures (http://ec.europa.eu/economy_finance/economic_governance/sgp/legal_texts/index_en.htm) and a useful timeline (http://ec.europa.eu/economy_finance/economic_governance/timeline/index_en.htm), accessed on 8 April 2015.
 - 17 http://ec.europa.eu/economy_finance/economic_governance/the_european_semester/index_en.htm, accessed 8 April 2015.
 - 18 www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html, accessed 8 April 2015.
 - 19 http://europa.eu/rapid/press-release_MEMO-11-898_en.htm, accessed 8 April 2015.
 - 20 http://ec.europa.eu/economy_finance/economic_governance/sgp/legal_texts/index_en.htm, accessed 8 April 2015.
 - 21 http://ec.europa.eu/finance/general-policy/banking-union/single-supervisory-mechanism/index_en.htm, accessed 8 April 2015.
 - 22 www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/134069.pdf, accessed 7 April 2015.
 - 23 http://ec.europa.eu/priorities/docs/analytical_note_en.pdf, accessed 7 April 2015.
 - 24 https://ec.europa.eu/priorities/publications/five-presidents-report-completing-europes-economic-and-monetary-union_en, accessed 12 April 2016.
 - 25 Some observers, such as Macaes (2013), point to a reversal of integration processes especially in the economy itself. Dauderstädt (2014) shows that convergence (a similar meaning to economic integration) in the EU had generally been enhanced before the crisis, but receded due to the crisis, bolstering Macaes' assertion of a reversal of integration. The difference depends on whether one looks at institutions or policies or economic indicators.
 - 26 See European Commission Communication (COM(2017) 821 final 'Further Steps Towards Completing Europe's Economic And Monetary Union: A Roadmap' (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017DC0821&from=EN>) as well as the more detailed proposals (https://ec.europa.eu/info/publications/economy-finance/completing-europes-economic-and-monetary-union-policy-package_en)
 - 27 These tensions revealed moralisation gaps such as between Greeks feeling victimised by Germany seen as lacking solidarity despite having been the main beneficiary of EMU, while Germans accused Greeks of being lazy and profligate free-riders. Characteristically for moralisation gaps such accusations – mainly in the media but also by leading Greek politicians and finally the Tsipras government – were assorted with historical references such as Nazi occupation of Greece.

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8 The EU, Northeast Asia and polycentric governance of climate change

Live and let die?

Averting dangerous climate change is a major and complex global governance challenge that exposes the tensions between the need for cooperation and solidarity and the politics of national self-interest. Unsurprisingly, the EU and Northeast Asia offer very different responses to the challenge. Climate change is 'global, unequal, long-lived, and uncertain' (Tol 2012, 289). Global warming is a consequence of unprecedented quantities of mostly anthropogenic greenhouse gas (GHG)¹ concentrations in the atmosphere in the last 800,000 years. 'About half of the anthropogenic CO₂ emissions between 1750 and 2011 have occurred in the last 40 years'. (International Panel on Climate Change, IPCC 2014, 4).²

GHG concentrations in the atmosphere still continue to rise, making it almost impossible to limit the global warming to just 2°C above pre-industrial levels and more likely to somewhere near 4°C by the end of the century:

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels, with a *likely* range of 0.8°C to 1.2°C. Global warming is *likely* to reach 1.5°C between 2030 and 2052 if it continues to rise at the current rate.

(IPCC 2018, 4)

Designing a comprehensive climate change regime is both urgent and extremely difficult, given the multiplicity of cooperation problems, divergent interests, the amount of financing needed for mitigation and adaptation, and the problem of short-term versus long-term cost benefit distribution with different relative gains and losses for the different countries and stakeholders. Profound changes in life-styles and the economy are needed. International negotiations to prevent dangerous climate change have been ongoing since the end of the 1980s with the UN Framework Convention on Climate Change (UNFCCC) adopted at the UN Conference on Environment and Development in Rio in 1992.³ However, all this time GHG emissions kept on growing. Negotiations take place between states, while emissions are produced by companies, consumers, cars and cows. Value differences and associated moralisation gaps are plaguing the international negotiations, beyond mere cost-benefit based rational bargaining and beyond the exercise of traditional power (Terhalle and Depledge 2013).

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Climate change has been on the EU's agenda since the late 1980s, first as part of its environmental policy but increasingly in its own right. It has arguably become a cornerstone of EU policy (Tol 2012, 288) and a flagship for EU efforts to lead globally on a major governance challenge (Oberthür 2011). A consistent pattern has been that the EU itself agreed on EU GHG reduction objectives before each major international negotiation. Just before the Rio Earth Summit in 1992, the EU already agreed on a package of measures to stabilise its GHG emissions, and after the summit climate change became one of the priorities of the EU's environmental action programme. Ahead of the UNFCCC Conference of Parties (COP) in 1995, the Council of Environment Ministers agreed to seek significant emissions reductions and for the first time set a target that 'global average temperatures should not exceed 2°C above pre-industrial levels' – this has meanwhile become a broadly accepted global goal (Morgera et al. 2011, 834–5). In 2003, as part of the implementation of the Kyoto Protocol which it ratified in 2002, the EU launched the Emissions Trading System (ETS) to cap GHG emissions from mainly industrial production and power generation (covering about 11,000 large installations across the EU). The Lisbon Treaty (Art 191(1)–(3) TFEU) includes an obligation to promote international measures to combat climate change and, among others, bases environmental and climate action on the precautionary principle, preventive action, available scientific and technical data, cost benefit analysis and stipulates the polluter pays principle. Climate change has been an issue of progressive European integration starting with the 2009 climate and energy package.⁴

The shortcomings of intergovernmental approaches at the beginning of the EU ETS have evolved into more centralised EU-level governance and integration of GHG reduction efforts. Specific targets have been agreed and compliance mechanisms have been created at EU level. We can also see a pattern of centralisation around supranational legislation and institutions in the polycentric governance of climate change (similarly in the governance of EMU; chapter 7).

In Northeast Asia, by contrast, there are no regionally agreed policies in place and each of the countries has a very distinct climate change agenda driven overwhelmingly by domestic and national competitiveness concerns (e.g. air pollution and new industrial policy in China, green stimulus and innovation in Korea and Japan). Japan, as an early industrialiser, was a key promoter of the Kyoto Protocol, but has since become a laggard in international climate governance. Countries in Northeast Asia (and many others) prefer national actions with as little international/supranational accountability as possible. In Japan, in the absence of a national policy, there is a sub-national ETS in Tokyo, and China also experimented first with sub-national ETS before launching a nation-wide system (in line with its previous policy of economic reform pilot projects). Regional cooperation in Northeast Asia focuses on very limited aspects of climate change, such as dust storms or technical cooperation in environment and energy matters and is to some extent characterised by blame games (Kim 2009). There are regional forums and programmes such as UN or Asian Development Bank initiatives and the Asia Pacific Partnership for Clean Development and Climate⁵ which

are mostly focusing on information exchange or technology transfer. Nations in Northeast Asia characteristically mainly go for themselves, eyeing their neighbours suspiciously, while the EU, despite a lot of difficulties along the way, has been able to forge a strategy on climate change that reflects a teamwork approach of multilateralism with legally enshrined measures and burden sharing. On substance (i.e. the reduction of emissions), the EU strategy may be far from perfect (Tol 2012; Helm 2014), but that is not my focus here. Environmental watchdogs hold EU policymaking to account more effectively than they do Northeast Asian countries. My key point is that there is a similar contrasting pattern for the long-term governance challenge of climate change between the EU and Northeast Asia as in the short-term case of the financial crisis reflecting ideological beliefs in multilateralism and in nationalism respectively.

The world is not enough

Climate change is an excellent example of the anarchy of complexity (chapter 1). While governments have been negotiating about reducing GHG emissions for a quarter century, those emissions have continued to increase relentlessly while global energy has become more carbon intensive, not less. But time is running out: the IPCC (2018) has established that if emissions are not drastically reduced by 2030 the ensuing warming (ideally at not more than 1.5°C rather than the 2°C agreed in Paris; UNFCCC 2016) and its impacts would be very challenging to deal with indeed.

The challenges from delayed actions to reduce greenhouse gas emissions include the risk of cost escalation, lock-in carbon-emitting infrastructure, stranded assets, and reduce flexibility in future response options.

(IPCC 2018, 24)

Some scientists are concerned over even more dramatic consequences if global warming were to exceed 2°C, as that tipping point could accelerate non-linear complex feedback processes that could

Activate other tipping elements in a domino-like cascade that could take the Earth System to even higher temperatures . . . irreversibly onto a “Hot-house Earth” pathway.

(Steffen et al. 2018, 8253–4)

Even if the ‘Hothouse Earth’ scenario with dramatic consequences for humankind and life on earth could be avoided to stay on a ‘stabilized earth’ pathway,

Stabilized Earth will likely be warmer than any other time over the last 800,000 years at least (that is, warmer than at any other time in which fully modern humans have existed).

(Steffen et al. 2018, 8257)

While the world is not enough for some scientists, most argue that the way the world is presently run is not ideal enough to deal with the climate (or Earth systems) challenges. The IPCC states unequivocally that without up-scaled international cooperation as a critical enabler the dangerous threshold cannot be avoided (IPCC 2018, 30). This requires polycentric governance:

Partnerships involving non-state public and private actors, institutional investors, the banking system, civil society and scientific institutions would facilitate actions and responses consistent with limiting global warming to 1.5°C.

(IPCC 2018, 30)

The scientists concerned about ‘Hothouse Earth’ explicitly advocate polycentric governance systems and argue that the transformations necessary to avoid that dangerous pathway

Require a fundamental reorientation and restructuring of national and international institutions toward more effective governance at the Earth System level, with a much stronger emphasis on planetary concerns in economic governance, global trade, investments and finance, and technological development.

(Steffen et al. 2018, 8257)

Climate change thus throws up a number of challenges facing international society: it reveals the problem in international politics of the dominance of the nation-state (both too small and too big to deal with the problem; Purdon 2014) and the (untested) dynamics of polycentric governance involving other actors (Thiel 2016) to deal with chaotic complexity. Moreover, there is a problem of leadership and consensus-building in this complex situation (Schwerhoff 2016; Friman and Hjerpe 2015). Indeed, neither the IPCC nor the other scientists calling for an urgent qualitative leap towards polycentric governance spell out how exactly it should look like and how it should come about. I argue that the EU has put in place one type of polycentric governance that has at least made some progress in slowing emissions and burden-sharing with instruments that could in theory be replicated or scaled up elsewhere, provided political will to move towards the polycentric effort called for by the world’s leading scientists can be mobilised.

Climate change as a challenge for international governance

Climate change is a fundamental challenge to the planet and human society. It is already inevitable because of the long-term effects of accumulated GHG in the atmosphere. The ‘school strike for climate’ movement has highlighted the inter-generational dimension of causes, effects and responsibility. These complex links and challenges to the economy and development perspectives of many

countries and the human condition of people make the climate change challenge particularly difficult to address in conventional inter-state governance. National responses are clearly not adequate:

Climate change has the characteristics of a collective action problem at the global scale, because most GHGs accumulate over time and mix globally, and emissions by any agent (e.g. individual, community, company, country) affect other agents. Effective mitigation will not be achieved if individual agents advance their own interests independently. Cooperative responses, including international cooperation, are therefore required to effectively mitigate GHG emissions and address other climate change issues. The effectiveness of adaptation can be enhanced through complementary actions across levels, including international cooperation. The evidence suggests that outcomes seen as equitable can lead to more effective cooperation.
(IPCC 2014, 17)

The question is then which form multilateral and polycentric action can take. Compliance and participation versus cost-effectiveness are fundamental problems of an international climate change agreement, a typical collective action dilemma (Barrett and Stavins 2003). The Kyoto Protocol has tried a combination of hard law (legally binding emission reductions for industrialised countries) and market mechanisms to facilitate buy-in. The Paris Agreement has abandoned the hard law and shifted to soft law and a bottom-up 'pledge and review'. It is based on domestic action pledges (Article 4) which are not enough. Most observers profess scepticism about the chances to meet the 2°C objective but the IPCC special report of 2018 makes clear that 1.5°C should be the limit to be attained (IPCC 2018; Steffen et al. 2018). The level of ambition of collective pledges is insufficient. On the positive side there is the commitment to a global multilateral endeavour with built-in mechanisms to revise ambitions upward (stock-taking starts in 2023) and various initiatives promoting clean energy and shifts away from fossil fuels. Hence, the Paris Agreement has been a catalyser for global action by various actors beyond the signatory nation-states. The pledge of US states and cities to continue their own low carbon policies despite their abandonment by the federal government shows that global and local action does not rely solely on international action and commitments. Similarly, companies that take action do not just wait for state regulation. Polycentricity is emerging in a complex process of individual actors coalescing around a multilaterally agreed objective.

In domestic environmental policy (including that of the EU), hard law and fines to enforce provisions are widespread. In the international climate change regime, the absence of a central authority to enforce compliance like in domestic environmental policy – in line with the traditional understanding of anarchy – creates a free-rider problem.

Free riding depends upon the structure of the underlying environmental problem. For climate change, each country can claim for itself only a small

fraction of the global benefit of its mitigation efforts, and because marginal abatement costs are increasing, the incentive for countries to mitigate climate change on their own is greatly reduced. That the damages from climate change may increase at an increasing rate may only serve to enlarge the incentive to free ride (as others mitigate more, a country's incentive to mitigate at the margin falls).

(Barrett and Stavins 2003, 350)

There is a dilemma between securing participation, compliance and social cost:

Those proposals that are best in terms of cost-effectiveness (conditional on implementation) – primarily market-based instruments, such as tradeable permit regimes – are less likely to be effective in promoting compliance and participation. Other proposals – such as various kinds of domestic “policies and measures” – appear better at promoting compliance and participation, but are less likely to be cost-effective. None of the alternatives fully meets the challenge of offering a cost-effective international regime that will enjoy a reasonably high level of implementation by sovereign states.

(Barrett and Stavins 2003, 351)

Given that no single approach is adequate to deal with this complexity, a polycentric response is compelling. The Paris Agreement relies on domestic policies and voluntary measures which Barrett and Stavins have (correctly) identified as less cost-effective but easier to encourage participation in. However, polycentric voluntary arrangements do not solve the compliance issue. In order to ensure compliance monitoring, reporting and verification (MRV) is technically and legally required and important to ensure fairness, comparability of commitments and confidence in the agreement itself. MRV is essential for emission trading systems. This is a major difference to the international trade regime where statistics are readily available from customs offices, private operators and various international organisations. The challenges of MRV bear some similarity with the challenges we observed for global financial regulation. MRV, albeit concerning private emitters, is often seen as infringing upon national sovereignty even if it is reciprocal monitoring. The bottom-up approach of Paris relies on essentially voluntary national pledges without too many constraints and international interference. The MRV system has been divided into one for developed and one for developing countries. Under the Kyoto Protocol (adopted in 1997, in force since 2005), the latter didn't have to take commitments and were thus exempt from MRV. In the Paris Agreement, the dual system has been overcome but the instrument for accountability is toothless and subordinated to national sovereignty:

an enhanced transparency framework for action and support, with built-in flexibility which takes into account Parties' different capacities . . . is hereby established. . . . The transparency framework shall . . . be implemented in a

facilitative, non-intrusive, non-punitive manner, respectful of national sovereignty, and avoid placing undue burden on Parties.

(Paris Agreement, Article 13)⁶

Moreover, disagreement about historical responsibility for emissions and moral issues linked to the question ‘who pays’ have polarised positions framing them not so much as liberal bargaining, but as victim-perpetrator relations with moral overtones of international – and also intergenerational – historical justice (Friman and Hjerpe 2015). Insistence on national sovereignty, competition, free-riding and moralisation gaps on fairness magnified the complexity of and slowed down collective action, although humankind’s survival is at stake. International negotiations have been going on for a quarter of a century in the vain pursuit of creating a ‘central authority’ regime to deal with this complex issue. The contrast with the EU’s institutional polycentric approach is telling.

The EU’s multilateralist approach – centralisation and polycentricity?

The multilateralist and precautionary EU position in the international negotiations is closely linked to its own ‘domestic’ action (Oberthür 2011). Its domestic action in turn had to deal with very diverse emission profiles, economic development and political priorities in the EU’s member states. The EU is a microcosm of the global situation: within the EU there are early industrialisers, big emitters and ‘developing’ countries with recent or low emissions. The diversity of EU member states in terms of energy mix, industrial development and emissions is stark. The EU put into practice the principle of ‘common but differentiated responsibilities and respective capabilities’ that is enshrined in the UNFCCC’s article 3.1 (Morgera et al. 2011, 842). These differences could only be addressed through protracted negotiations on burden sharing and effort sharing resulting in climate and energy *packages* (in 2009, 2014 and in 2018) which in turn allowed ambitious EU emissions reduction commitments in the international arena. Vogler (2009) provides a detailed account of these early negotiations which it is not necessary to reproduce here. The key point is that the packages allowed disaggregating reduction burdens and economic challenges and opportunities for further development (some poor EU countries were for instance allowed to increase emissions, while more developed ones committed to larger reductions; there were side-payments and transition phases and other creative solutions) that allowed transforming zero-sum negotiations into distributive bargaining (Vogler 2009, 476–8). The legal basis for environment policy provides for shared competence between the EU institutions and the member states including majority decisions in the Council and the European Parliament (Tömmel 2009). This is very different from the UNFCCC setup which functions without supranational institutions and where any country can block decisions. Even commas in an agreement require consensus.

Nevertheless, the ‘Europeanisation’ of climate policy has been slow and gone through different phases, mirroring other processes of European integration. As

in other fields, but probably more so, the domestic action could not be taken in isolation from international developments. In fact, the Europeanisation of climate policy has been driven to a large extent by the global agenda and the global negotiation processes in which the EU collectively played a major role. EU climate policy had to address burden sharing of national measures which had to reach a critical mass. With its climate change and energy packages the EU deliberately wanted to set a global example (Oberthür 2011; Van Schaik and Schunz 2011).

The negotiations leading to the signature and then the ratification of the Kyoto protocol (KP, 1997, in force since 2005) were crucial for the EU's domestic action and for its international role in promoting a legal framework with binding emissions reductions. The EU in that phase was at odds with the USA which opposed the 'free ride' for developing countries in the Kyoto protocol (no emissions reductions obligations for the so-called Non-Annex I Countries, i.e. developing countries such as China and India) and in 2001 refused to sign, let alone ratify the Kyoto Protocol. The EU meanwhile succeeded in winning over enough industrialised countries – and crucially Russia, with a link to facilitating the latter's WTO accession – to ratify and implement the Kyoto Protocol's first commitment phase (which expired in 2012). However, the EU found itself marginalised in the subsequent process of negotiating a second commitment period and a successor agreement to the KP. This was visible in the Copenhagen UNFCCC COP 15 summit in 2009.⁷ In Copenhagen the EU turned out to be a 'leader without followers' at the international level (Blühdorn 2012; Van Schaik and Schunz 2011; Heidener 2011; Schwerhoff 2016). Therefore, the EU changed strategy in the run-up to Paris pursuing an active climate diplomacy to (successfully) forge coalitions in particular the High Ambition Coalition in 2015 with the group of 79 African, Caribbean and Pacific states (which are linked to the EU through the Cotonou Agreement). That coalition announced during the COP21 that they had agreed to core elements of a deal and were subsequently joined by the US and a number of other countries, in particular Brazil which broke ranks with the group of reluctant, hard-line developing countries such as India, China and South Africa. That shift allowed for a successful negotiation of the Paris Agreement in 2015. Climate change governance as pursued by the EU domestically and externally is an illustration of the multilateralist principle and normative ambition operating in International Society 2.0 that differs from the nationalist principle in Northeast Asia (and elsewhere).

EU domestic climate action: emissions trading and effort sharing

In 2009 the EU decided a reduction by 20% of 1990 levels of emissions by 2020 and indicated its intention to continue down that path in view of 2050. In 2014 the EU endorsed a binding EU target of at least 40% reduction by 2030 compared to 1990.⁸ New legislation was enacted including the third phase of the Emissions Trading System (ETS). The EU's reduction commitments are closely linked to the UNFCCC process as they are signals to the global community that the EU

is committed and willing to play a leading role. While the EU had originally opposed emissions trading in the negotiations for the KP,⁹ it adopted an Emissions Trading Directive after a long consultation process in October 2003.¹⁰ A key reason for adopting emissions trading was that this could be adopted within the EU's syndicated sovereignty approach of the community method. The original preference for a carbon tax would have required unanimity as tax matters are excluded from EU competence (Mathys and de Melo 2011, 4–6). The ETS started on 1 January 2005, conceived as a pilot phase. Combustion plants and industrial installations such as mineral oil refineries, pulp and paper of a certain size had to have permits and account for their emissions with verification by independent monitors under the competent authorities (usually environment agencies or ministries) of the member states. The first trading period of the ETS (2005–7) focused on establishing the (mechanical) institutions and procedures and with a limited scope (CO₂ only and a limited number of industry sectors and energy). The pilot phase also facilitated buy-in from sceptical industry some of which had even 'played' cap-and-trade to convince boardrooms that 'green' was no longer just a matter for engineers. It was characterised by teething problems (such as over-allocation of allowances absent reliable data on historic emissions) that had to be addressed in subsequent phases. The initial over-allocation by member states together with the effects of the later financial crisis has been plaguing the EU ETS, especially the low price for permits. The second period from 2008–12 corresponded to the first commitment period of the KP and was meant to ensure member states' compliance with the Kyoto targets. Member states submitted national allocation plans for the European Commission to examine and approve (some were rejected). The first and second phases thus had the cap set for each member state and mainly for CO₂. The third trading period covered 2013–20 (in line with the 2020 targets of the 2009 climate and energy package), widened the scope of gases and of covered sectors and introduced a centralised EU cap with a linear reduction factor. This third period also signalled the EU's willingness to take on further commitments under a new international agreement (the Paris Agreement). The EU has put in place a robust MRV system to ensure compliance.

In October 2014, the European Council endorsed the 2030 climate and energy framework with at least 40% EU domestic GHG emission reductions compared to 1990. This framework pursued a reform of the ETS (to achieve 43% reductions of emissions compared to 2005) and set targets for member states to share reduction efforts for the sectors not covered by the ETS (to achieve 30% reductions) and incorporated land use, land use change and forestry (LULUCF).¹¹ The package decision also called for a minimum 27% EU level binding renewable energy target and an indicative target of 27% energy efficiency. Given the steep decline in prices for renewable energy technology pressure has mounted to increase the agreed renewables targets beyond 27% (the European Parliament voted for an increase to 35%).¹² EU level targets were, as in the past, disaggregated by member states.¹³ Critics – including the IPCC – however, argued that in reality the EU's reduction commitments do not represent a very ambitious target.

Emissions reductions seem fairly easy, albeit costly, to achieve (Helm 2014; Tol 2012). This is partly because industrial emissions have largely been outsourced to Asia – which is why Helm 2014 argues carbon consumption not emission should be used for reduction targets. Moreover, economic activity has contracted or slowed across the EU in the wake of the financial crisis and with it have emissions (Morgera et al. 2011, 838; Helm 2014). The carbon price in the ETS has remained low largely as a result of overallocation by member states in the early phases and the long economic crisis. The ensuing price collapse has been the focus of criticism,¹⁴ but also of reform measures at EU level. The European Commission maintains that the reduction factor is more important than the price and that the EU successfully cut emissions by 29% between 1990 and 2016 while the EU GDP grew by 53% thus meeting the EU's objectives of cutting GHG emissions while maintaining economic prosperity.¹⁵

The main elements of the 2018 reforms were striking a balance between strengthening the price signal, protecting industry from carbon leakage and securing solidarity mechanisms for the poorer member states (ICAP 2018, 12). The ETS was also extended in scope to cover new sectors, such as chemical and aviation industries. The emissions reduction targets in the third period (and beyond) were fixed in the long run through a linear reduction factor of 1.74% each year (2.2% a year in Phase Four 2021–2030). This provides certainty of the desired reduction and was meant also to provide long-term certainty for investors to reduce abatement costs. The price signal has been devalued by the collapse of the carbon price, but operators know that they must pursue reductions along the legally fixed trajectory. Regarding the price signal a market stability reserve was created in 2015 (Henningsen 2015) stipulating that from 2019 onwards allowances be transferred to it thus gradually removing the accumulated surplus. The MSR has been made more stringent doubling the intake rate and further down the road cancelling large quantities of allowances altogether. This is expected to lead to price increases after 2023 (ICAP 2018, 12–13; 35–7).

The third allocation period (2013–2020) shifted gradually from free allowances based on verified historical emissions (so-called grand-fathering) to a system of auctioning allowances. Benchmarking for free allowances for emissions was introduced to foster best technological and management practice in installations notably in sectors affected by carbon leakage. The allowance registry has been centralised after some national registries were hacked. Auctioning is also supposed to raise funds dedicated to climate change adaptation, research and international aid for mitigation and adaptation in developing countries. These provisions are not legally binding on member states which are free to use the fiscal revenue from auctions for other purposes, but it does set a 'moral' target.

The reforms of the ETS over time reflect a shift from national to syndicated EU-wide management in keeping with neo-functionalist theories. The tendency over the three phases has been an evolution from coordination between member states to harmonisation and centralisation of cap setting, registry, monitoring and verification and certification of verifiers. Mistakes such as over-allocation, wind-fall profits and system security have been reviewed and largely corrected while the

emission reduction targets have been reached. The EU has thus pioneered and tested multilateral mechanisms that have ensured compliance and cost-effectiveness. These mechanisms are available for other countries and regions to adapt to their needs. Korea and China have made active use of the EU's pioneering experience to design their climate policies. While the EU level of ambition remains limited by 'national' business and private sector interests, it has found a framework for accountable collective action in keeping with its multilateralist constitution.

EU climate policy – a model for international polycentric governance?

Despite itself being responsible only for around 10% of global GHG emissions (down from 17% in 1990,¹⁶ plus historic responsibility) locked in emissions patterns that are costly to change (existing energy infrastructure, buildings and traffic etc.) and itself being probably less vulnerable to consequences of climate change than many other countries in the world (IPCC 2014), the EU has taken a leadership role internationally to reduce GHG emissions.

Despite internal divergences that oftentimes impair its strategic capacity, the EU's negotiating stance throughout the past 15 years has been predominantly influenced by its normative convictions about climate change.

(Van Schaik and Schunz 2011, 182)

The EU promotes international cooperation through soft or hard law and market mechanisms where necessary to facilitate buy-in and trade-offs and considers its own multilateralist model of teamwork cooperation as adaptable to the global context. For the EU using international law and cooperation based on the scientific evidence and the precautionary principle is 'normal'. This normative preference over interest-driven competition is remarkable. Because of the challenge to agree internal burden sharing the negotiation of climate policy is

a particularly stern test for a theory EU foreign policy-making [sic] that claims to demonstrate that institutional factors and normative entrapment can over-ride or modify hard bargaining based upon national economic interests.

(Vogler 2009, 470)

The EU's internal collective, multilateralist energy and climate change packages adopted in 2009,¹⁷ 2014 and 2018 illustrate the multilateralist teamwork approach of the EU. The packages were negotiated through competitive interstate bargaining over burden-sharing (Vogler 2009), but these negotiations took place under conditions of syndicated sovereignty and hierarchy including the supranational institutions and adoption through majority voting. Use of market mechanisms has helped the internal burden sharing effort together with disaggregating the sectoral issues and emission reductions objectives and the creation of modalities for exceptions, transitions and buy-offs. It also brought into the fray some of the private sector actors responsible for emissions. Moreover, the cap of

the emissions is less concerned with the price signals, but with the certainty of the reduction of emissions (the hard law element). Other measures need to complement emissions trading which is why the ETS is not a stand-alone measure, but embedded in a package of other climate and energy measures implemented in different ways at different levels involving a multitude of actors including citizens (heating, transport, etc.).

This multi-pronged approach shows how polycentric governance could work at an international level. Polycentric governance has so far been mainly empirically studied in sub-national public policy settings. There are many challenges to simply transposing it to the international level, in particular the limits of national sovereignty and international law. Proponents of the concept rely on clear boundaries and geographic proximity and democratic interaction (Araral and Hartley 2013) and a number of design principles that have been elaborated on the local governance level (Ostrom 2010, 653 for a list). The research has been agenda-focused, rather than analysing existing institutions and what they do. Polycentric governance research has been heavily focused on US examples and comparisons with specific sub-national governance of resources in other parts of the world. By contrast, the EU's climate policy as an international polycentric governance model has not been a focus for these researchers so far. The EU's ETS created a market where the European Commission, the Council, national environment agencies, businesses, monitors, carbon certificate exchanges, etc. have to work together as autonomous actors under several of the design principles for polycentric governance with clear user/non-user boundaries, resource boundaries, conditions adapted to the local situation, accountability and monitoring, sanctions and conflict resolution mechanisms (Ostrom 2010, 653). The effort sharing decision (ESD) by its name and very nature is polycentric and the role for instance of cities in contributing to achieve the EU's nationally disaggregated targets in many sectors has become very important (while cities have no direct voice at the decision-making table, but deploy considerable lobbying efforts). The effort sharing decision in this respect is more in line with a polycentric model which postulates a higher degree of autonomy of the plurality of stakeholders. The stakeholders bound by the effort-sharing decision are relatively free in how to achieve agreed aims. This approach is in line with the subsidiarity principle adopted by the EU starting with the environment in the Single European Act of 1987 and enlarged in scope in subsequent treaties (chapter 4). However, the emphasis of self-regulation and democratic participation in the sub-national polycentric governance model is much more limited in the EU case. Indeed, a lot of the EU's legislation in many policy areas (in form of Directives) sets clear aims but leaves the implementation modalities to member states or subsidiary entities. However, the ESD's effectiveness has been lower than the more centralised ETS:

Emissions from sectors covered by the ESD are not demonstrating the same decline as emissions in the ETS sectors . . . as emissions from the buildings and especially transport sectors have risen in recent years.

(EEA 2018, 12)

While the reasons for uneven emissions reductions vary, this suggests that the more decentralised the self-governance elements of the polycentric ESD are, the more limited their ability to achieve the set targets. For instance, the myriad of actors (citizens) and their various interests in the transport sector create very political free-riding and societal value discussions (mostly at member states political levels). Conversely, there has been a tendency of centralisation in EU rule-making and coordination such as the reduction factor and other ETS rules. We have seen a similar tendency in the management of the financial crisis. These insights should inform research in EU public policy and international governance on the concept of polycentricity in an international setting. Global scale polycentric multilateral governance and international relations to deal with the challenges to the Earth system is a way to address the complexity of the climate change emergency.

In sum, the EU could be seen as a 'laboratory for global governance' and international poly-centric governance. However, what distinguishes the EU in its internal climate policy and legal regime is the institutionalised participation, accountability and compliance structure flowing from the EU treaty and the syndicated sovereignty of member states and supranational institutions and majority decision-making procedures. This shows the need for a strong multilateral regulatory framework (rules for the self-organisation) to ensure compliance in polycentric governance in other regions or globally. This conclusion challenges (partly) the assumption that polycentricity is the ability of groups to solve their own problems based on options that are institutionally enabled in a self-governance regime. There needs to be also an agreed – and thus fair but robust – burden and effort sharing mechanism to ensure compliance. Market instruments help cost-effectiveness while directly incorporating private sectors and harnessing their creativity with compliance on the objective ensured through reduction factors and MRV. We have seen that even within this syndicated framework there had to be a gradual integration after the initial more intergovernmental approach proved not very efficient. Member states keep strong control with European Council decisions always preceding the Commission's legislative proposals. This illustrates that a teamwork role relationship in global governance does not mean that supranational levels of governance can simply override national sovereignty and national interests, but that the syndicated hierarchy and normative entrapment override a focus on just relative national gains as well. The EU case shows that international teams can achieve common positions through hard bargaining and compromise as well as creative pragmatism. What united them in the endeavour was the need to reach an agreed superior objective within the EU's multilateralist polity. These objectives detailed earlier have been described as a mix of European identity as a global leader on an issue very popular with European electorates, innovation and competitiveness as well as advancing global multilateralism and international law (Oberthür 2011, 675–6). The framework of syndicated hierarchy with its supranational institutions and constitutionalised decision-making procedures played a very important role to set the polycentric agenda, to steer the negotiations and to ensure

compliance. This tended to move from soft compliance tools to harder ones¹⁸ and towards centralisation as the evolution of the different phases of the ETS for instance show. This is similar to the case of the economic policy coordination which was rather loose in the beginning and became much stricter and more supranational in the wake of the economic and financial crisis (chapter 7). However, in the Paris Agreement the tendency was the opposite – from the hard commitments (for industrialised countries only) the parties moved to softer commitments and compliance monitoring in order to ensure wider participation from developing country emitters. Voluntary commitments reflect nationalist concerns about sovereignty and economic competitiveness that we can find in Northeast Asia, the US and many other countries. A focus on national interest presents a double challenge in terms of GHG reductions ambition and in international governance as Northeast Asia shows.

Northeast Asia and climate change: “me first”?

The picture in Northeast Asia looks very different from Europe’s. Countries – in line with their nationalist and development state orientations – focus on national competitiveness and do not cooperate significantly on climate change. In Northeast Asia, Japan was the only Annex I (industrialised) signatory of the Kyoto Protocol taking on binding reduction commitments. Korea and China were both Non-Annex I Countries despite being major emitters of GHG. Since the Kyoto Protocol was signed the economic and emissions profiles of the three countries have evolved considerably, and Japan has abandoned its earlier leading role in the region as it feared for its industrial competitiveness. Consequently, Japan (like Canada and Russia) did not sign up for a new commitment period under the KP (Bäckstrand and Elgström 2013, 1381). It, however, has a similar position in international negotiations, as the EU promoting an agreement binding on all parties and overcoming the division between Annex I and Non-Annex I countries from the Kyoto Protocol. This is mainly because this division puts Japan at a competitive disadvantage with its neighbours Korea and China. Since there is no collective climate change action in Northeast Asia, I need to review it country by country.

Japan

Japan’s mitigation ambition has been qualified by some as ‘highly insufficient’ because Japan can almost reach its target without taking any further action.¹⁹

The impact of the Fukushima nuclear accident in 2011 on Japan’s energy policy and uncertainty over international and European carbon markets contributed to Japan abandoning its trial implementation of a voluntary emissions trading scheme that began in 2008 (Mochizuki 2011; Roppongi et al. 2016). The weakness of climate legislation in Japan (Energy Conservation Law and Global Warming Law) prompted the Tokyo Metropolitan Government to introduce, after years of consultation and preparation, a mandatory sub-national cap-and-trade

programme for CO₂ emissions in 2010 (Roppongi et al. 2016). This ETS required large offices and factories to reduce CO₂ emissions by 6–8% in the first period (2010–14) and 15–17% in the second period (2015–19) depending on the type of facility. Compared to base-year emissions (based on average emissions 2002–7), CO₂ emissions by the covered entities fell by 25%, mainly through energy saving projects. 90% of facilities managed reductions in-house, only 10% through trading. This shows the importance of the cap relative to the trading (like in the EU ETS). This sub-national scheme on the one hand shows that national climate change policy is not the ‘only game in town’. Big cities are major GHG emitters and thus can implement effective climate policies in the area of their jurisdiction, but at the price of coordination problems with other parts of the country (carbon leakage). On the other hand, sub-national entities have limited voice in international negotiations (Leonardsen 2017).

Tokyo municipality (which on its own has a very large economy of 1.2 trillion USD and a large GHG footprint of 65 million tonnes, most of which is CO₂) introduced its own CO₂ emission reductions policy (30% by 2030 compared to 2000) which includes the earlier mentioned world’s first urban ETS.²⁰ Its distinctiveness is that it includes sectors which in the European approach are covered by the effort sharing decision not the ETS, for instance emissions from buildings, transportation and households. This is due to the importance of the service industry in Tokyo and the size of emissions from these sectors (60% with more than 630,000 facilities with 40% from 1,300 large facilities). Tokyo therefore faces also less resistance by industry which has thwarted national climate change ambition. Emission allocations are based on grandfathering and established MRV procedures that were tested in the first phase of reporting. The system includes a compliance factor disaggregated by categories of emitters with only the excess reductions over compliance obligations allowed to trade. Hence, the system is a mix between more traditional standard setting and market mechanisms. It allows for offsets within Tokyo municipality and linked outside areas including the Saitama ETS. Trading is not through a public exchange but only between participating entities and thus rather limited. Households, owners and tenants of buildings take on specific obligations (Roppongi et al. 2016; ICAP 2017). Hence, here we have another polycentric governance model more in line with the traditional sub-national level focus of that research agenda. This could serve other cities in the world as part of overall polycentric approaches at different levels of governance.

Japan and Korea rank very low in the percentage of renewable energy in their energy mix but through the introduction of feed-in tariffs in 2012 Japan has doubled its modest share of renewables in recent years (Compston and Bailey 2016, 155), while China is championing renewable energy.

Korea

Korea is among the ten biggest emitters of GHG and sixth among OECD members in per capita emissions, but is still listed as a developing country under the

UNFCCC without emission reduction obligations (Yun et al. 2014, 284). Korea decided to make a virtue out of its paradoxical position by launching an ambitious low carbon, green growth policy that includes an ETS, a Global Green Growth Institute and the hosting of the Global Climate Fund while insisting on its developing country status in the UNFCCC negotiations. In 2009, Korea set its national emissions reduction target as a 30% reduction by 2020 compared to a business as usual scenario (BAU, rather than fixed emissions reductions). In 2010, Korea enacted the Low Carbon Green Growth Act which launched a 'Target management scheme' covering two-thirds of Korea's GHG emissions by some 500 designated entities. The TMS was implemented in 2012 with reductions from business as usual targets for various sectors. Korea launched an ETS building on the TMS in 2012 and started implementing it in 2015. The TMS was designed to win over industry which fiercely opposed binding emissions reductions even in the market-friendly shape of an ETS. The TMS prepared for the ETS implementation as it allowed establishing an MRV system and reducing actual emissions and establishing a solid basis of data to avoid over-allocation in the subsequent ETS. At the same time the Korean government launched the four river restoration project – a massive 'green' infrastructure project (criticised by environmentalists as lacking environmental credentials and impact assessments and, in fact, involving a lot of concrete poured along riverbanks to transform them into recreational areas).²¹ This project shows the intersection between an economic stimulus programme during the global financial crisis and the policy to promote a green economy motivated by the desire to bolster national industrial competitiveness and nation branding.

For the Paris COP 21 in 2015, Korea pledged a reduction of 37% compared to BAU beyond the target set in 2009 for a maximum of 30% reduction. However, the INDC has been criticised for lack of fairness and ambition and even backsliding from the earlier pledges and overall rated as 'highly insufficient' to meet the Paris objectives²² (Choi et al. 2015, 9, 12–3). In real terms, the 2030 target would reduce emissions by a mere 5% compared to Korea's 2005 emissions. Despite highly advertised political ambitions to be a pioneer of the green economy, a bridge and role model for developing countries and a host of global green growth/climate organisations, Korea's emissions reduction policy has largely been dictated by the interests of its powerful industrial and energy conglomerates and political and public concern about Korea's competitiveness against its bigger neighbours China and Japan at a time of slowing economic growth (for a climate policy network analysis of Korea's various governmental, economic and environmental policy actors see: Yun et al. 2014). Industry resistance meant that the burden for emissions reductions will fall disproportionately on households and transport sectors. Korea's INDC also relies on, as yet unspecified and unbudgeted for, carbon credits from international markets for 11.3% of its projected reduction²³ (Choi et al. 2015).

Korea extensively borrowed from the EU's experience with emissions trading avoiding a number of the errors. This shows the importance of policy diffusion and learning from the example of leaders in international society (Schwerhoff

2016). The TMS allowed establishing the precise emissions over three years of the covered installations that reduced the over-allocation of allowances through 'grandfathering'. Korea also immediately worked with benchmarking of emissions in some sectors including domestic aviation. The TMS allowed industry getting ready for the ETS. The three phases of the Korean ETS (2015–17, 2018–20 and 2021–25) were specified at the outset with limited borrowing and banking from one phase to the other to provide long-term certainty and provided for a national reserve for market stabilisation (ICAP 2018, 39). Korea also from the start banned offsets from the HFC-23 and limited the amounts of international offsets allowed to the third phase and 50%. The Korean ETS conceived with lessons learnt and assistance from the EU is now a firm element of Korea's climate change policy. Industry opposed the ETS because of fears of losing competitiveness and argued that Korea should wait for an international agreement on climate change. The government moved forward despite this opposition. This can be explained with the traditional government tendency to steer the national economy, in this case banking on the future competitiveness of the early mover towards green growth and green technology. In this respect Korea stuck with its tradition of the national development state.

Adopting the ETS in close consultation with the EU shows that Korea is one of the few 'followers' of EU climate change leadership. While this and Korea's public diplomacy (in negotiations, but also through the creation of the Global Green Growth Institute (GGGI)²⁴ and hosting the Green Climate Fund) looks progressive and multilateralist, the national interest of the development state is the key to understand its position, which is in fact not very ambitious and falls short of the measures needed to help achieve its domestic and the Paris objectives.²⁵

China

China is of course the key player in the region and globally as it has become by far the biggest emitter of GHG in absolute terms (but not per capita and historical emissions). In China's export-driven energy intensive economy, exports embody between a quarter and a third of China's emissions (Huang and Bailis 2015, 498). There has been an argument over 'emissions consumption' (Helm 2014) and how to account for fair reduction commitments if polluting production is outsourced by Western countries consuming the end products. However, with the 'new normal' of less intensive domestic focused growth and a shift to higher value added, the 'green economy' has become one of China's development objectives amidst a new phase of deep economic and social transformation (Green and Stern 2017; Gippner 2016). Indeed, like in Korea, policy makers have understood that a switch to green growth is an area where innovation can create market share, new jobs, and technological leadership. Health and environmental benefits and enhanced energy security entered the strategic calculus (Li 2016; Hilton 2017; Chiu 2017). Yet, a transition to green growth poses major challenges to vested interests and has economic and social impacts on restructuring industrial sectors and regions

in China (Jotzo et al. 2018). China's climate policy is mainly national and cautious towards international market mechanisms (Huang and Bailis 2015, 495). Under its 2011 national cap-and-trade plan, China started domestic emissions trading with seven pilot projects in various provinces and cities with a combined volume of 1.24 billion tons (the EU ETS covers about 2 billion tons). Based on the lessons learnt from the pilots and with EU assistance²⁶ China prepared a nationwide ETS that was launched in December 2017 (ICAP 2018, 67–83). The pilots vary in their design and coverage but include both benchmarking and grandfathering for allocation, thus also taking lessons from the initial EU experience of over-allocation through generous grandfathering. Allowances have been traded in exchanges under the supervision of China's Securities Regulatory Commission but showed strong government involvement (not surprisingly given most participating entities are state-owned) and a lack of transparency in data availability. Nevertheless, the pilots allowed learning by doing and setting up of registries, domestic MRV and benchmarking procedures in China's specific economic context. The pilots' experiences have strengthened the momentum and policy-making capacity for introducing the national emissions trading scheme in 2017 (Jotzo et al. 2018; Compston and Bailey 2016; Huang and Bailis 2015). The national system, unlike the pilots and the EU or Korean ETS, only covers power generation including 1,700 facilities responsible for 34% of China's CO₂ emissions (8% of global CO₂ emissions; Jotzo et al. 2018). Plans for a wider scope were delayed indicating strong industry resistance. The national ETS will evolve gradually, starting with the power sector and in three phases of about one year each. The first year will be dedicated to completing the legal framework and market support systems including registry and data reporting and capacity building. In year two trading simulation is foreseen in the power sector (reminiscent of the EU power sector organising simulations before the EU ETS was created), and in the final phase the compliance entities in the power sector will start spot trading for compliance purposes. If all works well, the ETS could then be extended to other sectors for which during this initial three years data will be consolidated, but no timeline is foreseen for their participation in the ETS (ICAP 2018, 18). The pilots will continue to operate in parallel. One challenge may be that due to China's regulated electricity prices the power sector cannot easily pass on costs to consumers like in Europe unless the electricity sector itself is reformed. This is one of the reasons why the Chinese ETS does not have a fixed cap, but that the emissions limit is set to vary with participating companies' production volume. This mirrors the nature of China's emissions target indexed to GDP (Jotzo et al. 2018, 266).

The national ETS, despite this cautious approach, will be a key instrument to achieve China's commitments under the Paris Agreement alongside the expansion of renewable energy and energy efficiency measures: China's pledged GHG reductions ahead of the Paris COP 21 in 2015 foresee a peak in emissions no later than 2030 with a cut in carbon emissions per unit of GDP by 60–65% from 2005 levels by 2030. This reflects a preference to reduce carbon intensity of economic activities over specified reduction targets (Jotzo et al. 2018). Other GHG were

not explicitly covered in the INDC, so that there is considerable uncertainty and estimates about the level of ambition and the potential for emissions reductions compared to business as usual (BAU) vary.²⁷ This makes it difficult to compare the pledges with those of the EU and other players. China, in line with its past stance, refuses to allow external accountability for its pledges out of sovereignty concerns (Huang and Bailis 2015, 508).

Apart from China's new policy instruments such as the ETS to reduce industry emissions, the country has embarked on a number of structural changes and green economy trajectories that will contribute to making its economy more climate-friendly through renewable energy and energy efficiency targets (Chiu 2017; Green and Stern 2017). E-vehicles and the announced phasing out of the internal combustion engine should lower transport emissions in the long run and will have a global impact on car manufacturers given the importance of the China market. Those measures also enhance energy security as they lessen oil import dependence. In 2017 China already reached its 2020 target for installed solar power capacity and has become a world leader, although solar only covers 1% of China's energy consumption which still relies mostly on coal. China has become a global leader in renewable energy and professes high ambitions to increase its share of renewables to 15% of energy sources by 2020, compared to 9.8% in 2013.²⁸ More importantly, they aim at reducing air and water pollution which are major economic cost factors causing popular unrest (Chiu 2017; Green and Stern 2017, 425). China is thus still far from being a low-carbon economy, but it has started a long march to energy transition and emissions control. This shift already has a global impact. According to Hilton (2017) China's capacity to manufacture at scale has lowered the international price for solar panels by 80% over just a few years transforming the balance of cost between high and low carbon sources of power generation for many countries (and thus allowing the EU to potentially increase their renewables target). Similar impacts can be expected for other green technology. Of course, this also impacts on industrial competitiveness, innovation and international standard setting for 'green' technologies.

China has strongly insisted on maintaining the separation between developed and developing countries in the negotiations of a new international agreement and on proportional historic responsibility for GHG emissions to be assumed by developed nations (Friman and Hjerpe 2015; Huang and Bailis 2015). China softened this stance after a bilateral agreement with the US in 2014 where the US (which was not bound by the Kyoto Protocol, a main reason for China's resistance to international obligations) also pledged GHG emissions which were also enshrined in the Paris Agreement (Gippner 2016). China's pledges (INDC) under the Paris Agreement are not very ambitious. They include a commitment to peak CO₂ emissions by 2030 at the latest, lowering the carbon intensity of GDP by 60% to 65% below 2005 levels by 2030, increasing the share of non-fossil energy carriers of the total primary energy supply to around 20% by that time, and increasing its forest stock volume by 4.5 billion cubic metres, compared to 2005 levels.²⁹ But China may do better than pledged (like for the solar panels) and then boast overachievement in emissions reductions.

Cooperation in Northeast Asia

Cooperation in Northeast Asia on climate change is limited and while all three countries have understood that climate change will affect their development prospects negatively and that they feel compelled to act they opted for industry-friendly, nation-centred approaches, which lack ambition. All countries in Northeast Asia still rely heavily on fossil fuels and especially coal-generated energy, and Korea is among the top international providers of finance for coal power plants. Industrial competitiveness of the nation and considerations of energy security, jobs and technological progress as well as domestic health concerns clearly rank higher than ambitions for reducing GHG emissions to preserve the global public good climate. However, international competitiveness in 'green' sectors such as renewables despite its nationalist motivation produces global benefits, especially cheaper technology (Chiu 2017). The energy mix and climate policy are mainly decided by the ministries in these countries responsible for industry with only weak influence from environment ministries or civil society. They are under strong business pressure. In Japan, this has even led to sub-national units taking the lead on GHG reduction schemes after the government abandoned more ambitious plans in the face of industry opposition. The nationalist logic of the development state thus becomes apparent in the narrative underpinning climate policy as part of innovation and green growth, so as to seize the economic opportunities as early movers from the green economy (Green and Stern 2017, 428; Yun et al. 2014). We have seen that the three countries have different national strategies to address the issue domestically and internationally. Moreover, the three countries perceive each other as competitors rather than partners, mirroring the conflicted regionness identified earlier. They tend to prefer domestic mitigation and adaptation to international cooperation to various degrees (Purdon 2014). In a number of technical areas, there have been meetings of experts and officials and workshops in various configurations. These aim at exchanging information and best practice on issues of shared concern such as acid rain, dust and sand storms (DSS), energy, water and waste. Within the trilateral cooperation process, China, Japan and Korea have held a series of ministerial and officials' meetings on environmental issues. Leaders adopted a Joint Statement on Sustainable Development at the second trilateral summit in Beijing in 2009 that covers environment, circular economy, water, forestry and climate change, renewable energy and energy efficiency. The Tripartite Environment Ministers Meeting (TEMM) has been pursued since 1999 and consolidated its exchanges through a Tripartite Joint Action Plan on Environmental Cooperation in 2010 (2008–2012 Progress Report of the Trilateral Cooperation p. 16;³⁰ Kim 2009).

Contrary to Europe, where networks of scientists, experts, NGOs and policy makers are well-established and the syndicated institutions translate policy convergence into institutionalised multilateral action, in Northeast Asia mutual benchmarking, competition and co-benefits of technical cooperation in environmental fields (air, water, waste) only slowly led to some progress on combating climate change (Kim 2009, 25). The increasing density of functional networks

and policy dialogue have enhanced convergence of national priorities and thus contribute to addressing climate change. However, the lack of a governance mechanism in Northeast Asia due to political problems (chapter 6) reduced effectiveness and measurable outcomes (Kim 2009, 33–5). The TEMM could be seen as the most promising nucleus of a future governance architecture as this mechanism is politically grounded in the trilateral cooperation and is led at ministerial level with significant achievements at least at dialogue level (Böhmer and Köllner 2012).

However, the analysis shows that this is only a thin veneer on top of largely national policies informed by national priorities, competition and sometimes rivalry with neighbours and global trends (including expectations of early mover advantages). Just like in the economic field it seems more likely that Northeast Asian countries work more closely with partners outside their region than with each other. Like with the FTA with the EU and the US, Korea has for instance cooperated closely with the EU on emissions trading and may consider linking its ETS with the EU's. Japan has no national ETS, but the EU 'linking directive' allows linking with sub-national cap-and-trade schemes. China has studied the EU's ETS which took many years to establish, Korea's TMS and ETS plans and pragmatically devised its own pilots (in keeping with previous economic reform experiments such as SEZs; Gippner 2016).

Japan in the 1990s, but less so in the new millennium, Korea (with its active green growth diplomacy after 2008) and China with its more recent engagement on climate change and facilitation of the Paris Agreement (Li 2016), have progressively displayed willingness to contribute to *global* public goods and to play an international role in line with their respective capabilities. They have been much less willing to work on the provision of *regional* public goods or effort sharing in a logic very different from the EU's. What may sound paradoxical when analysed through traditional prisms, makes sense when taking account of the historical pathways, moralisation gaps and the resulting regional rivalry and status competition (conflicted regionness; chapter 6). Additionally, the multilateralism of Northeast Asia in this sector is not one of regional integration, but of cooperation at a global level (here the Paris Agreement, while in the economic realm the focus was on G20). Neighbours are seen as competitors, not partners. To some extent at least the international engagement reflects a competition over international recognition of each country's specific contribution to global governance, while the same competition reduces the willingness to work together as a region to enhance global weight for common priorities which has been the EU's multilateralist stance.

Nationalism versus multilateralism in international climate change negotiations

Global governance and the need for international cooperation that the IPCC has emphasised has to take account of national sovereignty-focused positions such as those of Northeast Asian countries. International society is unlikely to abandon

national sovereignty anytime soon in a ‘cosmopolitan quantum leap’ to rise to the global challenge.

The EU case shows that the principle of multilateralism competes (at a disadvantage) with the principle of nationalism in global governance. By contrast *within* the EU, there are polycentric governance mechanisms at work based on the syndicated sovereignty and EU law. These allow the two principles of nationalism and multilateralism to coexist. In fact, norms and interests are not mutually exclusive and differentiated responsibilities could be accommodated in a legal framework as the EU’s effort-sharing decision shows (Van Schaik and Schunz 2011, 178). For many European countries and the EU itself a number of ‘national’ interests are also important (competitiveness, early mover advantage, the political popularity of the issue, the long-term cost-benefit justification of the precautionary principle. However, the protracted EU internal negotiations and considerable regulatory creativity deployed to achieve desired normative outcomes despite resistance and complexity show that the normative logic of appropriateness was in itself a superior objective as Vogler (2009) and Van Schaik and Schunz (2011) argue convincingly.

The limits of multilateralist normative ambition are reached when no institutional mechanisms are put in place to ensure compliance and mutual trust. The issue of trust goes beyond the issue-area of climate change but is a result of larger moralisation gaps and historic pathways (chapters 3, 5). Compliance and trust are precisely the most contested issues in the UNFCCC negotiations. Those issues have also been identified as key factors to ensure that polycentric governance works (Ostrom 2010; Araral and Hartley 2013). Hence, using this concept to fill gaps in the existing *international* governance regime needs to be approached with a certain level of caution, although the Paris Agreement may provide a loose framework in which polycentric dynamics can unfold alongside the state-centred dynamics. Team Europe has more or less managed this (as a possible model of polycentric governance in this policy field as we have seen), while Northeast Asia is far from such a teamwork approach and mutual trust, even on existential challenges such as climate change.

The Paris Agreement thus is an important milestone in global multilateralism – on the one hand a global agreement has been reached (avoiding fragmentation into plurilateralism or club diplomacy like in international trade; on the other hand, the agreement has few legally binding elements and enforceable accountability mechanisms. However, it embodies recognition by all signatories that power is diffusing, and that global cooperation is necessary to tackle a challenge to mankind’s future. It falls short of the robust legal framework in which, for instance, the EU polycentric governance model operates. It is debatable whether the Paris Agreement will lead to the proclaimed objective of keeping warming below 2°C (time will tell, but scepticism seems to be prevailing; IPCC 2018), but it did create momentum for a multilateral and polycentric endeavour with relatively clear reference points and benchmarks. It is innovative with the built-in dynamism of reviews of the nationally determined contributions (Article 4.3 and 14) and if emissions trading or carbon markets gain more global traction beyond

the EU ETS, chances are that a legal framework will emerge, not least because solid MRV data are essential to make emission trading work. That is because any carbon trading requires legally binding regulation to define the game for the market participants. However, that sort of regulation is easier to achieve than intergovernmental agreements because they avoid issues of sovereignty and moralisation gaps and affect private financial flows rather than public funds. There is thus a (modest) future for polycentric governance in this area, like in trade and financial regulation.

Sub-national and non-state actors – in particular the emitters themselves – need to contribute to polycentric governance of efforts to reduce emissions. This can be a gradual process in which multilateralism and innovative international law play a key role. The mechanical institutions developed – such as the Paris Agreement – are likely to be functional regimes trying to follow the chaos patterns in reverse to come to terms with complexity in various issue areas. First tentative, but relatively successful, functional steps were taken in that direction in the Kyoto Protocol and in the Paris successor agreement for climate change. One of the key problems in global governance in these areas is that multilateralist approaches, like the EU's, which aim at adapting the ageing institutional multilateralism frozen in the time of the Cold War, are not easily compatible with the prevailing nationalist policies of self-interest and self-help.

Notes

- 1 Under the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbon and sulphur hexafluoride.
- 2 IPCC 5th Assessment Report 2014 Synthesis Report. www.ipcc.ch/report/ar5/syr/, accessed 16 April 2019.
- 3 The United Nations Framework Convention on Climate Change is an environmental treaty produced at the UN Conference on Environment and Development in Rio de Janeiro in 1992. The treaty, as originally framed, set no mandatory limits on GHG emissions for individual nations and contained no enforcement provisions; rather the treaty included provisions for updates (called protocols) that would set mandatory emission limits. The principal update was the Kyoto Protocol, signed in 1997 at the Conference of Parties (COP), the highest organ of the UNFCCC, and more recently the Paris Agreement sealed by COP 21. <http://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf>, accessed 16 April 2019. The complexity of the negotiations with over 190 state parties on two parallel but separate tracks has been a serious challenge.
- 4 The various legal acts of the package (ETS Directive, Renewables Directive, Fuel Specification Directive, CCS Directive, Passenger Car Regulation, Effort Sharing Decision) are published in the *Official Journal of the EU* L140, 5 June 2009.
- 5 <https://aric.adb.org/initiative/asia-pacific-partnership-on-clean-development-and-climate>, accessed 16 April 2019.
- 6 https://unfccc.int/sites/default/files/english_paris_agreement.pdf, accessed 16 April 2019.
- 7 <https://unfccc.int/process-and-meetings/conferences/past-conferences/copenhagen-climate-change-conference-december-2009/cop-15>, accessed 16 April 2019.
- 8 www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/145356.pdf, accessed on 16 April 2019.
- 9 Emissions trading was advocated by the US and others (the Umbrella Group) as an alternative to specific emission reduction targets for developed countries. This position

is reflected in the carbon trading elements in the KP, such as CDM and JI (Articles 6, 12 and 17 of the KP).

- 10 Dir 2003/87/EC OJ 2003 L275/32.
- 11 The integration and design of the LULUCF has long been contested and refused by the European Commission in previous climate and energy packages. Its inclusion now is seen with scepticism. <http://climateactiontracker.org/countries/eu.html>, accessed 13 March 2018. See also: www.euractiv.com/section/climate-environment/news/zero-emissions-from-the-forest-sector-by-2030-council-and-parliament-reach-lulucf-agreement/, accessed 13 March 2018.
- 12 www.euractiv.com/section/energy/news/leaked-eu-analysis-makes-case-for-higher-renewables-energy-saving-goals/, accessed on 13 March 2018.
- 13 www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/145356.pdf and http://ec.europa.eu/clima/policies/2030/index_en.htm, both accessed 16 April 2019.
- 14 For instance, Climate Action Network (a coalition of 130 organisations across Europe): ‘A weak reduction target, the massive use of international offsets, and inflexible policy design have led – together with the economic recession – to an enormous oversupply of pollution permits. The price for these permits (called emission allowances) has therefore dropped so much that it no longer drives change to a low carbon economy’. www.caneurope.org/docman/emissions-trading-scheme/2832-can-europe-ets-reform-position-april-2016/file, accessed 13 March 2018.
- 15 https://ec.europa.eu/clima/sites/clima/files/strategies/progress/docs/swd_2017_xxx_en.pdf, accessed 13 March 2018.
- 16 https://ec.europa.eu/clima/sites/clima/files/strategies/progress/docs/swd_2017_xxx_en.pdf, accessed on 13 March 2018.
- 17 www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/107136.pdf, accessed on 16 April 2019.
- 18 Within the market-based mechanisms of governance that is. Hard law had been the preferred tool in EU environment governance before the market approach to climate change was adopted given the resistance to tax matters to be dealt with at European level.
- 19 <http://climateactiontracker.org/countries/japan.html>, accessed 16 April 2019.
- 20 [https://icapcarbonaction.com/en/?option=com_etsmap&task=export&format=pdf&layout=list&systems\[\]=51](https://icapcarbonaction.com/en/?option=com_etsmap&task=export&format=pdf&layout=list&systems[]=51), accessed 16 April 2019.
- 21 ‘“Green” New Deal Projects Threaten Korea’s Rivers and Tidal Flats’. www.internationalrivers.org/resources/green-new-deal-projects-threaten-korea-s-rivers-and-tidal-flats-1658, accessed 16 April 2019.
- 22 <http://climateactiontracker.org/countries/southkorea.html>, accessed 16 April 2019.
- 23 <http://climateactiontracker.org/countries/southkorea.html>, accessed 16 April 2019.
- 24 The GGGI was an initiative launched by Korea in 2010 and served its international strategy to preserve its Non-Annex I status in the UNFCCC despite its high level of industrial development. The GGGI was meant to build bridges between the developed and developing world. GGGI develops multi-stakeholder programmes in developing countries and has a membership of 30 developed and developing countries. <http://gggi.org/about/> accessed 16 April 2019.
- 25 ‘South Korea still needs to substantially strengthen its target, which we currently rate “Highly insufficient”. Current and planned policy projections are far off the Paris target level to be achieved domestically and much more so for the level of reduction needed to be considered as “1.5°C-compatible”, meaning that more stringent policies are still required, even for their current weak target’ <https://climateactiontracker.org/countries/south-korea/>, accessed 16 April 2019.
- 26 www.icf.com/resources/projects/climate/supporting-the-design-and-implementation-of-emissions-trading-systems-ets-in-china, accessed 16 April 2019.
- 27 <http://climateactiontracker.org/countries/china.html>, accessed 16 April 2019.

- 28 'China eclipses Europe as 2020 solar power target is smashed', *EURACTIV*, 5 September 2017. www.euractiv.com/section/energy/news/china-eclipses-europe-as-2020-solar-power-target-is-smashed/, accessed 16 April 2019.
- 29 <http://climateactiontracker.org/countries/china.html>, accessed 16 April 2019.
- 30 http://file.tcs-asia.org/file_manager/files/tcs/2.%20Progress%20Reports/1.%20English/2008-2012%20Progress%20Report.pdf, accessed 16 April 2019.

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9 Nationalism, multilateralism and role relationships in international polycentric governance

In the timespan of a generation after the end of the Cold War international society has come to a critical juncture marked by the global financial crisis (chapter 7) and the climate emergency (chapter 8) and a return of zero-sum nationalism into the heart of the post-war international order (Introduction). These challenges to the global multilateral order are examples of the chaos dynamics shaping the unpredictability of the governance context marked by the diffusion of power in complexity (dispersal, dilution and dissolution – chapter 1). Multilateralism's biggest challenge is to effectively come to terms with chaos dynamics, diffusion of power and diversity (output legitimacy challenge), but also with nationalism and the perilous rivalry of its promoters (input legitimacy challenge). The state's traditional gatekeeper role between external and internal issues, as a characteristic of sovereignty, has been challenged quite fundamentally by the dynamics of complexity and power diffusion. At the same time this gatekeeper role is being jealously upheld in international negotiations, notably by the Northeast Asian countries and, since Trump, aggressively so by the US. Europe by contrast has taken up these challenges with its belief in multilateralism. Regional integration, the path pursued by the EU, does not currently seem to be a direction of travel for other regions in the world. The EU's answer to the complexity of the world and the diffusion of power has been to adapt the constitutive institutions of international society: its syndicated sovereignty and its legal order. In this way sovereignty, international law and to some extent democracy have become multilateralised with important consequences: the correlation with power changed, procedural justice has given way to (re)distributive justice (e.g. EU economic and climate change policy) and reconciliation of moralisation gaps. Responsibility and reflective cooperation have become more important (e.g. taking responsibility for global public goods or bads) (chapter 4). When, however, sovereignty is defined through nationalism as in Northeast Asia, it correlates with a focus on maximising national power over responsibility, on procedural justice and moralisation gaps, constraining cooperation (chapter 6).

International Society 2.0 therefore is torn between the dynamics of nationalism and multilateralism in a context of diffusion of power in complexity. There is still a clear mismatch of international multilateral design and the challenges the world has to deal with. In the GFC the answer to that mismatch was calling

upon the G20 to become a macro-economic coordination forum among the most powerful economies and institutions. For climate change an international science panel defined the issue (IPCC 2018), but almost 200 states have negotiated in a diplomatic conference governed by the consensus principle (UNFCCC).

Multilateral ad hoc arrangements such as the G20 can follow the complex problem dynamics in a functional manner. This more functional multilateralism differs from the normative and institutional multilateral order built up during and after the Cold War and from the EU's constitutionalized multilateral polity. It is loose in institutional (or legal) terms, à la carte in terms of membership and geographically open or porous rather than regionally delineated.

The governance challenge of the climate change problem (and similarly of the financial system) is intrinsically linked to the complexity of globalisation, the diffusion of state power, and accountability deficits: when gases are emitted, they do not carry passports to cross borders. However, when they are to be reduced, they become national. States are held responsible for reducing GHG emissions on *their* territory, protecting *their* citizens from impacts of climate change even though emissions are caused by non-state actors and spread into the global commons (atmosphere). Impacts can be more severe on people in other locations than where the polluters are. In the financial crisis states were similarly held responsible for bailing out *their* banks and promoting austerity while bankers continued to earn huge salaries for expanding their financial products to cross borders without passports way beyond the national economy.

Moreover, despite the emergence of the G20 to coordinate macro-economic responses to the GFC, international society has suffered disruption caused by non-state actors (financial firms, banks, etc.). On climate change, the complexity is even more challenging because the network structure of emitters and ecosystems is not hierarchical as in global finance. Coordination takes place in the UNFCCC with a flat hierarchy (sovereign equality) and consensus-based decision-making with the real emitters (companies, citizens, farmers) largely absent. The coordination is rendered more difficult because it is not about redistribution of gains, but of cost.

Global governance has long been a vision to govern beyond the governments of nation-states, in particular in liberal visions of market-based globalisation and decision-making. There is a broad range of diverging conceptualisations in the literature (Tömmel 2009, 9), but many of the ideas have privileged markets and non-state actors. One of the reasons for a return of debates about state-based governance has been the call on states to bail out banks and the perception that neo-liberal market-focused governance has lost legitimacy due to the financial crisis. With the (in some cases) vigorous and (in some cases) pretentious and populist return of the nation-state in the West, and the persistence of conflicted, nationalist regionness among developmental nation-states in Northeast Asia, the most credible model for global governance in International Society 2.0 remains multilateralism (Introduction) but not necessarily in the form of the antiquated one-size-fits-all Western liberal order. Multilateralism, as can be seen in the EU, is not incompatible with the nation-state, provided nationalism mutates into

a civic form of nationalism open to cooperation with other nation-states and also non-state actors and if great powers exercise self-restraint instead of trying to dominate others. International society relations must focus on international cooperation to have a chance to deal successfully with global climate change. Relations based on domination, rivalry and zero-sum competition among nationalists will not be sufficient (chapter 8).

Governance in International Society 2.0 has to contend with persisting nationalism but also with:

- 1 the diffusion and dispersal of power including the institutional power of the West that sustained the liberal post-war international order (the international community)
- 2 the ensuing plurality of values, cultures and norms
- 3 the functional challenges of cross-border transnational chaos systems with their complexity
- 4 nationalism focused on emotional-moral dynamics and moralisation gaps from critical junctures in a distant past.

Multilateralism responds at least partly to these critical developments in international society alongside the more rigid institutional multilateralism of the 20th century. International order and global governance in an international society in a context of complexity, of transformation and of uncertainty can on the one hand be built on institutional multilateral foundations (international organisations, international regimes) which make it more predictable, stable and normative (EU, BWI, WTO, UNFCCC and possibly emerging ones such as the AIIB, NDB). On the other hand, such instrumental and mechanical institutions of international society can be supplemented by loose, consensus-based international arrangements that are open and flexible enough to accommodate various dynamics (coalition of the willing, ad hoc arrangements, G20 and other 'clubs', bilateral treaties, multilateral polities like the EU and regional agreements including BRICS and BRI). Importantly they can include non-state actors into their relations and networks. These are like nodes in networks with looser or denser connections between them, perhaps evolving to polycentric governance.

Legitimacy and power to organise international cooperation, albeit diffusing in various ways, still largely lie with nation-states – even in the EU. However, the issues at stake escape the realist logic of power politics. Similarly, the output and performance legitimacy of international institutions, organisations or regimes (instrumental and mechanical institutions of international society, chapter 2) derives from states which have set them up to solve problems and to coordinate cooperation. Hence, sovereignty and international law continue to matter but syndicating them around jointly owned, but fairly autonomous institutions, seems more conducive to international cooperation that can scale up collective action in various policy areas. The EU is the only group of states that has developed a legal order that provides for such a form of decision-making and compliance mechanisms without sacrificing national sovereignty. Importantly the EU

has created supranational institutions whose prime mandate is the preservation and advancement of the community interest rather than just relying on inter-governmental bargaining about relative gains. These institutions are not fully autonomous and do not operate in a political vacuum, but they are designed and able to formulate policies that focus on cooperation and solving collective action problems although a tendency of increasing intergovernmentalism has also impeded European policy-making (chapter 4). There is no equivalent organisation in Northeast Asia or in other multilateral regimes. Instead, different inter-state relationships determine the structure of global governance and international *relations* in a spectrum between nationalism, multilateralism and cosmopolitanism. Relations are becoming more important than national power and actors in the structure of network governance (Oatley et al. 2013) and under conditions of diffusion of power in complexity.

Most global governance issues deal with public goods or bads and the tragedy of the commons (Hardin 1968) in what I call a complex anarchy. In this context, security in the face of global risks has also become a public good. There is a different logic at work from the inter-state security dilemmas given the diffuse causality of global risks that we have seen in the financial crisis and climate change. States have developed different role relationships to deal with the challenges influenced strongly by historical and institutional pathways.

The international system is a complex system, characterized by processes and outcomes that cannot be inferred from knowledge of attributes of the actors alone . . . network science holds potential because it encourages us to theorize in terms of actor characteristics and relationships, rather than to focus on one and to neglect the other.

(Oatley et al. 2013, 148)

A relational theory of IR has been proposed by some Chinese scholars identifying the international society as one of interrelatedness, with ‘actors in relations’, rather than just actors and their attributes, and relations in motion (Zhang 2017; Qin 2016). Such concepts can help to better understand the conflicted regionness of Northeast Asia (chapter 6) and may contribute to develop concepts of global governance. Therefore, the ideational shared understandings by states, notably nationalist or multilateralist and the resulting role relationships matter for how global governance can work and be legitimised.¹

IR literature has identified ideal-type role relationships – enemies, rivals and friends – based on different ‘cultures of anarchy’ Wendt (1999). Those were proposed in a story of international politics that was informed by a more traditional view of power and of anarchy as absence of central authority. In my concept of International Society 2.0 (Introduction; chapter 1) this is no longer the most persuasive view of international relations. Wendt’s relationship-types mainly relate to security relationships and the survival of states which is not really the name of the governance game. Therefore, I distinguish the following types of roles that determine global governance in international society:

- rivals/opponents
- competitors
- team workers and partners in joint welfare or development
- one which is, not strictly speaking, a role of internationalisation, i.e. the few almost autarkic outsiders like the DPRK.

These role relationships can determine internationalisation strategies such as regional integration, functional cooperation or autarky, with similar master variables as those identified by Wendt (1999): interdependence, common fate – a particularly relevant idea in the face of climate change – in interplay with self-restraint and trust. In the past there have been other role relationships which I cannot cover here: coloniser-colonised for instance.² Role relationships are not fixed in stone and can differ from one policy area to another, competing in one field, team working in another for example. In a detailed examination of role relationships in different EU policy areas this variety becomes clearer (Tömmel and Verdun 2009).

Of course, these relationships are distinct from but intertwined with those the states have with the private actors who carry out most of the economic transactions and produce most GHG emissions. Whether economic actors conform to, circumvent or refuse the rules set by states (or international organisations) does not matter here – states try to define which activities are legal or illegal and they can do that individually or in cooperation with others. It also doesn't matter for the purpose of my analysis here whether states can always enforce the rules or not. However, they cannot abdicate political responsibility to the markets (section 6 later). The disruption of the financial crisis and climate change were largely due to absence of regulation and monitoring with power dispersal away from states (chapters 1, 7, 8).

The main role relationships that my comparison of Europe's and Northeast Asia's pathways has identified are the following.

Rivals: economic security dilemmas and mercantilism

Rivals see the economic anarchy as a battleground for the survival of the fittest, they promote national champions, national exports and where possible import substitution. In the 19th and 20th centuries European countries, the US and later Japan rivalled in their scramble for territory (colonies, *Lebensraum*) and access to resources or markets if necessary by military means or dubious uses of international law (unequal treaties, for example, creating coloniser-colonised relationships in the process; chapter 5).

Mercantilism and the neo-mercantilism of developmental states which leverage market forces are typical rivals for national dominance, exclusive gain or status. Governments use the state resources to achieve national technological progress and strategies to maximise national (not necessarily citizens') welfare. Mercantilism has been an expression of power politics. The widespread distinction between 'high' politics and 'low' politics has more to do with states' self-representation

and justification than with the driving forces of international politics, even in the past. Glory and honour, status and prestige, expressed through military uniforms rather than the business suit were the stuff of diplomacy and war, but they in turn were often motivated by economic or territorial gain. Even today many ambassadors are almost full-time 'sales representatives' for important national companies (private or state-owned), trying to gain access to foreign markets.

In a mercantilist economic logic, the 'Hobbesian' culture of anarchy (Wendt 1999) is producing rivalry or cut-throat competition and war as an institution, and in the past they usually came in pairs. Mercantilism and imperialism of course did not require much self-restraint or trust and were cousins of violence. In international trade, mercantilism, with its zero-sum logic, has been a dominant institution of pre-modern economies and still plays a role in the export-oriented growth and development model of the developmental state and, more recently, in the Trump administration's approach to the world. The transition from backward agricultural economies to developmental states is a good example of differentiation in social transformation of states internationally and of the way the logics themselves evolve through such transformations. The developmental state originated in Japan's post-war bureaucracy-led reconstruction and reindustrialisation (Klein und Kreiner 2012, 421–5, 440–7; for pre-modern mercantilist Confucian thought in Japan Distelrath 2012, 246–50) and is also characteristic of Korea (Kalinowski 2008; Kalinowski and Cho 2012) and more recently China. This logic explains Northeast Asian countries' internationalisation (Hatch et al. 2014) while nationalism explains their lack of regionalism (chapter 6). Developmental states seek to leverage market forces rather than substitute a planned economy for it, like in the former Soviet Union or China before its market reforms. Yet, Asia's developmental states focus less on the 'invisible hand' of market forces than on the visible hands and brains of government think tanks, economic planning institutions, economic and social engineering to achieve 'optimum outcomes'. The most recent manifestation is 'green growth'. They tend(ed) to neglect social welfare ('outsourcing' it to women in traditional roles of educators and caregivers; Klein und Kreiner 2012, 462–5). The largely protectionist developmental states in Asia were tolerated by the US as an exception to its general preference for more liberal and open markets during the Cold War to allow reconstruction and support for anti-communist policy (Arrighi 2010, 59–75; Hahm 2017). That changed after the Cold War as the US policy of forcing liberalisation and painful restructuring on Asia during the 1997 Asian Financial Crisis showed. Already in 1985, the US had pressured ultra-competitive Japan to revalue its currency leading to two 'lost decades' of economic stagnation (Klein und Kreiner 2012, 456–8). The Trump administration has again taken aim at the 'unfair' economic policy of Northeast Asian countries, friends or foe alike.

Mercantilism has strong elements of zero-sum competition, but cooperation can occur when states are at different stages of development – like in the flying geese model (Chen et al. 2011) – for instance, through production chains controlled by a 'mother company', which was also the rationale for regionalisation in East Asia driven by Japan's multinationals (Hatch et al. 2014). They try

to keep as much control and policy-space as possible while acknowledging that internationalisation is key for national prosperity and growth (and thus domestic legitimacy) and are ready to pay the necessary price in terms of market opening and competition where useful and when they acknowledge the master variable of interdependence (the nationalist outsiders such as the DPRK are not ready to compromise autonomy and policy space, even if that costs them dearly in foregone prosperity). However, they protect strategic sectors or try to acquire and control them abroad including agriculture (food security), energy and natural resources for industry. Such rivalry is connected with nationalism, i.e. the desire for one's group to dominate others, or to be recognised. Politically countries are opponents if not enemies – a dichotomy that the Trump administration seems to be pursuing in its 'trade war' against China and others (Gallagher 2019; Woodward 2017). Rivalry usually produces zero-sum games and the desire to maximize one's absolute and relative gains (all this is a matter of degree). The centralised state with its 'visible hands' is seen as a key player in the globalisation game. The disaggregated state performing different roles in different networks is emblematic of this competitive globalisation game. Developmental states in Northeast Asia have been in transition to more liberal market economies since the Asian Financial Crisis (Arrighi 2010; Kalinowski and Cho 2012), but all are facing major structural challenges.

Competitors: interdependence and networks

Competitors acknowledge the master variable of interdependence and value order. Competitors can be political opponents, but also more or less friends. They try to 'increase the cake' where possible through cooperation to produce win-win outcomes, but compete for the bigger share, advantage and status. Competition can include cooperation, at least for setting rules that define fair competition. The WTO is an illustration of a cooperative regime that defines rules of fair competition and settlement of disputes (at least in a large number of trade related issues) and other regimes have been set up to regulate other issues. The WTO dispute settlement mechanism even has supranational elements. In other cases, competitors bargain to agree mutually acceptable outcomes, but as various game theoretical insights – and the results of the UNFCCC negotiations – show, they may not always reach the optimum (Lebov 2013). Competitors subscribe largely to market logics and are comfortable with network capitalism and minimum state control (nationalist development states try to maximize). They are distrustful egoists. Competition is framed as a healthy process to increase domestic prosperity and growth and the competitiveness of a country has become a reference for national pride and status. The marketisation of the economy and of countries, however, is an ideational phenomenon that goes back to Enlightenment thinkers such as Smith and Ricardo who argued against mercantilism. More recently, Michael Porter (1990) has introduced the idea of the competitiveness of nations rather than companies an idea which has become a key feature of international politics.

States compete internationally in a market-like complex anarchy to improve the well-being of their companies and citizens as well as their own resources and, not as Waltz (2000) assumed, simply for survival or expansion of territory (i.e. as enemies in the end of the day). If competition among states were about survival it is difficult to explain why the number of states has increased – including small and fragile ones – not decreased in the 20th and 21st centuries (Kostagiannis 2013, 836). Competition takes place less in logics of war and survival, but in an economic logic of maximising prosperity and national competitiveness. States do not resemble – as in Waltz’s neo-realist approach – firms in a free market competing for profit and survival, but they rather resemble the complex production and value chains of cooperating yet competing companies that build on each other’s competitive advantages to maximise profit and market share (status, influence and prosperity for states).

The notion of competitiveness of nations (rather than companies) fits a nationalist view of globalisation while acknowledging the end of a mercantilist or strictly national economy and discarding the realist idea of competition through war. Such maximising of competitiveness and prosperity can best be achieved not through fighting wars over a cake of determined size, but through a mix of cooperation (positive-sum games that enlarge the cake to be distributed) and competition for the biggest or best share. Thus, states develop specific strategies and policy mixes to manage the challenges of globalisation and the diffusion of power in complexity – the EU, for example, mainly through regional and institutional cooperation and integration and through clearly defined rules for fair competition, the single market and a common monetary and commercial policy, states in Northeast Asia through national competitiveness strategies and national reinsurance (chapter 7). This is why the nationalist developmental states in Northeast Asia do not behave as some realists predict with violence apart from occasional sabre-rattling around moralisation gaps and disputed territories (chapter 6). Nationalist rivalry and moralisation gaps hold them back from teaming up like the EU.

Team workers

The team workers keep their individual interests; they compete among themselves and may disagree at times, but they manage their interests in common according to rules agreed in the team (to compete with others but as a team). Teamwork fits polycentric governance images where trust and reciprocity among competing actors pursuing an overall goal are key ingredients of collective action (Ostrom 2009, 35, 2010, 660–1). The team workers’ most obvious manifestation is the EU (chapter 4). In the EU, the team leader is often the supranational European Commission, for instance, in trade or climate negotiations. Individual member states (or groups) can assume issue-leadership roles or advocate various positions, but the decisions tend to be collective based on compromise whether through consensus or through majority voting. Many decisions are bargained hard about within a set of written and unwritten rules and the possibility of

judicial review. The EU treaties and secondary legislation (*acquis communautaire*) define the teamwork rules differently in different issue-areas. In the environment field, for instance, the external competence is shared producing a high degree of complexity both for the EU institutions and other countries (Vogler 2009). In large parts of international trade policy, the EU has exclusive competences and the European Commission, based on a mandate of the member states, negotiates as team leader with other countries or economic blocs or in international organisations such as the WTO. This is not the place to review these complexities in detail (Tömmel and Verdun 2009), but to illustrate the point that team workers have different ways to organise the teamwork and are themselves not altruistic principals. The syndicated supranational entity, some international regimes and states engaged in trans-governmental networks are emblematic of the team workers' conception of the state's role in the globalisation game.

Some analysts make the case that EU-style team work governance could plausibly be a way to solve global challenges and to overcome the shortcomings of the traditional multilateralism (European Think Tanks Group 2014; Gao 2015). Contributing to global governance is also an explicit strategic objective of the EU (Lisbon Treaty).³ The EU, as a member of international society, is already promoting such ideas for global governance building on its own experience. Nevertheless, the EU has developed an institutionalised profile and a number of strategies for global challenges such as climate change or development. Beyond specific sector/policy strategies, the EU has developed, followed and advocated general norms in international relations (rule of law, human rights, democracy, open trade), is the main promoter of (effective) multilateralism and, through its innovative response to globalisation, has also itself become something of a laboratory for global governance (currently under severe stress tests). With its climate policy, for instance, the EU has embarked on a new 'green' economic paradigm, addressing the problem of the commons at the regional level, forging a new market-based cap and trade mechanism at its core, just as it was still in the midst of its Eastern enlargement. At the same time, it promoted a global agreement and policies to help developing countries deal with climate change. The Paris Agreement can be seen as a partial success of the multilateralist mode of governance promoted by the EU. The EU's emission trading system (ETS) is explicitly open to linking with other systems outside the EU, and the EU shared its experiences with other countries such as China and Korea (chapter 8).

Role relationships and global governance in international society

Nationalist actors in relation tend to be on the spectrum of rivals and competitors, whereas multilateralist actors are team workers or cooperative competitors. Of these role relationships, it is the team workers followed by the competitors who actively propose responses to globalisation (economic crises and climate change), while rivals will try and exploit it for their advantage and be passive or obstructive in cases where governance compromises their interests, autonomy and

sovereignty. In a team worker relationship, polycentric governance is more likely to emerge because of the rules of the team and the trust among team members. The EU model of teamwork is contingent on its historical pathway (chapters 3 and 4) and is certainly not the only way to team up, but it has shown the importance of agreed rules, institutions and compliance mechanisms (chapter 7 and 8).

The team worker role relationship developed by the EU for its region is currently the most effective, albeit perfectible, multilateral governance strategy (in terms of problem-solving capacity and legitimacy of the team decisions). This is due to the multilateralist development path the EU has taken while overcoming nationalism and moralisation gaps since 1945. This has produced new syndicated forms of sovereignty and international law, and a set of supranational bodies that form a robust framework for polycentric processes of governance. As chapter 3 showed, however, this multilateralism has been a difficult learning process on a historical pathway over several decades, not a deliberate strategy according to some visionary blueprint. We saw in chapter 7 how blueprints for economic and monetary union were discarded in political intergovernmental bargaining at Maastricht only to return with a vengeance during the sovereign debt crisis. The EU was often slow, reactive and suffered from a democratic deficit or disconnect (chapter 4). But other international governance forums have an even bigger democratic deficit. Where the syndicated sovereignty does not apply (as in the initial stages of managing the financial crisis) national interests, unequal power and regional moralisation gaps (e.g. during the Greek crisis) weakened the multilateralist constitution of the EU (chapter 7).

Nationalist strategies, as developed in Northeast Asia, served the countries there well in the short run. They were good at insuring themselves against risks and negative consequences on a national basis. As long as the insurance coverage is seen as sufficient and not too costly, they have little incentive to prioritise multilateral modes of policy-making (chapter 7). They probably see the Euro-zone crisis as a deterrent and a warning not to pursue regional integration. But they have been largely unable to solve collective action problems or to produce international public goods, for instance on security, the environment and even economic ones beyond national insurance. Their policies on financial crisis and climate change also proved costly which is partly due to their relations as competitors or rivals and partly due to their ability to pass on costs to society as a matter of patriotism. The rise of nationalism during times of economic difficulty could be linked to this. The inclusion of Northeast Asian countries in new global governance mechanisms such as the G20 has enhanced their status (recognition), fed the popular story of the power shift to Asia, but has not substantially improved regional and global governance perspectives yet. I found that these phenomena are due to the nationalist development path and past critical junctures (chapter 5). Northeast Asian countries have so far been unable to bridge important moralisation gaps which have proven stronger than the logics of economic interdependence (chapter 6). They are not ready for teamwork.

Role relationships structure international society increasingly as they define the relations between states in very different ways. Through these relationships,

rules get agreed to (or not) and the density of norms and rules of interaction in international society is linked to the quantity and quality of these relationships. This explains to a large extent the instability and diversity of the current international order which has been underwritten by the US but is getting undermined by US nationalism itself. The US has long oscillated between competitive and teamwork relationships, but under Trump has shifted decisively towards rivalry and competition, in some cases not far from friend-enemy schemes of the Cold War (Gallagher 2019).

Multilateralism has come under pressure and even attack and has largely failed to deliver on climate change while Europe's multilateralism was put to a severe stress test. The currency union was often seen as a cause of crisis (while it was partly a response to the chaos dynamics and fragmentation of the Bretton Woods system after the Nixon shock). In place of an institutionally consolidated multilateral order, such as the BWI before the 'Nixon shock', 'club diplomacy' or great power concerts have seen a revival (Badie 2011) and a more fragmented (New Development Bank, AIIB) and at the same time more networked international society has emerged. Following the isolationist turn in US international policy in 2016–17, there has been a leadership deficit for global governance. The EU and China have emerged as candidates for such leadership, albeit with question marks about their capacity. But perhaps this development only underlines the inadequacy and anomaly of a singular leadership of international society and the narrowness of analysing international relations through a prism of power transition (Terhalle and Depledge 2013). The real question is *how* to organise governance among countries with different political systems and approaches to global public goods. The tension between nationalism and multilateralism has come centre stage beyond the liberal international community (Tams 2018).

What comes after the end of the international liberal order?

With the 'end' of the Western-centric liberal international order in the sense of reaching its effectiveness and legitimacy limits (not end in the sense of collapse), the question arises on how the world and global governance move on from there. The first issue is about the plurality of domestic political systems and values represented by states. This issue will be addressed in this section. The second issue – covered in the following section – is how to bring the non-state actors into governance and also to rein in some of their harmful behaviour, for instance, in financial globalisation and in climate change. The liberal order and 'international community' were based on a Eurocentric value community – the West – that has largely lost its global legitimacy through mistaken policies, contestation and fragmentation (Hobson 2012).

The Cold War's end saw a revival of Liberal enthusiasm for the Good State, but the translation of this into the foreign policies of key Western states generated new lines of critique focusing on the underlying universalism.

(Lawler 2013, 18)

The political boundaries in a world with increasingly diverse values, perspectives and beliefs have become apparent, but they are less clear-cut and not aligned with simple political system differences such as democratic versus authoritarian, as the example Northeast Asia shows. From China's and Korea's perspective, the boundaries of historical justice are equally, if not more, important than the boundaries of political ideology or even the substance of an issue at hand: in their view Japan, a largely liberal democracy that shares fundamental values with the US and has a pacifist post-war record, would first have to show sincere remorse and apologise for past atrocities (like the comfort women or the Nanjing massacre) and renounce territories claimed by China and Korea before a shared future can be built in Northeast Asia (chapter 6). Conversely, Japan from within the boundaries of Western liberal-democratic order, brands China as 'uncivilised' (non-democratic and a threat to international values) to reject such claims in a return of the standard of civilisation from the early 20th century (chapter 5).

Global governance requires global legitimacy and global support, recognition or consensus in one way or another reconciling the tensions between multilateralism and nationalism (for instance the Paris Agreement in multilateral form and national substance). That consensus has to be built up, not just postulated on the basis of moral beliefs of just a group of (powerful) states (that are implicitly or explicitly considered superior to others). The legitimacy of sovereignty and international law and forms of market economy as institutions of international society are already quite well established and globally supported at least by governments and economic operators. Therefore, a multilateral rather than a cosmopolitan path looks more likely to be pursued. The legitimacy of compulsory power has markedly declined due to the diffusion of power in complexity despite great powers resorting to it for short term gains. The institutional power of the liberal order has similarly diminished. Some of the instrumental institutions (such as the BWI) have lost legitimacy and effectiveness; others have been created (BRICS, AIIB) with a different legitimacy and reflecting other national interests (chapter 1). The ideological institution nationalism is still strong, and the global crisis has reinvigorated it in spite of liberal claims about interdependence. The ideological institution multilateralism is under siege by nationalists from outside and within, in particular, the EU. One key player has even decided to leave the EU team to play a national game. In Northeast Asia nationalism has stunted regionalism for a long time.

Northeast Asia seems stuck in the moralisation gaps of its history and the 19th century European ideas about the nation, sovereignty and international law. While they seem comfortable with international society's three constitutive institutions as such (sovereignty, international law, the global market economy; chapter 2), most keep a distance to their liberal or cosmopolitan interpretations and resent the institutionalised dominance of the West. China and other countries in the region (and beyond) want to participate in the norm setting in international society and enhance their status. They want to 'get a seat at the VIP table' where the rules are set rather than 'turn the tables'. Japan's quest for a permanent seat in the UNSC is an example, as is China's pursuit of more adequate

representation in various international organisations or all three countries' presence in the G20 club. In their region, they prioritise national status, political and identity issues due to the specific historical background in their region, not as a precursor for some global struggle for dominance or a contest between democracy and authoritarianism.

An increasing value diversity and complexity – and therefore politicisation of competing ways to design global governance – have become the hallmark of international politics since about the turn of the millennium. This shift has been accelerated by the global financial crisis which undermined the legitimacy of the Western liberal market economy and with it the 'old' Western multilateralism. Yet, only the 'quality' of international society is determined by the degree of commonality (international community, democracy, rule of law, human rights, etc.), not the existence of international society itself which hinges on the relationships between various actors.

From the vantage point of the second decade of the twenty-first century, the confidence in liberal internationalism has ebbed and the liberalism project is now in question in international theory and in practice. Recurring disagreement over the design and purpose of multilateral institutions put in place to provide governance over security, trade and finance have demonstrated that cooperation is harder to achieve and to sustain than generations of liberals had anticipated.

(Dunne and McDonald 2013, 13)

Western democracies must recognize that their own liberal international order will not be universalized, and should seek to find common ground with emerging powers and forge a normative consensus on a new rules-based order. Peacefully managing the onset of a polycentric world will require compromise, tolerance, and recognition of political diversity.

(Transatlantic Academy 2014, ix)

In Rodrik's trilemma of the world economy, we find the normative 'boundary' between the international society and the international community:

If we want to maintain and deepen democracy, we have to choose between the nation state and international economic integration. And if we want to keep the nation state and self-determination, we have to choose between deepening democracy and deepening globalization.

(Rodrik 2011, xix, 200)

The focus on democracy is the normative approach pursued by 'the West' (Tams 2018) and it is also the basis for proposals for contemporary international or supra-national governance such as those developed by Bellamy (2019) or less explicitly Habermas (2017). However, those proposals focus on citizens in democratic communities (and the EU) and avoid the problem of the inevitable empirical

coexistence with and importance of non-democratic states in international governance. Those states only face a dilemma between national self-determination and challenges of globalisation to their national sovereignty, i.e. the traditional gatekeeper role of the state. The democratic legitimacy of supranational or international institutions (international governance globally) via citizens of nation-states or world citizens is thus an issue that needs to be left to domestic political developments (in the hope that democratisation over the long run is a trend of history) while for the stability and future development of the EU this issue has a high saliency (chapter 4). Nevertheless, the legitimacy of global governance more broadly rests with its acceptance by significant non-state actors and by citizens, not only by states. In nationalist societies (whether democratic or not) this acceptance will have to be negotiated between the national narratives and narratives of multilateral cooperation as a value as such or – more likely – as a national interest in the broader sense. In terms of climate change, such a narrative would oscillate between a nation-enhancing green growth and status recognition in a world where action against climate change becomes associated with international prestige, just as the development states in Northeast Asia earlier took pride in their economic growth rates and status as major economies (through membership in the G7 (Japan) or the G 20 (China, Japan, Korea)).

The G20 shows that both the liberal and illiberal powers are necessary to set global rules and to address global challenges. The need to fight climate change does not require a specific political regime – just a serious commitment to multilateral and national action. The often-alleged binary contest between liberal and authoritarian states is not the most persuasive narrative.

By comparison with an ‘ideal’ cosmopolitan order in which states are said to be the problem, multilateralism does not do badly:

By contrast, according to internationalists, a world made up of 195 states that were committed to peace and justice would not be a second-best normative outcome.

(Dunne and McDonald 2013, 9)

A world of 195 states committed to reducing their GHG emissions to the extent necessary to avoid global warming exceeding 1.5°C in line with the global science consensus (IPCC 2018) would not be a second best normative outcome either.

Multilateralism is therefore not the same as the liberal international order. It is a value as such. International Society 2.0 is not the same as the international community. Increasingly multilateralism has to deal with the complexity and chaos of a world of issues *and* to accommodate the plurality of a world of nations and the concomitant moralisation gaps. We need more team workers and fewer rivals. Democracies are not by the virtue of their political system team workers as ‘America first’ policies make clear.

In a situation of power diffusion, polycentric governance and new constellations of actors in relations could be ways to bridge the gaps between the dwindling

capacity of the state-centric international society and growing expectations by citizens and non-state actors. Citizens and non-state actors are important actors, not only as part of the solution to normatively improve global governance, but also part of the problems as they cause, for instance, GHG emissions or are instrumental in financial globalisation. The need for global and polycentric cooperation has perhaps been made most pressingly by the IPCC (2018). The recent developments of club diplomacy, transnational forums and new institutions can be understood as first infant steps to reinvent policy under the conditions of globalisation (Messner 2011). They cannot be reduced to an ideological platitude of power transition from a liberal US to an illiberal China (Gallagher 2019). Financial crises and GHG emissions are not a new Thucydides trap (Allison 2015).

Towards international polycentric governance

Financial crises and climate change are man-made challenges in complex patterns involving non-state actors as the main sources of disruption (financial or GHG emissions). Therefore, these actors have to be involved in the solution through regulation, financial or other contributions to internationally agreed objectives (such as the Paris Agreement). International governance has to adapt and evolve into polycentric network governance to involve these actors and address the complexity of crisis dynamics. However, polycentric governance presents obvious coordination and compliance problems in an unregulated environment. Even in the robust institutional coordination and policy-making framework of the EU such problems were dramatically visible during the European sovereign debt crisis (chapter 7) and they were also making the EU's response to climate change difficult (chapter 8). The 'logical' consequence was a strengthening and centralising of European (financial and climate) governance structures at the same time as an enhanced coordination with and monitoring of non-state actors (which are the origins of several of the governance problems, not the states). However, in Northeast Asia and at the global level, nation-states and national sovereignty play a stronger role than multilateral organisations and regimes and they are reluctant to empower non-state actors (but often business interests are conflated with national interests). The nationalist principle thus creates problems in relationships, for coordination and accountability in the global economy while it may bring efficiency gains at least in the short-term as Northeast Asia's response to the GFC showed (chapter 7).

The rising inequality everywhere in the world and the seemingly unstoppable climate-catastrophe compound the perception that international society has to step up to the challenge. The non-state actors notably businesses – who are responsible for these crises – have been even less subject to accountability than the EU or other international organisations. Many non-state actors, like the 'anonymous' so-called financial markets, the self-appointed rating agencies and vested interests had made the financial crisis worse and undermined state policy. Similarly, GHG emissions are often externalities that do not enter business models.

The assumption of polycentricity is that:

Governance of complex, modern societies requires institutional diversity embodied in multi-level, multi-purpose, multi-sectoral, and multi-functional units of governance.

(Araral and Hartley 2013, 1)

Polycentric governance is unlikely to function well in a role relationship of nationalism and rivalry with states entrenched behind their national sovereignty (chapter 5, 6). Relationships of team workers or regulated competition would likely perform better in the long run. The concept of polycentric governance, which is agenda-driven and functional (the concept was mainly applied to urban management and environment), could occupy a middle ground between cosmopolitan and state-centred alternatives as it could be developed around the existing international agreements (such as the Paris Agreement on Climate Change), but encompass many more actors (cities, companies, individuals, i.e. those responsible for emissions), working hand in glove to reach the internationally agreed objectives (IPCC 2018, 30). The Tokyo ETS (and others at sub-national level) show how such polycentric dynamics can work through government regulation and involvement of the private sector even if they are not pursued by a national government (chapter 8).⁴ US cities and states equally have pledged to deliver GHG reductions under the Paris Agreement despite the national government reneging on its international commitments (Leonardsen 2017). Such polycentric global governance would be functional and vary by issue.

The polycentric order in the EU is more institutionalised, but also varies by issue as different rules and decision-making procedures apply (Piris 2012; Tömmel and Verdun 2009). My case studies have shown that it required a degree of centralisation and strong compliance mechanisms to work effectively (chapter 7, 8). The polycentric traits of national, sub-national, supranational and non-governmental actors in managing the European economy and the climate change challenges may therefore require a state-regulated bedrock and framework, rather than a self-regulating interplay of various actors, as had been the gist of the original idea of polycentric governance (Ostrom 2010). International polycentric governance has been under-researched. My analysis of the EU as a proto-type has shown that it can work in a diverse group of sovereign nation-states (chapters 4, 7, 8).

The EU has crafted a template of polycentric governance in particular in the climate change area, building up a system relying on various levels of government and markets in various sectors to reach agreed objectives. In the EU, it works because of its syndicated legal order and sovereignty that ensures compliance with collective decisions and because of an overarching purpose (multilateralism to ensure peace and prosperity). But the EU logically also faces a major challenge in terms of the democracy end of Rodrik's trilemma (Bellamy 2019; Habermas 2017).

The global governance menu options

This book showed how Europe and Northeast Asia organised their respective regional societies and simultaneously dealt with global issues in the international society on a spectrum between nationalism and multilateralism over the *longue durée*. There is thus no shared structured response yet to the anarchy of complexity and its chaos dynamics. There has been an increase in functional multilateralism with ‘international steering committees’ and patchworks of epistemic or political authorities alongside the traditional multilateral institutions. However, there has not been a fundamental overhaul of global governance despite major challenges and increasing complexity and unpredictability. Northeast Asian countries have not even found ways to build up regional governance mechanisms. The fundamental obstacles have been moralisation gaps and nationalism. Until multilateralism becomes the new normal of international relations – as in the EU – in the new anarchy of complexity, the old normal of conflict and zero-sum games will endanger international politics and hinder the development of global governance and world society (in whatever institutional form). Nationalism is the fundament of that old conflictual normal, but also of multilateralism. The European Union stands out among the great powers as the one that has avoided the Thucydides trap and found an original way to create a multilateralist polity while keeping individual countries’ national identities largely intact.

Multilateralism is an arduous process. The institutional steps are difficult, but this is not new: the history of the BWI (Helleiner 2010) and of European integration (chapter 3) show that setting up the post-war multilateral order was not a big bang but was at least as arduous and difficult. Today, at least, we have 70 years of multilateral experience. It is time for international polycentric governance. There is even a laboratory of polycentric governance and constitutionalised multilateralism – the EU. At a new critical juncture after the global financial crisis and in the face of climate change, the transition of the liberal order to something more pluralist and polycentric becomes likely but it could take many years and it faces opposition and disruption mainly from nationalists (whether they are democratic or not). Transformation processes also reflect the chaos dynamics of the anarchy of complexity. These transformations have yielded quite a diverse array of coexisting global governance regimes:⁵

- 1 Integrated, syndicated like the EU
- 2 Global, old-generation international organisations (UN, BWI)
- 3 Global, new-generation international organisations or regimes (WTO with some supranational elements; UNFCCC with science panel IPCC)
- 4 Diplomatic conferences (e.g. COPs in UNFCCC; Six Party Talks on the DPRK nuclear programme)
- 5 Club diplomacy and arrangements with non-state actors (G7, G20, FSB, Basle agreements)
- 6 Loosely cooperating regions (ASEAN with its CMIM, AMRO, Trilateral Cooperation between China, Japan and South Korea)

- 7 Open regionalism of economic networks (APEC, ASEAN Plus Three)
- 8 Transregional processes and products (APEC, ASEM, BRICS, AIIB, NDB at international level, such as World Mayors Council on Climate Change at sub-national level)
- 9 Bilateral or minilateral agreements, notably FTAs, BITs, currency swaps, military alliances
- 10 National policies/unilateralism (in security for instance, but also economic policy such as quantitative easing, currency pegs or tariffs)
- 11 More or less private regimes, international NGOs, etc., some of which hold the international society of states accountable for what they are doing or not doing (including influential rating agencies).

These dozen items on the governance menu show that many governance pathways are possible. More radical governance alternatives, namely of the cosmopolitan or Confucian types (Zhao 2005) underpin the evolution of ideological institutions and moral beliefs (notably in civil society and academia), but have so far found few institutional expressions.

Most are functional multilateral arrangements that do not necessarily produce durable legal norms or institutions and even less an EU-like entity which is built on syndicated sovereignty. They remain at the instrumental or mechanical level of institutions of international society. But the current situation does not preclude an evolution to a more 'syndicated' model of governance in the future. The current performance of the existing governance arrangements, however, is limited (GFC) or insufficient (climate change). It is vulnerable to disruptions stemming from nationalism (Trump administration, China dream) or complex chaos patterns.

Only the EU has embarked on a more ambitious, perhaps more cosmopolitan form of constitutionalised multilateralism that has evolved into an institutionalised polycentric order with syndicated sovereignty, effective political authority beyond the nation-state, and nations relating as team workers. The EU's syndicated sovereignty and its collectively owned hierarchy provide a model of hierarchy without hegemony, of thick networked multilateralism. It is not just an embedded leadership role for one nation-state, nor is it a super-state, and it goes beyond a merely functional problem-solving approach. National sovereignty and national identity continue to be very important institutions of Europe's international society. Brexit and the rise of populist parties and leaders have demonstrated their disruptive potential. Overall, European integration remains compatible with civic and open nationalism. This makes the EU's multilateralism and emerging international polycentric governance future-friendly, while nationalism finds its justifications in the past.

Notes

- 1 These understandings and changes are of course to a large extent the product/result of social changes within states, and the population can be and often is strongly influenced by global trends which are not set by states. At the same time state-regulated efforts at

shaping such trends remain significant (laws, national education curricula, monuments and museums, state media, political discourse, etc.).

- 2 Colonialism was also disguised as a noble civilising mission, when it was in fact mostly driven by economic motives – as can be seen from the outsourcing of this activity to chartered companies (Arrighi 2010, 250–8) or private individuals who then paid taxes to their sovereign (who mostly never set foot in their colonies). Of course, colonialism also involved prestige and power politics and was often sparked by power contests among many (but not all) European nations at that time.
- 3 Article 21 of the Lisbon Treaty: ‘The Union’s action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.
The Union shall seek to develop relations and build partnerships with third countries, and international, regional or global organisations which share the principles referred to in the first subparagraph. It shall promote multilateral solutions to common problems, in particular in the framework of the United Nations’.
- 4 www.euractiv.com/section/climate-environment/news/cities-take-up-climate-baton-at-cop23-make-ambitious-emission-pledges/, accessed 16 March 2018.
- 5 My list is illustrative and doesn’t aspire to an exhaustive catalogue; similarly, just a few examples are given out of the hundreds of regimes.

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Index

- Abe, Shinzo 115, 124, 125, 131, 137–8
America first 5, 6, 14, 144, 210
anarchy of complexity 5, 8, 12, 14, 20, 28, 60, 81, 84, 88, 143, 172, 213
Annexation Treaty 47
apology 39, 47, 114, 120, 124–5, 128
ASEAN 17, 119, 136, 145–52, 213–14
Asian Financial Crisis (AFC) 21, 136, 143–9, 161, 202–3
Asian Infrastructure Development Bank (AIIB) 19, 199, 207–8, 214
Asian Monetary Fund 149
austerity 85–6, 154, 157, 162, 198
authoritarian 2, 85, 87, 126, 208–10
- balance of power 3, 28, 29, 41, 45, 49–53, 58–9, 99, 123, 163
banking crisis 85, 145, 156
banking supervision 154
banking system 149, 153, 173
banking union 84, 158–63
Bretton Woods Institutions (BWI) 17–18, 49, 68–9, 119, 143–8, 207
Brexit 3, 6, 11, 67, 71, 75–8, 84–9, 214
- CAMPUS Asia 138
cap and Trade 178, 183, 187, 190, 205
carbon price 179
carbon tax 178
chaos 6, 12, 14, 20, 60, 143, 192, 197–9, 207, 210, 213–14
Chiang Mai Initiative (CMI, CMIM) 22, 146–52
China dream 2, 6, 214
civilisation 3, 12, 32–3, 41, 45–7, 59, 63, 98, 107–11, 122, 125, 208
climate and energy package 171, 176–81
climate change 5, 12–16, 20–23, 88, 170–92, 198–9, 207, 210, 212–14; *see also* global warming
- club diplomacy 17, 99, 191, 207, 211–13
Cold War 6, 11–13, 49, 53, 63–4, 69–71, 114, 122–3, 202
collective action 7, 34, 52, 83, 99, 174–80, 200, 204–6
colonialism 6, 12, 28–9, 41, 58, 112
comfort women 120–1, 126–8, 135, 208; *see also* sexual slavery
community method 68, 101, 155–6, 164, 178
competitiveness 147, 159, 163, 171, 182–6, 189, 203–4
complex anarchy 7, 8, 49, 200, 204
compliance 17, 45, 48, 52, 84, 171, 174–5, 178–80, 182–4, 191, 212
conflicted regionness 4, 95–7, 119–24, 138, 189, 198
Confucian international society 3, 12–13, 37–49, 101, 95–116
Confucianism 6, 15, 37–9, 95–116
consensus 16–18, 42, 69, 87, 89, 162, 173, 176, 198–9, 208–10
constitutive institutions 5–8, 29–31, 39–49, 41, 78, 121, 164, 197, 208
cosmopolitanism 6, 30, 32, 35–6, 39, 43, 60, 79, 85, 99, 200, 208–10
Council (of the EU, European) 77–8, 83–4, 158, 162–3, 176, 178
critical juncture 58–72, 96, 103–13, 122, 144–5, 147, 159, 164, 199, 213
currency (swaps, union) 69–70, 135, 138, 144–8, 155, 207, 214
customs union 66, 70
- de-centring 107–15, 122
democracy 2–3, 35–6, 42–4, 68, 75–7, 87–9, 99, 101, 162, 197, 208–12
democratic accountability 35, 84–5, 155, 161, 164
demoi-cracy 77, 85

- developmental state 4, 38, **43**, 147, 151, 183–9, 201–4
- Diaoyu (Senkaku) 107, 120–3, 129, 131–8
- diffusion of power 11–23, 76, 83, 152, 161, 197, 204, 208
- diplomacy 28–9, **41**, 49–53, 103, 126, 177
- disintegration 6, 72, 75–90, 152
- distributive bargaining 176
- Dokdo (Takeshima) 49, 107, 120–6, 130, 135
- DPRK 3, 44, 51, 64, 120–1, 137, 201
- Draghi, Mario 157–64
- Economic and Monetary Union 66, 69–70, 84, 155–60, 206
- effort sharing decision (ESD) 181, 184, 191
- emissions trading system (ETS) 171, 177–87, 191
- empire 12, 60, 62–3, 80, 98–100, 107–8, 122
- EMU *see* Economic and Monetary Union
- English School 6–7, 11, 50, 60, 98
- Enlightenment 36, 59–61, 203
- ESM (European Stability Mechanism) 22, 150, 157, 159–61
- ETS *see* emissions trading system (ETS)
- Euro 75, 85, 97, 155–7
- Euro-centric/euro-centrism 6, 13, 28, 32, 80, 96
- European Banking Authority 156, 159
- European Coal and Steel Community (ECSC) 63–9
- European Commission 76, 83–4, 151, 156–7, 161, 179, 204–5
- European Council 77, 84, 163, 178, 182
- European Court of Justice (ECJ) 76–9, 83, **101**, 161
- European Economic Community 64
- European integration 5, 13, 21, 58–72, 75–90, 145, 159–64, 171, 214
- European Law 45, 79–83
- European Monetary Fund 161
- European Parliament (EP) 44, 76–7, 83, 176
- European Systemic Risk Board 156
- Eurosceptic 4, 85–9, 162
- Eurozone 1, 71, 85–9, 145, 153–64, 206
- Financial Stability Board (FSB) 17, 143
- First World War 62, 66
- Fiscal Compact Treaty 158–60
- French Revolution 31, 58, 60–1
- G20 5, **15**, 17–22, 52, 71, 114, 143, 152, 198–9, 210
- geopolitics 6, 114
- global financial crisis (GFC) 88, 143–52, 197–8
- globalisation 5–7, 12–14, 45, 60, 66, 82, 89, 144–9, 198, 203–5, 210
- global warming *see* climate change
- Great Depression 1, 21, 52, 66, 113
- great powers 6, **41**, **44**, **99**, 199, 208, 213
- green growth 185–6, 202, 210
- greenhouse gases (GHG) 5, 18, 170–89, 201, 210–12
- Greater East Asian Co-Prosperity Sphere 112
- harmony 38–42, 58, 60, 98, **101**
- heaven (heavenly) mandate of, son of 29–30, 37, **41**, 42, 98, **99**, 104
- hegemony, hegemonic 7, 12–13, 95, 104–7, 112, 214
- hierarchy, hierarchical 13, 17, 20, 38, **41**, 42–6, 58–9, 76–84, 95–9, 102–5, 122–9, 143, 164, 182, 214
- historical grievances 6, 114, 132, 136–7
- historical institutionalism 13, 68
- historical narratives 6, 96, 124–6
- Hobbes 12, 40, 42, 45, 202
- Holy Roman Empire 20, 42, 59, 80
- human rights 36, 42, **43**, 48, 125–7, 209
- ideological 6, 8, 12, 29–40, **43**, 45, 95, 172, 208–11
- illiberal order 6
- IMF 17–19, 143–52, 157, 161
- Imjin War **101**, 103–8, 122–3
- imperialism 3, 12, 29, 32, 44–8, 95, 106, 111–13, 126, 129, 202
- interdependence 5, 7, 21, 62, 70, 77, 84, 136–7, 147, 163–4, 203–8
- international law 7, 11, 28–36, 41, 43, 44–53, 79–80, **99**, 111, 119, 127, 134–6, 180–2, 199
- International Monetary Fund *see* IMF
- international relations (IR) 4–6, 11–14, 28–31, 44–8, 49–50, 79, 126, 133, 200
- investiture and tribute System 29, **41**, 45–9, **99**, 100–112
- IPCC (International Panel on Climate Change) 170–4, 190–1, 198, 210–13
- Kanagawa (treaty of) 108
- Kant, Immanuel 36, 59–60
- Korean peninsula 103, 113

- Korean War 48, 70, 105, 114, 120–2, 133–4
 Kyoto Protocol 171, 174–7, 183, 192

 law, rule of 38, 42, 46, **101**, 135, 205, 209
 League of Nations 23n5, 36, 62
 legal order 3, 17, 36, 46, 78–9, 199, 212
 legitimacy, legitimate 15–18, 29–30, 34–6, 61, 65, 76–7, 80, 85–6, **99**, 107, 164, 197–9, 207–10
 liberal democracy 3, 48, 75, 125, 208
 liberal intergovernmentalism 67–8, 111
 liberal order 5–6, 16–20, 198, 207–13
 Lisbon Treaty 146, 156–7, 171, 205

 Maastricht Treaty 69–70, 86, 89, 153–5, 206
 Manchu 89–104, 109
 Manchuria 107, 110, 120, 129
 maritime disputes 48, 120
 Meiji Restoration 108, 111, 124
 memory politics 124–8, 138
 mercantilism **41**, 201–3
 Ming 95, 98, 100, 102–5, 134
 monitoring, reporting and verification (MRV) 175, 178, 182, 184, 187, 192
 moral hazard 85, 150–1, 155, 157
 moralisation gap 4–5, 7, **8**, **15**, 38, 47, 62, 84–5, 95–6, 113, 119–29, 132–6, 164, 176, 192, 197, 208–10, 213
 multilateral democracy 3, 44, 77
 multilevel governance 78, 82

 Nanjing massacre 112, 120, 208
 national identity 31–2, 87, **101**, 113, 119, 129, 214
 nationalist parties 1, 75, 109
 nation state 5, 31–3, 61–9, 76–81, 97, 111, 173, 198–9, 214
 neo-functionalism 66–71, 76, 179
 network governance 17, 36, 80, 156, 200, 211
 New Development Bank 19, 22, 207
 Nixon shock 143, 207
 non state actors (NSA) 7, 17, 52, 79, 82, 103, 192, 198–9, 207, 210–13
 normalisation treaty 114, 120, 123, 127, 134
 North Korea 3, 44, 48–9, 63, 119–21, 133–4; *see also* DPRK

 Okinawa 95, 105, 131, 134; *see also* Ryukyu, Ryukyus
 open door policy 68–9, 113
 open regionalism 102, 147, 214
 Opium Wars 107–11
 optimal currency area 154

 pan-Asianism 110–13, 124
 Paris Agreement 18, 174–8, 183, 187–8, 190–2, 205, 212
 pluralist 6, 20, 50, 78–9, 111, 213
 polycentric governance 7–8, 20–4, 46, 81–5, 164, 170–92, 197–214
 populism 67, 86–8, 159
 populist parties 1, 86–8, 214
 Portsmouth, treaty of 123
 post-sovereign 5, 77
 power: compulsory 14–16, 98, 208; institutional 14–15, 17, 19, 45, 199, 208; productive 14–16, 18–19, 98; structural 14–15, 78, 98
 power balancing *see* balance of power
 power diffusion *see* diffusion of power
 power transition 7, 13–15, 96, 121, 207, 211
 Protectorate Treaty 47
 public goods 16, 83, 100, 190, 197, 200, 206–7

 Qing 38, 44, 51, 59, 95, 98–100, 102–5, 106–9, 134

 racism/racist 32, 44, 62–3, 107–9
 realism/realist 11–16, 33, 35, **43**, 45, 49, 58, 65, 88–9, **99**, 100, 104, 121–2, 133, 199, 204
 recognition 6–7, 20, 52, 81, 95, 104, 111, 120, 122–9, 132–3, 190, 208–10; mutual 42, 50–1, 53, 102
 reconciliation 5, 38–9, 47, 95–6, 114, 126–8
 regionalisation 4, 149, 202
 regionalism 3, 19, 34, 113, 119, 123–4, 147, 152, 208
 renewable (energy) 178, 184, 187–9
 republican intergovernmentalism 68
 ritual 29, 38–9, 42, 45–7, 58, 81, 97
 rivalry 4, 13, 96, 104–8, 115, 119, 121, 133, 150, 190, 199, 202–4, 212
 role relationship 8, 22, 98, 182, 197–214
 Rome Treaty 64

- Rousseau, Jean-Jacques 31, 59
 rule of law *see* law, rule of
 Ryukyu, Ryukyus 95, 102, 105, 134; *see also* Okinawa
- San Francisco Treaty 48, 127–8, 134
 schoolbooks 3, 96; *see also* textbooks
 Schuman, Robert 63; plan 67–9
 Second World War 62, 119, 121
 security community 3, 11, **41**, 95, **99**, **101**, 103, 106, 126
 security dilemma 12–13, 200–1
 Seven Years War 60–1
 sexual slavery 127–8; *see also* comfort women
 Shimonoseki (treaty of) 47, 108, 134
 single market 40, 66, 70, 78, 146, 152–4, 157, 204
 Six Pack 158
 Six Party Talks 51, 213
 social Darwinism 12, 32, 63, 109–11
 sovereign debt crisis 3, 70, 75, 84–9, 144–5, 153–6, 159, 206
 Stability and Growth Pact 84, 155, 158
 standard of civilisation 32–3, 46, 107–10, 125, 208
 status 7, 18, 20, 52, 58, 98, 102–7, 121, 123, 129, 138, 152, 201–10; *see also* recognition
 supranational 17, 20, **43**, 45, 66–70, 76–9, 82–4, **99**, 153–9, 171, 182–3, 209–12
 swap 135, 138, 146–52, 214; *see also* currency
 syndicated sovereignty 77–8, 81–4, 158, 178–82, 191, 197, 214
- Taiping (revolt) 108–9
 Taiwan 52, 65, 95, 104–5, 108, 113, 120–1, 134
 territorial disputes 114, 124–6, 134–7
 textbooks 47, 96–7, 120, 128–9
 Thirty Years War 59, 100, 106
 Thucydides 13, 211, 213
- tipping point 8, 13, 172; *see also* critical juncture
 transfer union 155–9
 tributary missions **41**, 51, 100, 102, 105, 107
 tributary order 102, 106–7
 tribute trade 29, 100, 102
 trilateral cooperation 3, 95, 119, 136–8, 189–90, 213; secretariat 136–7
 Trump, Donald 1, 6, 14, 16, 22, 197, 202, 207
- UN, UNO 5, 16–18, 45, 47–9, 52, 122, 127, 171, 213
 uncertainty 6, 12, 16, 199
 UNCLOS (UN Convention on the Law of the Seas) 48
 unequal treaties 47, 107–15, 135, 201
 UNFCCC 5, 18, 22, 170–2, 176–7, 185, 191, 198–9, 213
 Utrecht (treaty of) 49, 59
- Versailles (peace conference, treaty) 110
 Vienna Convention 50
- war crime 36, 48, 120, 128
 War of the Spanish succession 59
 wartime atrocities 96, 115, 119
 wartime reparations 164
 Westphalia(n) 13, 30, 32–3, 81, 95, **99**, 133; sovereignty 30, **41**, 45, 82; Treaties of 11, 58–9
 WTO 17, 19–22, 49, 52, 119, 149, 177, 199, 203, 213
 WWI 58, 62, 110; *see also* First World War
 WWII 62, 66, 96, 97, 105, 110, 125, 126, 129, 134; *see also* Second World War
- Xi Jinping 2, 6, 133, 138
- Yasukuni Shrine 113, 120, 124, 132–3, 136
- zero-sum 6, 76, 105, 197, 199, 202–3