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One Belt, One Road, and a New Paradigm of
Interregionalism?

論一帶一路做為跨區域主義的新典範之可能性

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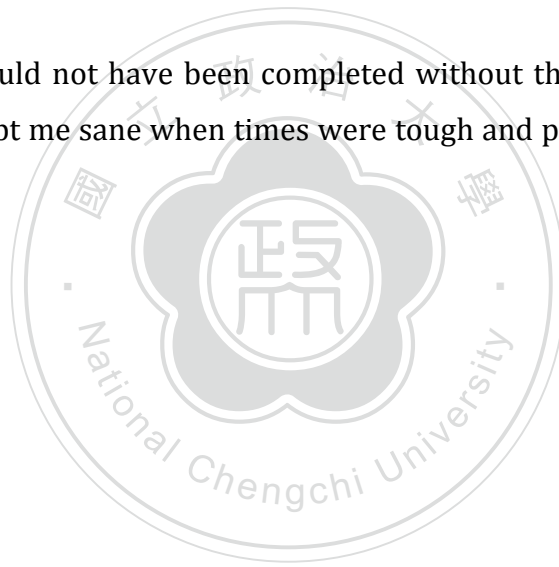
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Abstract

For quite some time now interregionalism scholars have been hinting that the paradigm of 'New Regionalism' is losing its relevance in explaining today's interregional environment. Therefore, researchers believe that a new interregional paradigm is upon us. Enter China's One Belt One Road, an initiative whose scope and multidimensionality go well beyond any past or current interregional agreement before it.

This study seeks to examine the One Belt, One Road initiative to discover whether or not it has the makings of an interregional paradigm shift that will shape the future of interregional dialogues. In order to do so, this paper reviews the literature on Jurgen Ruland's theory of the Functions of Interregionalism and Heinner Hanggi's Interregional Typologies to construct a comparative analysis. Using Ruland's functions – *Balancing*, *Institution-Building*, *Rationalizing*, *Agenda-Setting*, *Collective-Identity Building*, and *Promotion of Development* – as the variables, OBOR is compared with APEC and the TPP, two megaregions that are both archetypal examples of 'New Regionalism'. This paper finds that OBOR does indeed possess distinctive functional qualities that set it apart from the cases of New Regionalism. However, it must be acknowledged that having the ingredients of a paradigm shift does not guarantee that one will take place. Other countries must 'buy in' to the new approaches that OBOR presents to interregional integration, which is far from a sure thing. Therefore, this paper also assesses several of the challenges that OBOR is currently facing with its early projects. If China fails to overcome the early political, economic, technical, environmental, and security challenges, it is unlikely that future interregional agreements will embrace the new functional concepts of OBOR.

A major limit to this research is that it is still too early to tell if the interregional dialogues will adopt the new functions and concepts set forth by OBOR. Over the next five years it will be essential to monitor the developments along the belt and road. It is imperative that China achieves some early success in order to galvanize the trust of OBOR members to fully engage in the initiative. Therefore, we must continue to update the OBOR's 'functional scorecard' to keep track of whether China's initiative has fulfilled the functions that it set out to do. While the proclamation of an impending 'New Classical Regionalism' is tentative, this thesis provides us with a starting point to build upon and further refine the characteristics of a new interregionalism paradigm.

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List of Abbreviations

ADB: Asia Development Bank

AIIB: Asia Infrastructure Investment Bank

APEC: Asian-Pacific Economic Cooperation

ASEM: Asia-Europe Meeting

CPEC: China-Pakistan Economic Corridor

CUFTA: Canada-United States Free Trade Agreement

EC: European Community

ECOTECH: Economic and Technical Cooperation program

EU: European Union

FTA: Free Trade Agreement

IMF: International Monetary Fund

ITA: Information Technology Agreement

NAFTA: North American Free Trade Agreement

NDB: New Development Bank

OBOR: One Belt, One Road

PTA: Preferential Trade Agreement

SCO: Shanghai Cooperation Organization

TPP: Trans Pacific Partnership

TTIP: Transatlantic Trade and Investment Partnership

WTO: World Trade Organization

Chapter 1

Introduction

Since 1945, the phenomenon of regionalism has taken on a greater role in the international system. Regions are interacting with one another in ways that we have never seen before. Furthermore, these interactions continue to evolve with the dynamic goals of the countries that take part. However, this evolution is not new. With the ebb and flow of the times, regionalism has experienced waves through which the concept has expanded in terms of scope and complexity. Presently, the international system is defined by the 2nd wave of regionalism – ‘new regionalism’ – that came to the forefront near the end of the Cold War. New regionalism has brought about the emergence of new multilateral institutions and interregional organizations, which countries have come to rely upon as solutions to multifaceted, geopolitical issues. Just as the phenomenon witnessed a transition from the old wave to the new wave of regionalism, there are new ripples in the international system that may suggest that the tide is changing and that a new wave of regionalism is upon us. To discover what this new wave might bring, we must look toward the source of these ripples – China.

Faced with an ominous economic downturn, Xi Jinping is feeling the pressure to accelerate China’s participation on the global stage in search of new avenues of collaboration with its neighbors. However instead of relying upon the existing channels of cooperation, China is on the verge of offering an entirely new mechanism for regional and interregional cooperation that is distinct from any of its predecessors.

Enter the One Belt, One Road initiative. In 2013, Xi announced his plans to build the 一带一路 (One Belt, One Road), a new megaregional project that capitalizes on and combines the worldwide trends toward infrastructure building and regional trade agreements. At the heart of Xi’s project is the revival of the ancient Silk Road that once connected some of the greatest civilizations in history. The ultimate aim of the project is to connect China and over 60 other countries across four continents via numerous land and sea routes. Overall, the project will

cover 63% of the global population (4.4 billion) and 29% of the aggregate GDP (\$2.1 trillion).¹ Like the Great Wall, the One Belt, One Road plan is grandiose, bewildering, and most of all unprecedented in the modern era. The scope and the multidimensionality of OBOR go well beyond any past or current regional agreements. This must lead us to consider the potential of OBOR to spark a shift in the current paradigm of regional integration.

1.1 Purpose of the Study

For quite some time now, regionalism scholars have been calling for a new approach to the field. There is a growing consensus that it is time to adopt a comparative method to the study of regionalism. “All is not well with the study of regionalism,” explains Fredrik Soderbaum, “and it remains necessary **to deepen the comparative element of regionalism**.”² Soderbaum builds on his thought by adding that, “regions can and **should be compared in time as well as within and across different spaces and forms of organization**.”³ Amitav Acharya asks, “Is comparative regionalism a field whose time has come? While the temporary interest in comparing regions and regionalism may not be completely new, it is different from older approaches. In keeping with the rapid growth and development of regionalism and institutions in the non-Western world, including in regions which were relatively late starters, such as Asia, there have emerged new ways of looking at regional cooperation, including claims about distinctive approaches and even models that are not only different from those identified with the EU, but also supposedly more appropriate and thus workable for non-Western regions than the EU straightjacket.”⁴ Not only is the approach to the study changing, but also the phenomenon of regionalism itself, is evolving.

¹ Flynt Leverett, Hilary Leverett, & Wu Bingbing. “China Looks West: What Is at Stake in Beijing’s ‘New Silk Road’ Project”, *The World Financial Review*, January 25, 2015.

² Fredrik Soderbaum, “Early, Old, New and Comparative Regionalism: The Scholarly Development of the Field,” KFG Working Paper Series, No. 64, 2015, 22.

³ *Ibid.*, 23.

⁴ Amitav Acharya, “Comparative Regionalism: A Field Whose Time has Come?” *The International Spectator* 47, no. 1, (2012): 14.

Scholars are hinting that New Regionalism's relevance in explaining today's regional environment appears to be waning. They believe that a new regional paradigm is upon us. Researchers point to the fact that regions are taking a larger role in the global world order than they ever have. Bjorn Hettne explains that "regions are deepening, widening, and expanding like never before;" while Robert Katzenstein emphasizes that "we are living in a regional world order."⁵ Lastly, Soderbaum sums up the current regional paradigm shift best, as he explains that, "current regionalism is shaped by a world order characterized by many diverse and also contradictory trends and processes, such as the war on terror, a multi-layered or "multiplex" world order, recurrent financial crises across the world, the persistent pattern of overlapping and criss-crossing regional and interregional projects and processes in most parts of the world."⁶

The purpose of this study is to continue down the path set out by the scholars above and to explore whether or not a new paradigm of regionalism truly exists. This paper will delve deep and examine the One Belt, One Road initiative in order to answer the following questions:

- How does OBOR compare with the current paradigm of new regionalism?
- Is OBOR unique in its functionality as an interregional dialogue when compared to interregional agreements of the 'new regionalism' paradigm?
- Is OBOR just one of many new megaregional agreements – like the Trans Pacific Partnership – or does it possess distinctive qualities from its counterparts?

Finally, the questions above should help us to answer the crux of this paper, which is to discover whether or not the One Belt, One Road initiative signals a paradigm shift in regionalism and how regional agreements will be shaped in the future. This paper hypothesizes that the One Belt, One Road initiative is indeed a new case of interregionalism, and will likely shape the beginning of what this paper terms as a 'New Classical' regionalism paradigm. We use the name 'New Classical' because of

⁵ Soderbaum, "Early, Old, New and Comparative Regionism: The Scholarly Development of the Field", 22.

⁶ *Ibid.*, 21.

the inspiration behind OBOR is the ancient Silk Road, which operated during the height of Chinese civilization between third century B.C. and the fifteenth century A.D. The idea of the Silk Road fits into Xi's "China Dream" and the continued rise of the nation because it arouses memories of a time when China's international status was at an all-time high.⁷ The first time the idea of OBOR was introduced to the world was during a speech at the Nazarbayev University in Kazakhstan on September 7th, 2013. At this speech entitled, "Promote People-to-People Friendship and Create a Better Future," President Xi Jinping made references to the significance of the old trade routes in his plan to build OBOR. In one of these references, President Xi stated:

"The over 2,000-year history of exchanges demonstrates that on the basis of solidarity, mutual trust, equality, inclusiveness, mutual learning and win-win cooperation, countries of different races, beliefs and cultural backgrounds are fully capable of sharing peace and development. This is the valuable inspiration we have drawn from the ancient Silk Road."⁸

Xi hopes to evoke romanticism and the spirit of the Silk Road as it represents a golden age in Chinese history. Documents released by the Chinese Communist Party in 2015 emphasize the "Silk Road Spirit," which is described as a "historic and cultural heritage shared by all countries around the world."⁹ Therefore, OBOR can be seen as a twist or revision of the routes that linked the east and west both commercially and culturally for almost 2,000 years.

⁷ Theresa Fallon, "The New Silk Road: Xi Jinping's Grand Strategy for Eurasia," *American Foreign Policy Interests* 37, no 3, (2015): 141.

⁸ David Cheung, "One Belt, One Road: Collaboration Begins on the New Silk Road Trade Route," *Aconex*, May 21, 2016.

⁹ Theresa Fallon, "The New Silk Road: Xi Jinping's Grand Strategy for Eurasia," 141.

Figure 1.1 Possible Progression of Regionalism Paradigms



Source: Created by the author

To begin, chapter two lays out the groundwork for the paper by examining the literature on interregionalism. In this chapter, we examine the six functions of interregionalism as well as the different forms interregional dialogues can take. We also look into the different theoretical perspectives – realism, neoliberalism, functionalism, and social constructivism – and how they attempt to explain the phenomena of interregionalism. Chapter two concludes by explaining the framework that is used in the study to compare OBOR with the TPP and APEC. Chapter three offers a brief historical overview of the shift from the old wave of regionalism to the current wave, new regionalism. This chapter also sets the backdrop of Asian regionalism and helps us to understand China's role in shaping regional dialogues in Asia since the 1990s. Chapter four provides a comprehensive background on OBOR and looks at the initiative from the theoretical perspective of the six functions of regionalism. In chapter five, the paper performs a comparative analysis between APEC, OBOR, and the TPP across the six functions of interregionalism to discover the distinctive qualities of OBOR that separates it from the past paradigm of regionalism. Chapter six examines the challenges already being faced by China in five of OBOR's first projects. If China does not properly address these challenges now, they are likely to continue on and threaten the success of OBOR and its ability to shift the interregional paradigm. Lastly, chapter seven concludes this paper by assessing the findings of chapter five and addressing whether or not OBOR truly signals a paradigm shift in interregionalism.

Chapter 2

Theoretical Approaches to Interregionalism

Before we delve too deep into the theories and practices of regionalism we must clarify what we mean when we use the terms regionalism, interregionalism, megaregionalism, and paradigm. This can be difficult at times due to the fact that the field of regionalism is theoretically and conceptually lagging, and fragmented.¹⁰

Regionalism: Regionalism can be seen both as a phenomenon and an ideology that “connotes a political movement based on awareness of and loyalty to a region, combined with dedication to a region-wide agenda of some kind”.¹¹ As a phenomenon, the empirical process of regionalization takes place. Regionalization “refers to those processes that actually build concrete patterns of economic transactions within an identified geographical space.”¹² These processes are largely privately led and develop spontaneously from the bottom up. Occurring in a specific geographic area, these autonomous economic processes – including trade, investment, mergers, and acquisitions – begin to lead to regional economic interdependence. Being that these economic transactions are empirical, they can also be tracked and measured. Therefore, we can observe regionalization as a process of increasing levels of regionness and integration. On the other hand, regionalism can also be recognized as an ideology in a narrower sense. In this sense, regionalism is a movement based on a set of ideas or vision for a regionalist order. Accordingly, regionalism is more of a top down development that is coordinated by a political will to achieve some level of regional integration. In sum, regionalism covers both an ideology and an empirical process that comprises a variety of different levels and forms of regional integration.

¹⁰ Philippe Lombaerde, Fredrik Söderbaum, and Jens-Uwe Wunderlich, “Interregionalism” in Knud Erik Jorgensen ed., *The SAGE handbook of European foreign policy*, (London: Sage, 2015), 754.

¹¹ Ellen Frost, *Asia's New Regionalism* (Boulder: Lynne Rienner, 2008), 15.

¹² Manuela Spindler, “New Regionalism and the Construction of Global Order,” *Center for the Study of Globalization and Regionalization*, Working Paper No. 93/02, March 2002, 6.

Interregionalism: The study of interregionalism falls under the umbrella of the field of regionalism. However, when it comes to creating a holistic definition of what constitutes interregional dialogue, there is little consensus.¹³ For instance, Lay Hwee Yeo defines interregionalism as “institutionalizing relations between two regions”, while Chen Zhimen labels it as “institutions or organizations, which promote dialogue and cooperation between countries in different regions.”¹⁴ For the purposes of this paper, the phenomenon of interregionalism can be generally defined as a situation whereby at least two regions interact with one another as actors, simply put, region-to-region interaction.¹⁵ Still, this definition only scratches the surface of the multifaceted phenomenon that is often ‘nested’ within other forms of international cooperation, namely, bilateralism, regionalism, and multilateralism.¹⁶

Megaregionalism: As we will discuss in more detail later in this chapter, Heiner Hanggi breaks interregionalism into five categories – the fifth being megaregionalism.¹⁷ Megaregionalism is defined as an interregional dialogue that is comprised of groups of states from more than two regions. Examples of megaregional agreements include APEC, ARF, and EAPC.¹⁸ The megaregional category is not seen as ‘pure’ interregionalism because it is not built on a dialogue between two coordinated regional organizations such as an agreement between ASEAN and MERCOSUR.¹⁹

¹³ Mario Telo, *European Union and New Regionalism: Regional actors and global governance in a post-hegemonic era*, (Aldershot: Ashgate, 2007), 107.

¹⁴ Suet Yi Lai, “Inter-regionalism of nation-states: Asia-Europe Meeting (ASEM) as a case-study”, (master’s thesis, University of Canterbury, 2012), 15.

¹⁵ Francis Baert, Tiziana Scaramagli, and Fredrik Soderbaum, *Intersecting Interregionalism: Regions Global Governance and the EU*, (Dordrecht: Springer, 2014), 4.

¹⁶ *Ibid.*, 2.

¹⁷ Heiner Hanggi, “Interregionalism as a Multifaceted Phenomenon: In Search of a Typology,” in Heiner Hänggi ed., *Interregionalism and International Relations*, (London: Routledge, 2006), 42.

¹⁸ *Ibid.*, 51.

¹⁹ *Ibid.*, 42.

Paradigm: In his book, *The Structure of Scientific Revolutions*, Thomas Kuhn popularized the meaning of “paradigm” as a new thought-pattern and a philosophic-theoretical framework.”²⁰ Kuhn also popularized the phrase, “paradigm shift,” which refers to “a fundamental change of assumptions in the model or theory of science for explaining nature and the physical sciences.”²¹ In Kuhn’s work on paradigms, the concept was only applied to the field of natural sciences – without consideration of the social sciences. However over time, the social sciences began to adopt the idea of the paradigm and paradigm shifts within their own fields of study. Arend Lijphart was one of the first scholars to adopt the “paradigm” in international relations.²² Kijphart argued that the pattern of development in international relations theory in many ways parallels Kuhn’s version of theoretical progress in the natural sciences.

2.1 Functions of Interregionalism

Within the literature, there is some consensus as to the functions of interregional dialogues first set out by Jurgen Ruland.²³ The six functions are **balancing, rationalizing, collective-identity building, agenda setting, institution building and the promotion of development**. There is no one international relations theory alone that can fully explain or evaluate interregionalism. Therefore, Ruland uses a combination of the three main schools of thought – realism/neorealism, liberal Institutionalism, and social constructivism – to construct his functions of interregionalism. Ruland admits that while not all these functions are fully empirically supported yet, they are all theoretically plausible. Below is a diagram of each function and its corresponding school of thought.

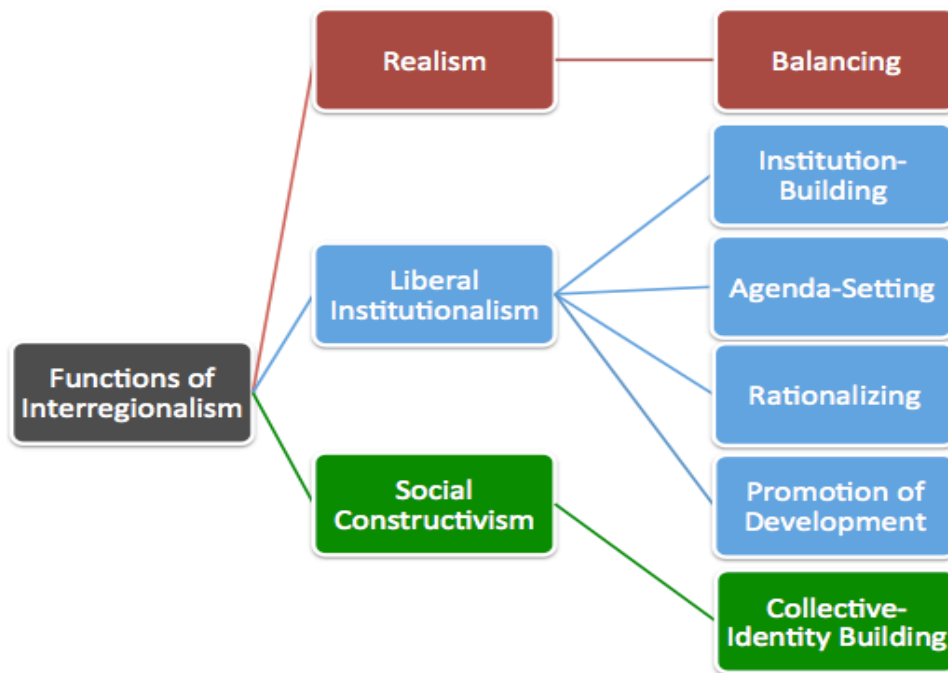
²⁰ Karim Crow, “The Use and Abuse of ‘Paradigm’ –From Kuhn to Küng,” *International Institute of Advanced Islamic Studies*, July, 2010, 5.

²¹ *Ibid.*, 6.

²² Martin Griffiths, *Encyclopedia of International Relations and Global Politics*, (London: Routledge, 2013), 458.

²³ Jurgen Ruland, “Interregionalism: an unfinished agenda”, in Heiner Hänggi ed., *Interregionalism and International Relations*, (London: Routledge, 2006), 297.

Figure 2.1 The Theories and Functions of Interregionalism



Source: Jurgen Rüland, "Interregionalism: an unfinished agenda", *Interregionalism and International Relations*.

Realist Function: Balancing

Realists see interregionalism as a means of balancing major powers or alliances. For realists, international relations is a zero-sum game in which states are more concerned with their gains relative to others than they are with any absolute gains. Under this mindset, realists view cooperation between regions as an extremely difficult task. Based on the Balance of Power theory, states may decide to participate in cooperative agreements or international organizations in order to balance against a regional power or global hegemon.²⁴ Essentially, for those in the neorealist camp, regionalism becomes a bargaining process through which states can realize their own self-interests.

Since a major feature of interregional relations is that they are often asymmetric, regional powers are continually pursuing ways to find a balance.²⁵ Realists focus on the rivalry between regions and the balancing that goes on

²⁴ Valeria Valle, "Interregionalism: A Case Study of the European Union and Mercosur," *Global Applied Research Network*, Working Paper No: 51/08, (2008), 13.

²⁵ Rüland, "Interregionalism: an unfinished agenda," 300.

amongst one another. Therefore, Ruland's interregional function of balancing is greatly influenced by the realist school of thought. 'Balancing' refers to the fact that, under a global triadic context, the three major regions of power – North America, Europe, and East Asia – are continually engaging in interregional dialogues to maintain equilibrium either militarily (power balancing) or politically and economically (institutional balancing).²⁶ As an example of institutional balancing, APEC was seen as way to for the East Asian region to balance “against the negative effects of the completion of the European Single Market and the creation of NAFTA.”²⁷ Bandwagoning is also a feature of the balancing function whereas weaker states with little to no leverage in interregional forums latch on to an interregional dialogue so as not to be isolated from the system and obtain the benefits of participation. Bandwagoning countries are often weaker states that don't take a leading role in the interregional dialogue and contribute little in their participation.

Additionally, balancing can be seen as a way for individual states to counteract a major power or alliance. In an increasingly globalized world, power balancing has been more focused on economic power rather than military power. For instance, some scholars argue that the motivation for Europe and East Asia to form ASEM was to balance the power of the U.S.²⁸ Specifically for Europe, it was driven to 'bandwagon' and not be left out of Asia.²⁹ ASEM helped to prevent the US from dominating Asia through APEC. Meanwhile, East Asia was worried about the transatlantic relationship between the EU and the US and used ASEM to calm those fears. Although realism offers the balancing function as a powerful motivation behind interregionalism, it is not enough to fully explain the phenomenon.

²⁶ Krishnan Venkata, “Quasi- Interregionalism: A Case Study of EU - India Relations”, Paper presented at the Young Researchers' Conference, Jawaharlal Nehru University, (2012), 9.

²⁷ Heiner Hänggi, “Regionalism through Interregionalism: East Asia and ASEM,” in Liu Fu-Kuo and Philippe Régner eds., *Regionalism in East Asia: Paradigm Shifting?*, (London: Routledge, 2000), 203.

²⁸ Suet Yi Lai, “Inter-regionalism of nation-states: Asia-Europe Meeting (ASEM) as a case-study”, (master's thesis, University of Canterbury, 2012), 41-42.

²⁹ Manfred Elsig, “The EU's Choice of Regulatory Venues for Trade Negotiations: A Tale of Agency Power?” *Journal of Common Market Studies* 45, no. 4 (2007): 929.

Liberal Institutional Functions: Institution Building, Rationalizing, Agenda-Setting, Promotion of Development

According to liberal institutionalism, regional formations are “intermediary bodies, erected by member states primarily to solve collective action problems.”³⁰ Neoliberals believe that institutions help to “regulate state behavior and promote cooperation by reducing transaction costs, facilitating information-sharing, preventing cheating and providing avenues for peaceful resolution of conflicts,” thereby making it easier for states to cooperate.³¹ Compared to realists, neo-liberal institutionalists place more emphasis on the cooperation between states. While they agree with realists that the international system is anarchic, they are more optimistic about the chance for states to cooperate with one another and the role of international institutions in doing so.

Liberal institutionalists approach interregionalism by highlighting the need for cooperation in order to manage complex interdependence between different regions. In this regard, globalization is a major driver for interregionalism. Globalization increases the demand for the systemization of transnationalized activities, cross-border exchanges and the settlement of trade issues. As interregional dialogues become more formalized they also find themselves as a part of the foreign policy of the participating countries. This results in a “stable framework that facilitates cooperation and dialogue on policy matters.”³² Therefore, institutionalists argue that states use interregional cooperation in order to adapt to the complexities of the globalized world. Interregionalism can be viewed as a driver of global governance through which states can manage the changing aspects of globalization.

Deeply rooted in liberal institutionalism, Ruland’s **institution building** relates to the function of interregional dialogues to establish a new level of

³⁰ Mindaugas Norkevicius, “Regional Institutionalism in Southeast Asia,” *Societal Studies* 6, no. 1 (2014): 100.

³¹ Amitav Acharya, “Theoretical Perspectives of International Relations in Asia,” in David Schambaugh ed., *International Relations of Asia*, (Lanham: Rowman and Littlefield Publishers, 2008), 57.

³² Mathais Knepper, *The Interregional Relations Between the European Union and the Southern Common Market (MERCOSUR)*, (Wilhelms-Universitat, Munster, 2012), 21.

institutions based on the need for better coordination among regional players. According to Ruland, institution-building is “the creation of a new level of policy-making in a multi-layered international system and the creation of subsidiary institutions such as regular summits, ministerial and senior officials’ rounds, business dialogues, forums of non-governmental organizations and track two processes.”³³ Essentially interregionalism escalates the amount of communication between regions which inevitably creates an increased demand for stronger coordination and unified positions. Greater levels of institutionalization also help to increase the transparency of international relations. Ruland however, holds doubts on how far interregionalism can catalyze hard forms of institutionalization. High levels of institutionalization, like what we witness with EU interregional cooperation, are never certain. Instead, we are more likely to observe softer versions of institutionalization, similar to what we observe with Asian interregionalism. One reason for this is likely the fear that the governance costs will far outweigh the opportunity costs of higher levels of integration. In this case, ‘power balancing’ likely holds interregional institutionalization back.

Another function rooted in liberal institutionalism, **rationalizing**, points out the fact that global multilateral forums can get bogged down with the ever-growing amount of actors and issues. Therefore, interregional dialogues help to streamline the decision-making process and tackle issues that global forums have trouble solving. According to Jorg Faust, interregional dialogues can be considered as “second better solutions” in times of multilateral gridlock.³⁴ Interregional institutions can help break up broad negotiations into smaller more manageable consultations and remove the bottleneck in the global system. Once these smaller consultations are completed in an interregional dialogue, the idea is that the participating countries can then take their consensus to the multilateral forum and make negotiations much easier. In this sense, regional negotiations are seen as more efficient than those between multitudes of states. As applied to creation of APEC,

³³ Ruland, “Interregionalism: an unfinished agenda,” 302.

³⁴ *Ibid.*, 307.

one of the major objectives was to establish a smaller consultative body to aid with the much larger GATT/WTO negotiations.³⁵

Next, **agenda setting**, is closely related to rationalizing and suggests that interregional cooperation helps to set new themes for global forums. Currently, there is not much empirical evidence that supports this function as most interregional dialogues continue to prefer not to engage in politically binding agreements. However, there are some instances where agenda setting has played a part in interregional dialogues, especially on issues revolving around the war on terror, anti-trafficking, and climate change.³⁶ Certainly, more in-depth research is required on this subject.

When Ruland first founded the **Promotion of Development** function, he considered it more of a secondary function rather than being grounded in any single theory. Yet, this was likely an oversight as the function of the promotion of development fits under the umbrella of liberal institutionalism. Compared to realists, liberals find that states cooperate in an attempt to conduct mutually beneficial agreements in order to solve collective action problems.³⁷ According to Robert Keohane, even egoistic states engage in institutional dialogues to achieve ideal outcomes that they cannot reach on their own.³⁸ Specifically for neoliberals, “regional institutions operate at the margins to generate increases in trade and wealth.”³⁹

With regards to promotion of development in an interregional dialogue, it is often acted upon for mutual gains. Promotion of development is more likely to take place in an asymmetric interregional dialogue. In this scenario, the more advanced side can provide aid and share technology with the weaker side to help encourage economic development. However, this is not necessarily a selfless act for the

³⁵ Matthew Doidge, *The European Union and Interregionalism: Patterns of Engagement*, (Farnham: Ashgate, 2011), 45.

³⁶ Julie Gilson, “Inter-Regionalism,” Paper presented at the ECPR Standing Group on International Relations, University of Turin, (2007), 12.

³⁷ Lai, “*Inter-regionalism of nation-states: Asia-Europe Meeting (ASEM) as a case-study*,” 34.

³⁸ Mindaugas Norkevicius, “Regional Institutionalism in Southeast Asia,” *Societal Studies* 6, no. 1, (2014), 100.

³⁹ *Ibid.*, 100.

advanced side as they benefit from the weaker side catching up and further integrating their economies with the global economy. As in the cases of EU interregionalism, it has demonstrated that the interregionalism “can form part of development promotion strategies,” and has shown “that region-to-region relations benefit the liberalization and market opening strategies of the EU itself, and also acts as a means of ensuring comprehensive social and economic development on a global scale.”⁴⁰

Social Constructivist Function: Collective-Identity Building

Social constructivism brought a new dimension to regionalism and interregionalism. Constructivism contends that material goals are not the only incentives driving international relations. Constructivists believe that norms, ideas, knowledge, culture, and identity also play a role in shaping states’ decisions. These theorists emphasize a region’s “awareness” and the members’ sense of belonging to a particular region, which together are termed “cognitive regionalism.”⁴¹ They also stress the need for a community built on high levels of responsiveness, trust, and cognitive interdependence. For constructivists, interregionalism is a way of building regional collective identities and cognitive interdependence is the ultimate goal.

Emanating from social constructivist notions, **collective-identity building** indicates that there is the potential for heightened cooperation to strengthen an area’s feeling of regionness. Wendt claims that as the dynamic density of interaction grows, so too will the potential for internal transformations of identity.⁴² From a cognitive perspective, the intensified interregional interaction between two regions sharpens the identity of the ‘self’ and the ‘other’. Depending on certain factors, collective-identity building may be intentional or unintentional. If one group offers incentives to the other in order to strengthen the latter’s cohesion, it is considered

⁴⁰ Gilson, “Inter-Regionalism,” 12.

⁴¹ Anthony Milner, “Analyzing Asian regionalism: what is an ‘architectural perspective’?,” *Australian Journal of International Affairs* 65, no. 1 (2011): 114.

⁴² Doidge, *The European Union and Interregionalism: Patterns of Engagement*, 45.

intentional. This is often the case with the EU, which attempts to act as an 'external federator' so that it can negotiate with entire regions instead of individual states.⁴³ Many also look toward ASEAN as an intentional way of building a collective identity because it requires member states to accept norms such as: "the principle of seeking agreement and harmony; the principle of sensitivity, politeness, and agreeability; the principle of quiet, private, and elitist diplomacy versus public washing of dirty linen; and the principle of being non-legalistic."⁴⁴

Collective-identity building is considered unintentional if one side believes the relationship to be highly asymmetrical and that the other can use the uneven relationship to establish their superiority. Unintentional identity building can be observed with APEC and the US opposition to an Asian Monetary Fund. This disagreement caused the split between the Anglo-Pacific and Asian APEC countries to widen and strengthened the interaction between Southeast Asian and Northeast Asian nations.

2.2 Types of Interregionalism

Based on the consistently cited work of Hanggi, there is a growing consensus that there are three typologies of interregionalism: bilateral regionalism, transregional, and hybrid regionalism. Hanggi's categorizations are based on the type of actors that are involved in interregional dialogues.

Bilateral Regionalism

Bilateral regionalism, or what many think of as pure regionalism, is a group-to-group dialogue between two regions. These two regions are clearly definable and the relationship itself is built upon institutional frameworks. This form of interregionalism consists of "regular meetings at the ministerial and senior officials'

⁴³ Rüländ, "Interregionalism: an unfinished agenda," 308.

⁴⁴ Richard Hu, "Building Asia Pacific Regional Architecture: the challenges of hybrid regionalism," *Brookings Institution*, Working Papers by CEAP Visiting Fellows, July 14, 2009, 9.

levels and the launching of joint projects and programs”.⁴⁵ Cooperation can range from specific issue-areas in the economic sphere, such as trade and investment, to political matters. The EU’s dialogue with other regions is the prototypical example of bilateral regionalism. For example, the cooperation between the EC and the Association of Southeast Asian Nations is often cited as the model for group-to-group interregionalism. Yet, with the emergence of ‘new regionalism’ came new regional players in Southeast Asia, Latin America, and Oceania looking to expand their own relations with one another. While it dominated during the times of ‘old regionalism,’ this pure form of interregionalism can no longer explain all of the contemporary variations of interregional relations that are popping up in this new globalized world.

Transregional arrangements

Transregionalism is used to help explain relations that are not necessarily formalized or between two clearly identifiable powers. This form most commonly “refers to interregional relations where two or more regions are dispersed, have weak actorship, and where neither region negotiates as a regional organization”.⁴⁶ This flexible form of interregional relations also emphasizes the creation of ‘common spaces’ between regions through which various state and non-state actors can cooperate with each other.⁴⁷ These common spaces can include those that focus on economic, cultural/social, or political elements. In these spaces, a host of actors, including nongovernmental organizations, institutions, and movements converge to establish integrative, transnational links between two or more regions. Compared to the bilateral group-to-group interregional arrangements, transregional arrangements consist of heterogeneous membership and can include states from more than just two regions. Transregionalism really began to take hold under the

⁴⁵ Heinner Hänggi, “Interregionalism: empirical and theoretical perspectives,” Paper prepared for the workshop, *Dollars, Democracy and Trade: External Influence on Economic Integration in the Americas*, May 18, 2000, 4.

⁴⁶ Baert, Scaramagli, and Soderbaum, *Intersecting Interregionalism: Regions Global Governance and the EU*, 5.

⁴⁷ Christopher Dent, “From inter-regionalism to trans-regionalism? Future challenges for ASEM,” *Asia Europe Journal* 1, (2003): 224.

emergence of the Triadic complex between North America, Western Europe, and East Asia. The most common examples of transregionalism are APEC, ASEM, and the African-Europe Cairo summit.

Hybrid Regionalism

Hybrid regionalism is used to categorize interregional forms that do not fit neatly into the first two categories. These forms are thought of as quasi-interregionalism, and are often associated with dialogues between regional groups and single state actors from other regions. Usually, the single actor is the major dominant power in its own region.⁴⁸ Relations between the EU and the US or the EU and China fall into this category. This 'region-to-state' relationship is sometimes not accepted by scholars as a category of interregionalism. However proponents of this form argue that quasi-interregionalism is a crucial aspect of interregional relations, especially when the state power is considered the leader of their particular region.

The 5 Types of Interregionalism

Table 2.2 Hanggi's Typology of Interregionalism

Type	Regional actor A	Regional actor B	Form of interregionalism	
1	Regional organisation	Third country	Quasi-interregional relations	Interregional relations (in the wider sense)
2	Regional organisation	Regional organisation	Interregional relations (in the narrower sense)	
3	Regional organisation	Regional group		
4	Regional group	Regional group		
5	Group of states from more than two core regions		Megaregional relations	

Source: Heiner Hanggi, "Interregionalism as a Multifaceted Phenomenon: In Search of a Typology," *Interregionalism and International Relations*.

Over the years Hanggi has continued to enrich the categorization of interregionalism discussed above in order to develop a typology that is much more thorough and widespread.⁴⁹ As you can see in Figure 2.2, Hanggi's typological model

⁴⁸ Hänggi, "Interregionalism: empirical and theoretical perspectives," 8.

⁴⁹ Hanggi, "Interregionalism as a Multifaceted Phenomenon: In Search of a Typology," 31.

separates interregional relations into wider and narrower classifications. In the narrower sense, Hanggi breaks down bilateral and transregionalism down into three groupings: cooperation between two regional organizations, the dialogues between ASEAN and MERCOSUR; cooperation between a regional organization and a regional group, the EU and a group of African nations participating in the Cairo Summit; and cooperation between two regional groups, groups of East Asian and Latin American states participating in FEALAC.⁵⁰

In a wider sense of interregional relations, Hanggi includes quasi- and megaregionalism into the fold. Quasi-interregionalism, or hybrid interregionalism is considered a relationship between a regional organization and a country from another region.⁵¹ An example of this type of interregional dialogue would simply be the cooperation between the EU and China. Megaregional relations sit on the opposite end of the spectrum and entail an interaction of a group states from three or more regions. Hanggi considers APEC as a paradigmatic case for megaregionalism under the wave of new regionalism and points out that like in the case of APEC, megaregionalism is usually dominated by a hegemonic power.⁵² Being that OBOR is made up of nations from multiple regions, it is also be categorized as a megaregional dialogue. Hanggi's categorical framework of interregional relations is thus far the most thorough and nuanced method of interregional classification.

2.3 Methodology and Analytical Framework: Comparative Interregionalism

As the previous sections have demonstrated, regionalism is a multifaceted field of study that is comprised of various subfields and concepts. Overall though, the field is still quite underdeveloped and contains major gaps in the research. This is especially true when it comes to comparative regionalism, and in particular, interregional comparisons. Unlike the majority of the literature on interregionalism

⁵⁰ Heiner Hanggi, "Interregionalism as a Multifaceted Phenomenon: In Search of a Typology," 47-49.

⁵¹ *Ibid.*, 44.

⁵² *Ibid.*, 42.

that is theory-led, this study uses a combination of theoretical and empirical approaches.

International relations scholars, such as Charalambos Tsardanidis, have attempted to develop an analytical framework through which new researchers to the field could compare different regional organizations.⁵³ Tsardanidis's comparison was based on three pillars: the *dynamics of interregionalism*, *structural change*, and *preferred outcomes of regionalism*. Dynamics of interregionalism examined the characteristics and the driving factors behind interregional arrangements. The key issue for the structural change pillar was the extent to which interregional dialogues were able to strengthen the balance of power of their participating regions, manage economic interdependence, and contribute to global governance. Finally, preferred outcomes of regionalism referred to the means through which interregionalism promoted stability, contributed to a regional identity, and changed the direction of cooperation. While Tsardanidis's method is certainly a much needed contribution to the literature, the primary use of this framework is to help classify the different categories of regionalism, which can be troublesome, for as we've seen in the previous chapter, the definitions of different interregionalisms continue to change with more research. Another attempt at comparative regionalism was Bjorn Hettne's regional actorship approach.⁵⁴ Hettne believes that regions themselves can become actors based on three components: the region's cohesion or regionness, international presence, and the ability to influence outcomes outside the region. The major criticism with Hettne's comparative framework, as he himself points out, perceives European integration as a model for regionalism, and thus falls into the generally rejected Eurocentrism bias.

In an effort to avoid such limitations and biases, as seen in Table 2, this paper will compare three different megaregional organizations, namely APEC, OBOR, and

⁵³ Tsardanidis, C. (2010) 'Interregionalism: a comparative analysis of ASEM and FEALAC', in Jorn Dosch and Olaf Jacob eds., *Asia and Latin America: Political, Economic, and Multilateral Relations*, (London: Routledge, 2010).

⁵⁴ Bjorn Hettne, "Regional Actorship: a comparative approach to interregionalism," in Francis Baert, Tiziana Scaramagli, and Fredrik Soderbaum eds., *Intersecting Interregionalism: Regions Global Governance and the EU*, (Dordrecht: Springer, 2014), 55-70.

the TPP, based on the six widely accepted functions of interregionalism: balancing, institution-building, rationalizing, agenda-setting, collective-identity formation, and the promotion of development. This study chooses to use Ruland's six functions for a few reasons. First, the majority of the interregional literature up to this point has used Ruland's research as a starting point when studying the potential functions of specific interregional dialogues. Second, Ruland's research on the functions of interregionalism uses a mixture of major IR theories. This is inline with the popular trend in interregional literature to combine selected IR theories, "especially neo-realism, liberal-institutionalism, and social constructivism, to explain interregional interactions."⁵⁵ As Smith and Vichitsorasatra argue, the material (realism), ideational (social constructivism), institutional (institutionalism) theoretical approaches are deeply intertwined.⁵⁶ Third, since these functions can be applied to any interregional forum, they are useful for comparing interregional interactions from different time periods. Fourth, these theoretically backed functions serve as parameters through which we can collect and compare empirical evidence. Therefore, comparing each megaregion along the lines of these six functions will help to uncover whether or not there are major differences in the way OBOR operates and if it is a unique case in the realm of regionalism.

This paper chooses APEC and TPP as points of comparisons for several reasons. First, APEC and the TPP are meant to serve as representatives of the current wave of 'new regionalism,' thereby allowing us to observe whether OBOR differs from this paradigm. Second, under Hangi's typology, APEC, the TPP, and OBOR are all megaregional dialogues. Using the same interregional typology offers a more consistent comparison, whereas comparing different typologies may skew results. Third, using two points of comparison allows us to discern the differences between OBOR and one of the early paradigmatic forms of new regionalism (APEC), and a more contemporary version (TPP). This paper admits that a major limitation in this comparison is the fact that each megaregional dialogue is in a different stage of development. At this point, APEC is a full-grown version of interregionalism,

⁵⁵ Lai, "Inter-regionalism of nation-states: Asia-Europe Meeting (ASEM) as a case-study," 38.

⁵⁶ *Ibid.*, 47.

OBOR is in its early stages of development, and the TPP is yet to be ratified. This creates a time lag in the maturity of the functions of each agreement. However, Muall and Okfen found in their study that Ruland's theory is indeed applicable to analyzing the initial functional motivations of new interregional agreements.⁵⁷ Although the TPP is still not operational, it still has intended functions that we can compare with OBOR and APEC. Therefore, while it's not optimal, it is acceptable to compare the functional goals of the TPP and OBOR. Nevertheless, this paper acknowledges the importance of continuing to observe whether the TPP and OBOR fulfill their functional motivations in the upcoming years.

Table 2.3 Methodological Framework – Comparative Analysis

		One Belt, One Road	APEC	TPP
Realism	Balancing			
Liberal Institutionalism	Institution-Building			
	Rationalizing			
	Agenda-Setting			
	Promotion of Development			
Social Constructivism	Collective-Identity Building			

Source: Created by the Author

2.4 Data Collection

In order to understand the features of each megaregion's six functions and compare them with one another, empirical evidence must be gathered on each function, or in the case of OBOR and the TPP, on their functional goals. An important source of information used in this research comes from official documents issued by

⁵⁷ Lai, "Inter-regionalism of nation-states: Asia-Europe Meeting (ASEM) as a case-study," 38.

the institutions or meetings under each agreement. These documents include a statement from the White House Press Secretary, a Report on the TPP from the New Zealand House of Representatives, the Articles of Agreement from the AIIB, chapters from the Transpacific Partnership, APEC publications, APEC Ministerial Meeting Papers, and reports published from the AIIB. These official sources help to provide insights into the perspectives that the megaregions have, not only of themselves, but also of their relations and role in the international system. Thus, we can get a good idea of what drives each megaregion to exist. To get more of an outsider's perspective of the utilities behind the megaregions, this study also utilizes a mixture of content from news reports and academic journals. While the official documents offer a top-down view, these secondary sources help to provide a bottom-up view and analysis of each function.

According to Thomas Kuhn, a paradigm shift occurs only after a new model or way of thinking is accepted by a community.⁵⁸ Therefore, in order for OBOR to become the catalyst of an interregional paradigm, it must win the trust and acceptance of its participants. This is unlikely to happen until Beijing proves that it can overcome the challenges that leave the world skeptical of OBOR's ability to bear fruit. To assess the challenges ahead for OBOR, this paper examines the wide range of difficulties China has had in five of OBOR's earliest projects. These projects include the Yinxin'ou cargo line, the Thai high-speed rail project, Indonesia's high-speed rail from Bandung to Jakarta, the China Pakistan Economic Corridor, and the Dawei deep-water port in Myanmar. These five cases provide the study with a glimpse of the myriad of difficulties that Beijing faces, ranging from security and technical issues to economic and political hurdles. These projects help to foreshadow the challenges to come that could ultimately derail OBOR if China does not properly address them now. By sifting through and comparing all this data on the functions of the selected megaregions and the challenges of OBOR, the picture should become much clearer as to where China's interregional initiative is a new version of regionalism with the potential to shift the paradigm of regional

⁵⁸ Andrew Heywood, *Key Concepts in Politics and International Relations*, (Basingstoke: Palgrave Macmillan, 2015), 151.

integration, or if it is merely just another form of regionalism still under the guise of 'new regionalism.'



Chapter 3

Historical Review: Asian Regionalism

Contemporary history of regionalism can be divided into two main waves, namely, the old and new waves of regionalism. The table below provides the main points of contrast between the two paradigms of regionalism. The first wave of old regionalism was built within the Cold War paradigm.⁵⁹ The bipolar international system that the world experienced after the World War II greatly influenced the development of regional agreements. At this time, nations on both sides were concerned about their security and national interests, thus regionalism of the old wave was generally characterized as being inward looking and was grounded in protectionist motivations.⁶⁰ Therefore, regional agreements during this old wave were built with specific objectives in mind and the institutions created were typically security-oriented or economically oriented.

Figure 3. Old Regionalism vs. New Regionalism

Old Regionalism (1950s-late 1980s)	New Regionalism (Late 1980's-Present)
<ul style="list-style-type: none">• Built within the bipolar Cold War paradigm• Protectionist & Introverted• States were the main actors• Top-down process• Narrower objectives (security/trade)• Exclusive membership• Eurocentric	<ul style="list-style-type: none">• Constructed in a multipolar/globalized world• Extroverted• Multiple actors• Bottom-up, spontaneous process• Multidimensional(economic integration, security, cultural, political, environmental)• Inclusive/open membership

Source: Created by the Author

⁵⁹ Louise Fawcett, "The History and Concept of Regionalism." *European Society of International Law (ESIL) Conference Paper Series*, no. 4 (2012), 9.

⁶⁰ Bjorn Hettne, "Beyond the New Regionalism," *New Political Economy* 10, no. 4, (2005), 546.

Unlike old regionalism, new regionalism was constructed in a multipolar world and flourished all over the globe. The breakdown of the Cold War provided countries with more wiggle room to maneuver out from the shadows of the bipolar powers. Also, external actors and superpowers like we saw during the height of the Cold War did not drive this new form of regionalism.⁶¹ Instead, the motivations of new regionalism mostly came from within the regions themselves as a way to adapt to a globalizing world.⁶² Economically, globalization brought about instability and new-fangled difficulties of interdependence, so states sought out regional agreements to help stabilize the markets. This is not to say that there was no longer security concerns influencing regional dynamics. In fact, in the waning years of the Cold War, regionalism became attractive again as nations were worried about the changing dynamics of the international security environment under a new globalized and interdependent world. Soderbaum summed up new regionalism quite well, stating that it “referred to a number of new trends and developments, such as the spectacular increase in the number of regional trade agreements, an externally oriented and less protectionist type of regionalism, an anti-hegemonic type of regionalism which emerged from within the regions themselves instead of being controlled by the superpowers, the rise of a more multi-dimensional and pluralistic type of regionalism, which was not primarily centered around trading schemes or security cooperation and with a more varied institutional design, and the increasing importance of a range of business and civil society actors in regionalization.”⁶³

Since 1945, regionalism has both survived and evolved to meet the ever-changing challenges of the international system. The first wave of regionalism was a time for these regional organizations to experiment and feel their way through the processes of economic integration, institutional development, power balancing, non-alignment and the development of security communities. Based on this we can also observe that old regionalism was a Cold War phenomenon that was largely built

⁶¹ Hettne, “Beyond the New Regionalism,” 549.

⁶² *Ibid.*, 547.

⁶³ Söderbaum, “Early, Old, New and Comparative Regionalism: The Scholarly Development of the Field,” 16.

from above with superpowers and governments pulling the strings, whereas new regionalism was more constructed with a bottom up approach led by independent and business actors. Rooted on the undercurrents of a bipolar world, old regionalism was narrower and more specific in the scope of cooperation while also tending to focus inward.⁶⁴ This of course was not the case with new regionalism, which operated on a much wider scope in terms of both participants and issues, whilst also being more outward looking.

3.1 Regionalism in Asia and China's Role

Before we can begin to understand how China has established the framework behind OBOR, we must first consider its past experiences with regionalism in Asia. Studying China's perspective on Asian regionalism is essential to understanding not only the historical development of the region, but also the role China has played in shaping it.

Although scholars in the past have tried to use the EU as a model of regionalism for Asia to aspire to, it is becoming increasingly clear that Asia has developed its own brand of regional cooperation. Therefore, the current trend in the field regionalism has been to point out the differences between the regional experiences of Europe and Asia. Compared to Europe, regional integration is a relatively new phenomenon in Asia and consists of several variants in East Asia, the Asia-Pacific, and Southeast Asia. Overall, regionalism in the Asia has come a long way since the end of World War II.

Most scholars consider the Asian Relations Conferences of 1947 and 1949 as the starting point of Asian regionalism in the modern era.⁶⁵ Under the Old Regionalism paradigm, regional dialogues were structured under the shadow of the superpower rivalry between the U.S. and the USSR. We witnessed regions in Asia divide along the lines set by the superpowers, like in the cases of Korea and the

⁶⁴ Söderbaum, "Early, Old, New and Comparative Regionalism: The Scholarly Development of the Field," 23.

⁶⁵ Dmitry Novikov and Anastasia Pyatachkova, "Sino-American Rivalry in the Context of Asia-Pacific Economic Regionalism," *National Research University Higher School of Economics*, no. 9, (2014), 5.

Taiwan-China sovereignty issues. As Asian countries experienced unprecedented economic growth during this period, they began to recognize two things: Asian nations shared many common economic interests and that trade blocs in Europe and the Americas were putting pressure on their future economic growth. This motivated them to institutionalize their own regional cooperation. In the 1960's, there were a few halfhearted attempts to build a regional organization, but most were seen as failures. Nevertheless, two major regional organizations were able to materialize in Asia during the Cold War period – ASEAN in 1967 and APEC in 1989.

With the end of the Cold War, a new wave of regionalism emerged and Asian region building began to pick up steam “driven by rising trade liberalization, neoliberal economic policies, the APEC process, and the end of superpower conflict in the region.”⁶⁶ The end of the Cold War also signaled China's entrance into the arena of Asian regionalism. Before the 1990s, China did not really take part in Asian regionalism because until then they were not interested in fostering regional cooperation. It wasn't until The Tiananmen Massacre of 1989, which brought crushing Western sanctions that China decided to strengthen relations with neighboring states.⁶⁷ China's first major regional move was to join APEC in 1991. In line with the Chinese gradualist thinking of “crossing the river by feeling one stone at a time,” China decided to join APEC as a way for it to test the waters of regionalism and discover if developing a concentrated regionalist policy would aid the country's rise. So, through most of the 1990s, as it was more focused on its domestic market liberalization, China took a backseat role in APEC and observed how the regional dialogues functioned and how members interacted.⁶⁸ Before 1997, most of the literature on Asian regionalism focused on initiatives led by Japan and the United States. In the years of Post Cold War regional dialogues, APEC mostly led cooperation in Asia, but by the late 1990s, regionalism in Asia began to shift away from the APEC-centered initiatives.

⁶⁶ Hu, “Building Asia Pacific Regional Architecture: the challenges of hybrid regionalism,” 4.

⁶⁷ Fu-Kuo Liu, “Asian Regionalism, Strategic Evolution, and U.S. Policy in Asia: Some Prospects for Cross-Strait Development.” *Brookings Institution*, June 11, 2008, 14.

⁶⁸ *Ibid.*, 15.

Asian regionalism didn't really take off until the financial crisis of 1997.⁶⁹ The crisis propelled a major turning point in the conceptualization of how Asian regionalism should be built. Many countries were hit hard and they quickly came to the realization that the existing regional mechanisms were not equipped to help them recover. Although they were surrounded with much hype during their creation, APEC and ASEAN were largely incapable of adequately responding to the challenges of the financial crisis. Both of these organizations' usefulness as models of Asian regional cooperation was called into question. There were two major reasons why the existing regional institutions were inadequate in dealing with the financial crisis. The first issue was that the mechanisms lacked any actual authority and merely served as forums for dialogue. Second, in the case of APEC, many Asian countries did not place their trust or confidence in it because they felt that the organization primarily served the interests of Western countries rather than their own. It was APEC that took the most blame for not being able to help during the crisis because it was seen as the more dominant institution and was lead by Western powers. The issues were further compounded when the United States opposed Japan's failed initiative to establish the Asian Monetary Fund.⁷⁰ This highlighted the delicacy of Asia's regional projects and their dependency on U.S. support.

But looking at it from another way, we can interpret the financial crisis as a blessing in disguise for Asian regionalism. The financial crisis was important in that it galvanized Asian countries to search for a new regional architecture that was tailored to their interests. The late 1990s served as a catalyst to re-direct the conceptualization of what it meant to be an Asian region. Although the Asia-Pacific region had become a more cohesive unit through economic ties, it lacked a regional mechanism that could effectively help mediate crisis situations. The region was forced to think about the best way to create a regional organization that could be effective in preventing or at least responding to another financial meltdown.

⁶⁹ Hu, "Building Asia Pacific Regional Architecture: the challenges of hybrid regionalism," 6.

⁷⁰ Richard Higgott, "Towards a Conceptual Understanding of Regionalism: A historical perspective," in Zainal Mantah, Lluís Ferrer, Narcís Serra and Jaume Gine eds., **Regionalism in Asia and Europe and Implications for Asia-Europe Relations**, (Barcelona: Asia-Europe Foundation: 2002), 6.

Immediately after the crisis, China saw an opportunity to gain the trust of the countries that had been hit hard by the meltdown and take on a larger role in the region. China helped its reputation by not devaluing its currency during the crisis and offered financial assistance to countries throughout the region.⁷¹ Coupled with the frustrations with the U.S., these moves helped to win over many of China's neighbors. With the newfound trust of its Asian neighbors, China maneuvered to broker stronger regional relationships, especially with ASEAN members. Being that they were export-driven economies reliant on FDI, the members of ASEAN that were affected by the crisis also recognized the necessity of cooperating with the larger Asian economy of China.⁷² In collaboration with Japan and South Korea, China played a major role in orchestrating the ASEAN +3 deal, which could go on to become the role model for designing an East Asian regional community. The ASEAN+3 framework laid the groundwork for the Chiang Mai initiative and a number of ASEAN+X agreements such as ASEAN+6. Since the 1997 crisis, there have been a number of attempts at region building and institutionalization in the Asia Pacific. Some of these projects include "bilateral and sub-regional trade agreements, regional security dialogues (such as the ASEAN Regional Forum and Six-Party Talks), regional economic and business fora (such as the Boao Forum and the Asian Cooperation Dialogue), and regular meetings of East Asian leaders (for example, ASEAN+3 and the East Asian Summit)."⁷³ Of all these agreements, the ASEAN+X mechanism has been the most influential to the development of regionalism in Asia and boosting China's position as a regional player.

In 2000, nearly two years after the financial crisis, premier Zhu Rongji called for the creation of an ASEAN-China free trade agreement, which would become the start of the China's push for preferential trade agreements.⁷⁴ Both ASEAN and China saw benefits in their relationship. Cooperating with China brought economic

⁷¹ Justyna Szczudlik, "Regionalism in East Asia: A bumpy road to Asian integration," *PISM Policy Papers* 64, no. 16 (2013), 3.

⁷² *Ibid.*, 7.

⁷³ Hu, "Building Asia Pacific Regional Architecture: the challenges of hybrid regionalism," 4.

⁷⁴ Shulan Ye, "China's Regional Policy in East Asia and Its Characteristics," *China Policy Institute*, Discussion Paper 66, (2010), 9.

opportunities to ASEAN countries to benefit from access to China's new emerging markets and capital. On its own accord, China made concessions during the negotiations, such as with the Early Harvest Program, so that the ASEAN members would receive most of the economic benefits. Of course, the Chinese leaders had their motives for making such compromises. For China, working with ASEAN was a way to improve its international image and erase the concern among neighboring states that China's economic rise and ascension into the WTO was a threat. The ASEAN-China FTA was a confidence-boosting initiative and China's membership into the WTO proved to be boon to the furthering of its PTA strategy.

By 2002, it was clear that the Chinese leadership was focusing more of their attention on developing a comprehensive regionalist policy. At the 16th National Congress of the CCP, China weighed its "good neighbor policy" as the second most important foreign affairs goal after maintaining great power relations.⁷⁵ Moreover, the terms "regional cooperation" and "policy of friendship and partnership with neighboring countries" (yulin weishan, yulin weiban) showed up in the CCP's political report for the first time.⁷⁶ Beijing's new diplomatic thinking continued to adapt a more regionalist mindset as they recognized that regional multilateralism could address the country's economic, security, and political concerns. Economically, China benefits from a larger and more cohesive platform of neighboring countries, similar to the experiences of NAFTA and the EU. Politically, by supporting multilateralism in Asia, China demonstrates their ability to act responsibly and progressively in the region. Finally, in regards to security, participating in regional dialogues allows China to deal with threats such as terrorism, piracy, human and drug trafficking, and environmental disasters.

In assessing China's regional actions of the last two decades, some scholars now assert that the Asia-Pacific has elements of regionalism with Chinese characteristics.⁷⁷ These characteristics include the establishment of regionalism

⁷⁵ Ye, "China's Regional Policy in East Asia and Its Characteristics," 27.

⁷⁶ *Ibid.*, 5.

⁷⁷ Tatyana Kolpakova, Tatiana Kuchinskaya, "China's 'New Regionalism' as a Mechanism to Strengthen the Influence of China in the Global Integration Processes: An Example of Eurasian Economic Union," *International Journal of Economics and Financial Issues* 5, no. 2 (2015): 111.

based mutual trust and benefits under the concept of peaceful development, upholding sovereignty in the regional integration process, a gradual approach in the implementation of economic integration, maintaining an inclusive and open region model, and the construction of a community built on the idea of a community of a common destiny. Furthermore, the sense of Asianness that accompanied regional integration provided China with a favorable environment for its rise to a global power.⁷⁸ Regionalism fostered a community of Asian states that was against Western interference in the region, thus giving China more breathing room. Due to the region's experience with imperialism and colonialism, Asian regionalism has been characterized as being cautious of infringing on state sovereignty. No matter the regional goals, nations in the Asia-Pacific are unwilling to sacrifice their national autonomy. According to Hale, China will continue to pursue a two-track policy in its diplomatic endeavors that will support an open global trading system that its economy depends on while also continuing its push for regional FTAs for both economic and geopolitical reasons.⁷⁹

Asia has shifted through several waves of regionalism, from regional cooperation to institutionalization, and American-oriented collaboration to Asian-oriented collaboration.⁸⁰ Community building in East Asia is a version of regionalism that is much different than the version we've have seen with the EU. The words to describe East Asian regionalism are "soft," "open," "loose," and "neighborly." Regional cooperation in Asia is often lightly institutionalized. East Asia has become one of the most dynamic economic regions in the world. Yet, from a triadic global context, regional institutionalization is still underdeveloped and far behind that of the other regions in North America and Europe. To this day, Asian countries remain concerned with American interference in their regional cooperation.

⁷⁸ Leszek Buszynski, *Asia Pacific security: Values and identity*, (London: Routledge, 2004), 160.

⁷⁹ Naohito Miura. "East Asian Regionalism: An Unprecedented Window of Opportunity," (master's thesis, Pomona College, 2011), 15.

⁸⁰ Liu, "Asian Regionalism, Strategic Evolution, and U.S. Policy in Asia: Some Prospects for Cross-Strait Development," 7.

In general, the current wave of regionalism in Asia is stimulated by several factors, including China's rise, continuing failure of the WTO's Doha Round, market forces, and state-sponsored community building. First, China's rise has been influential in the development of Asian regionalism in that it has broadened the geographic scale of cooperation. Second, negotiations within the WTO and other global multilateral forums have continued to move their agendas towards the interests of Western powers such as the environment, intellectual property rights, and labor rights, which has caused countries in Asia to seek alternate multilateral platforms through which they can advance their own interests. The third driver, which resides at the transitional level, is market force and non-state actors. Being that East Asia is one of the most economically dynamic areas in the world, the market and economic actors certainly are a big motivation in the makeup of the region. Increasing regional trade, investment, supply chain integration, and financial sector linkages are all strong factors that have strengthened the interdependence of the countries in the region. Non-state actors such as multinationals, NGOs, and private citizens have all played a part in creating new avenues of cooperation. Lastly, the fourth driving force of Asian regionalism is state sponsored community building. For example, national governments have led the charge in institutionalizing cooperation through a network of regional organizations and forums, including ASEAN, ASEAN +X, ASEM, ARF, and the SCO.⁸¹ Now that we have outlined China's past regional participation, we are well equipped to better understand its current regional endeavor, OBOR.

⁸¹ Hu, "Building Asia Pacific Regional Architecture: the challenges of hybrid regionalism," 5.

Chapter 4

Two Roads, Infinite Possibilities: The Features of the New Land and Maritime Silk Roads

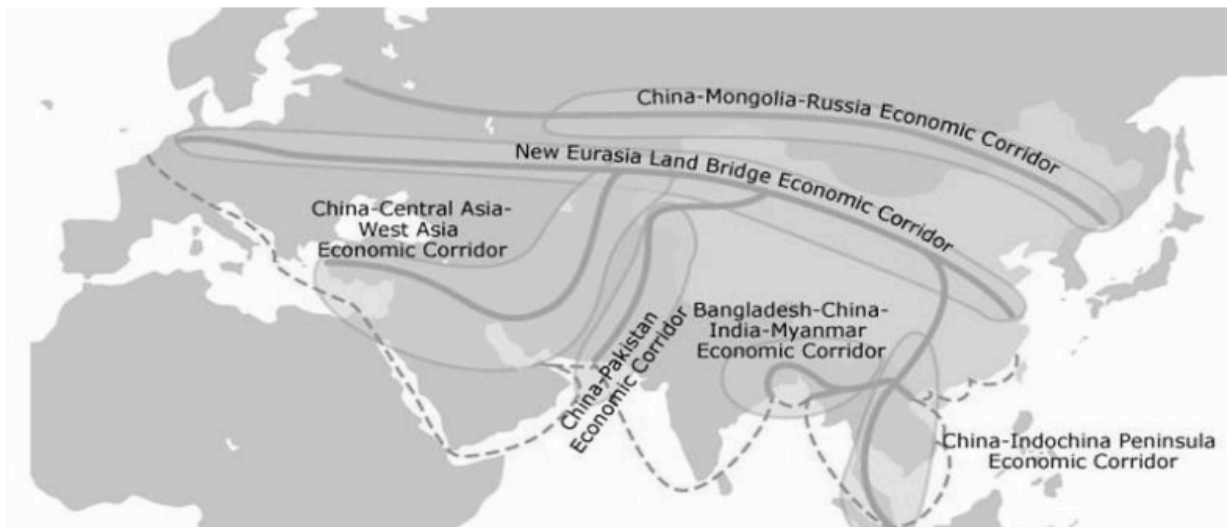
In 2013 the New Silk Road Economic Belt and the 21st Century Maritime Silk Road – collectively known as One Belt, One Road – were proposed by Xi Jinping in Kazakhstan and Indonesia. Despite the name however, OBOR is not simply one land and one maritime route. Rather, the One Belt, One Road is a mammoth initiative that revolves around a massive network of interconnected infrastructure projects and free trade areas. For President Xi, OBOR is his principal foreign policy mission and embodies his “China Dream” of promoting his country as a global leader. OBOR will be aimed at accomplishing several overarching actions including: coordinating economic development policies among members, improving the physical connectivity between members and establishing uniform standards for project construction, reducing trade and investment, creating innovative systems to expand financial cooperation, create new financial institutions to support the construction of infrastructure, and promoting academic and cultural exchanges.⁸² For the time being, most of these priorities will be carried out bilaterally between China and participating countries. As a number of basic projects get underway, the hope is that momentum will eventually build toward the construction of more multilateral infrastructure schemes. Along with industry alliances like international railroad and trade associations, China plans to use FTAs to help coordinate financial and trade policies, foster better communication between nations, and reduce disputes between competing corporations. In the short-medium terms, OBOR trade operations and policies will be built upon bilateral and regional FTAs, like RCEP. However, in considering the long term plan, China could potentially work to unify these FTAs in a way to create a far-reaching and expansive OBOR free trade area and network.

Since the initiative’s announcement, the actual routes have not been clear and have been subject to change. Currently, it appears that OBOR will be

⁸² Yunling Zhang, “One Belt One Road: A Chinese View,” *Global Asia* 8, Fall 2015, 8.

constructed through six major corridors: The New Eurasian Land Bridge, the China-Mongolia-Russia Corridor, the China Central Asia/West Asia Corridor, the China-Indochina Corridor, the China-Pakistan Corridor, and the Maritime Road. However, words do not really do the massive scale of the One Belt, One Road justice. To get a better idea of the magnitude of the project, you must see it illustrated on a map:

Figure 4. Six Corridors of OBOR



Source: Stephane Callens, and Sofiane Cherfi, "The Intensive Exchange Flows About a New Regionalism: OBOR," Paper presented at the 9th International Management Conference.

It is important to note that this map is still merely an outline of what the routes may look like in the future. Although with time the picture is becoming clearer, it is still quite vague. As China continues to sell the idea of OBOR to potential members, we can expect the routes above to make minor adjustments.

Unlike the ancient Silk Road, camels and dirt roads will not be enough to conduct efficient trade. Instead, OBOR will be created through a multitude of interwoven infrastructure projects including roads and international highways, railways, natural gas and oil pipelines, telecom and fiber optic networks, power plants, airports, harbors and cargo ports. The construction of hard infrastructure is a key component to the success of the One Road, One Belt strategy as it aims to greatly improve the efficiency of the global supply chain. Understandably, these ventures require substantial investments and financial planning. Therefore, China

has also added a financial component through which various investment instruments will be used to fund the infrastructure projects.

4.1 The Motivations Behind OBOR

While many tend to view OBOR through a geostrategic lens, the large majority of the motivations behind the project are economic.⁸³ Figure 4.1 outlines the motivations for both China and the rest of OBOR's participants. Firstly, the construction of new transport infrastructure projects are undoubtedly intended to improve the global supply chain and make the transport of goods much more efficient. China recognizes that the lack of infrastructure in Asia has resulted in a "connectivity bottleneck." For instance, currently 80% of world trade is conducted through 30 overly trafficked ports.⁸⁴ Additionally, railway speed maps of the current rail corridors in Eurasia illustrate that large portions are running at minimum speeds of 30kph.⁸⁵ This congestion at the world's most important trade ports has led to burgeoning inefficiencies in maritime trade. OBOR's new infrastructure projects will be leveraged to reduce transport time, increase trade volume, and improve logistical standards. For example, the planned land routes from China to Europe are estimated to reduce the time it takes to transport by sea (30-40 days) to an average of 15 days, while also costing only 20-25% of airfreight.⁸⁶

A second economic motivation for China is to reduce the overcapacity in the Chinese construction and manufacturing industries. The overcapacity of manufacturing has served as a hindrance on China's economy, but by fostering new infrastructure projects the Chinese government hopes to reduce the problem. The Silk Road plan will help Chinese construction companies, like XCMG Group and

⁸³ Christopher Johnson, "President Xi Jinping's "Belt and Road" Initiative: A Practical Assessment of the Chinese Communist Party's Roadmap for China's Global Resurgence," A Report of the CSIS Freeman Chair in China Studies, *Center for Strategic and International Studies*, March 28, 2016.

⁸⁴ "IRU - Euro-Asian road transport links - Reopening the Silk Road," *International Road Transport Union*.

⁸⁵ Central Asia Regional Economic Cooperation, "Corridor Performance Measurement & Monitoring," *Asian Development Bank*, Annual Report 2014, 21.

⁸⁶ "One Belt, One Road - A role for UK companies in developing China's new initiative," *China-Britain Council*, 2015, 21.

China Railway Construction, receive new business and diversify their client base internationally.⁸⁷ Companies such as these will be well placed to be awarded international project contracts and help alleviate the overburdened domestic industries.

Figure 4.1 Motivations Behind OBOR



Source: Created by the Author

Next, Xi anticipates that OBOR will help foster the internationalization of China's currency, the renminbi (RMB). A part of China's vision for the Silk Road is to serve as a mechanism for "more capital convergence and currency integration."⁸⁸ With the establishment of new financial institutions, the outflow of capital from China will be enormous and increase the proportion of RMB financing. The

⁸⁷ Zhang Yuzhe, "With New Funds, China Hits a Silk Road," *Caixin Online*, December 3, 2014.

⁸⁸ Shannon Tiezzi, "The New Silk Road: China's Marshall Plan?" *The Diplomat*, November 6, 2014.

increased usage is expected lead to the increased development of offshore RMB markets and the stabilization of RMB as a global currency.

Improving trade infrastructure is also closely related to China's geostrategic motive of maintaining energy security. Over the last three decades, China's unprecedented growth has resulted in it becoming the world's largest energy consumer.⁸⁹ Routes such as the CPEC give China a shorter alternative path to the oil producing countries and valuable minerals in Africa. From the Persian Gulf to Beijing, the journey by sea is nearly 13,000km, but with CPEC, the trip's distance is cut to only 2,000km.⁹⁰ Additionally, China will also be investing in a "Peace Pipeline" between Iran and Pakistan that will enable oil and gas from the Persian Gulf to be piped through Balochistan, over the Hindu Kush Mountains, and into Xinjiang. Another concern for China is the ongoing South China Sea disputes. The fear is that if the issue were to escalate beyond a diplomatic solution, China's access to sea routes would be cut off. Alternative land routes provide China with insurance and peace of mind that they would still be able to obtain natural resources in the event something were to happen along the sea lanes. By securing additional and more direct routes to natural resources, China will hope to quench its thirst for energy.

It's no secret that China is facing an escalating regional disparity between its coastal cities and rural interior. China has done a poor job spreading growth throughout the country, which has subsequently resulted in a widening urban-rural income gap. Coupled with social welfare reforms, the new economic belt is projected to help remedy the rural-urban gap in China. The majority of the nine provinces along the new trade routes are in western China. These provinces cover over a third of China's land area, but account for only a sixth of the country's GDP.⁹¹ Provinces such as Yunnan, Xinjiang, and Ningxia require better integration with not only China's domestic economy but the global economy as well. Xi's hope is that the Silk

⁸⁹ "China: World's Largest Energy Consumer and Greenhouse Gas Emitter," *Institute for Energy Research*, March 20, 2015.

⁹⁰ Debasish Chowdhury, "Pakistan happy to aid in China's quest for land route to the west; India, not so much," *South China Morning Post*, November 19, 2013.

⁹¹ John Zhu, "Xi's New Silk Road Plan," *HSBC Global Research*, November 18, 2014, 6.

Road will expedite the development of China's western provinces by increasing the investment in infrastructure. Furthermore, infrastructure investments will not only produce short-term capital gains, but also allow western provinces to more readily trade with foreign countries in the long run.

Obviously, China will not get far in the development of OBOR without the cooperation and support of others. Xi will need countries along the silk routes to fully buy in to the initiative and actively seek to participate. Xi Jinping realizes that other nations may be reluctant to join because they fear that China only considers its own interests in the One Belt, One Road initiative. In order to sell the idea of the New Silk Road to potential partners countries, Xi is advertising the new trade routes as a win-win for all participants. For developing countries in Southeast Asia, Eurasia, and Africa, the evident benefits are the influx of sorely needed infrastructure investments and technical assistance.

For more the more developed member countries, like those in Europe, they seek to have their companies awarded with the lucrative construction and development contracts that will be abundant along OBOR. Additionally, the EU also plans to unify a number of the initiative from its 315 billion euro Investment Plan for Europe (IPE) with the projects of OBOR. The two sides signed an MOU to create an EU-China connectivity platform through which they can "share information, promote seamless traffic flows and transport facilitation, develop synergies between relevant initiatives and projects, identify cooperation opportunities between respective policies and sources of funding."⁹² Furthermore, all participating members see OBOR as means to boost their own trade relations with the world and gain access to new markets. To help put other countries at ease, China's leader has laid out his policy of the "Three No's" which states that China will not interfere with the internal affairs of participating countries, China's does not wish to expand its influence, and that China does not seek hegemony in Asia.⁹³ Understandably,

⁹² Linlin Liang, "China vows win-win cooperation between OBOR, Juncker plan," *Xinhua*, February 18, 2016.

⁹³ Shi Ze, "One Road & One Belt" & New Thinking With Regard to Concepts and Practice. **30th Anniversary Conference of the Schiller Institute**. Lecture conducted from Frankfurt, Germany, October 18, 2014.

countries will remain cautious of China's motives until they can see proof, but so far China appears to be quite welcoming and encourages any nation with interest to join.

4.2 Bank Rolling the World's Largest Infrastructure Project

As the world considers the largess of China's geo-political dream, the first obstacle that emerges is how this new endeavor will be paid for. With very few concrete details on all the countries and their accompanying infrastructure goals, it is quite difficult to come up with an accurate estimate of the total funds that will be required to bankroll the new trade corridors. According to the International Monetary Fund (IMF), the average infrastructure investment gap for the world amounts to between \$1 to 1.5 trillion per year.⁹⁴ Furthermore, a 2009 study done by the Asian Development Bank helps to provide a wide ballpark figure of the finances that will be necessary to finance OBOR in Asia. The study found that Asia as a whole needs at least \$US 8 trillion in infrastructure investment by the year 2020 in order to meet the current demands.

To help fill the investment gap, China has been very busy establishing new capital-rich financial institutions. Over the past two decades, China has amassed large foreign exchange reserves of about \$US 4 trillion that the country is prepared to tap into in order to finance these new institutions.⁹⁵ China believes investing its Forex reserves in infrastructure development is a much better alternative than to continue to invest it in low-yielding U.S. treasury bills. China's return on investment from U.S. treasury bills is only about 3% whereas it can receive a much higher rate of return by lending to infrastructure development.⁹⁶ Since OBOR's inception, China has confirmed the creation of several investment banks and funds as vehicles to invest its exchange reserves.

⁹⁴ Rabah Arezki, Patrick Bolton, Sanjay Peters, Frederic Samama, and Joseph Stiglitz, "From Global Savings Glut to Financing Infrastructure; The Advent of Investment Platforms," *International Monetary Fund*, Working Papers 16/18, 2016, 7.

⁹⁵ Gabriel Domínguez, "How China is reshaping global development finance," *Deutsche Wells*, November 19, 2014.

⁹⁶ Liwei Wang, "The real reason behind China's Silk Road Fund," *MarketWatch*, November 10, 2014,

Asian Infrastructure Investment Bank

Spearheaded by China and signed into agreement in 2015, the Asian Infrastructure Investment Bank (AIIB) consists of 57 founding members from countries Asia, Europe, South America and Africa. Some notable members are Australia, South Korea, Germany, Italy, and the United Kingdom. AIIB president, Jin Liqun also claims that there are at least 30 more countries on the waiting list.⁹⁷ The primary goal of AIIB will be “to synergize substantial financial resources with China’s expertise in building infrastructure to help development in other parts of Asia.”⁹⁸ The bank has been capitalized at \$100 billion with the main purpose of investing in infrastructure development projects in countries along OBOR. Supplying just under \$30 billion, China will be the largest contributor to the bank and will receive 26% of the voting rights.⁹⁹ The country with the second highest percentage of voting rights, India, will only have 7% of the voting rights. Whereas the ADB and World Bank focus on giving loans to developing countries for aid projects, the AIIB will solely invest in infrastructure with very few political or environmental conditions.

Silk Road Fund

Launched in December 2014, the Silk Road Fund aims to fund specific projects, foster industrial cooperation, and enhance resource development. While AIIB will focus its investments in member countries, the \$40 billion Silk Road Fund will target general Silk Road construction projects. The first project on the fund’s agenda is the Karot hydropower plant, which is a part of CPEC. Unlike the AIIB, the Silk Road Fund will mainly be backed by domestic capital from the State Administration of Foreign exchange, the China Investment Corporation, the China

⁹⁷ Ben Blanchard, “China-backed bank says more than 30 countries await membership,” *Reuters*, March 25, 2016.

⁹⁸ Johnson, “President Xi Jinping’s “Belt and Road” Initiative: A Practical Assessment of the Chinese Communist Party’s Roadmap for China’s Global Resurgence,” 18.

⁹⁹ Cary Huang and Andrea Chen, “China to have 30 per cent stake, veto power under AIIB deal,” *South China Morning Post*, June 30, 2015.

Development Bank, and the Export-Import Bank of China.¹⁰⁰ Some have worries that because the fund is a for-profit institution that serves the interests of China, it will not be diligent in considering the needs of other countries. However, Chinese economists have argued that in fact the Silk Road Fund will be a multilateral institution with strict criteria for selecting projects and input from member countries.

Secondary Sources of Investment

The NDB and the SCO will also likely play a role in the financing of OBOR. Like the AIIB, the NDB is also capitalized at \$100 billion and has the primary objective of fostering infrastructure development. The BRICS countries have become fed up with the disproportional amount of say they are given in current global investment organizations such as the World Bank and IMF. As rising world powers, the BRICS members aim to assert themselves on the world stage and provide an alternative to the conditional-based loans of western financial institutions. As a further source of capital, the Chinese government is also beginning to promote policies to give incentives to banks to be more lenient in lending money to other countries.¹⁰¹ The government wants to nudge banks out of their comfort zones and beyond geographic borders to help expand the investment pool.

Economic analyst, Rajiv Biswas, believes that if properly executed, these new institutions can become valued members of the global financial structure.¹⁰² By genuinely addressing the needs of developing countries, China's new establishments have a strong chance at legitimacy. The success of these financial institutions largely depends on whether they are properly staffed with top-notch professionals, implement stringent lending policies, and are subject to regular quality control mechanisms. Only time will tell whether these new methods of funding will be effective in developing infrastructure throughout the region.

¹⁰⁰ "One Belt, One Road - A role for UK companies in developing China's new initiative", 17.

¹⁰¹ Shannon Tiezzi, "The New Silk Road: China's Marshall Plan?" *The Diplomat*, November 06, 2014.

¹⁰² Domínguez, "How China is reshaping global development finance."

4.3 One Belt, One Road From a Theoretical Perspective

In this section of the chapter we apply Ruland's six functions of interregionalism to OBOR in order to observe how the different schools of thought – realism, liberal institutionalism, and social constructivism – explain the various utilities of this megaregional project. The table below provides an outline of how OBOR's functions fit into Ruland's theory. An explanation of how each function applies to OBOR and the corresponding evidence follows there afterward.

Table 4.3 The Six Functions of OBOR

		One Belt, One Road
Realism	Balancing	Countermeasure against the Trans Pacific Partnership and the Transatlantic Trade and Investment Partnership
Liberal Institutionalism	Institution-Building	The Asian Infrastructure Investment Bank <ul style="list-style-type: none"> • Members receive a share of voting rights based on the size of their investment, a basic share for all members, and a special share for founder • Projects are voted on by the 12-member Board of Governors • Decisions are based on a majority vote
	Rationalizing	Give developing/smaller nations greater influence in multilateral organizations
	Agenda-Setting	Direct the global agenda towards infrastructure connectivity, the global supply chain, and investment in developing countries
	Promotion of Development	Promote the investment in and construction of infrastructure in developing countries
Social Constructivism	Collective-Identity Building	Encourage a "Community of Common Destiny" based on the Five Principles of Peaceful Coexistence: <ul style="list-style-type: none"> • Mutual Non-Intervention • Mutual Respect For Sovereignty • Mutual Non-Aggression • Equality and Mutual Benefit • Peaceful Coexistence

Source: Created by the Author

Realism: Balancing

As mentioned earlier, realists assert that interregional dialogues are engaged by regions to balance against other interregional dialogues and to maintain equilibrium militarily and/or economically. Interregional balancing is often viewed in a triadic context in which international relations is built upon three nodes of

power, namely Europe, the Asian-Pacific, and North America. In a struggle for influence and power these triadic players are constantly working to tip the scales in their favor by participating in interregional agreements with one another. In the case of OBOR, the function of balancing is certainly at play.

Over the last 6 years, China has felt itself being gradually cornered between the interregional dialogues of the two other triadic powers by the “ABC” (Anything But China) trade blocs.¹⁰³ On one side, the U.S. and Europe have been pursuing the TTIP. On the other side, China has witnessed a growing U.S. influence due to its ‘pivot to Asia,’ which has been exemplified by the TPP. While both of these interregional agreements concern China, it is the TPP and the Obama’s Asian pivot that has motivated Xi to make efforts to find a triadic balance.

Well before the pivot was formalized in 2011, the Obama administration had already begun to turn its focus on working closely with countries in the Asian-Pacific region including South Korea, Japan, the Philippines, Australia, India, and Taiwan. The threat of China’s rise to American hegemony in the region had to be addressed. So as it reduced its capabilities in the Middle East, the U.S. was prepared to turn its attention to Asia. In 2011, the Obama administration formally announced the pivot and its key piece on the agenda – the TPP. The White House made it clear that it sought to contain China’s growing influence when Obama declared that, “we can’t let countries like China write the rules of the global economy. We should write those rules.”¹⁰⁴ On the surface, the TPP is a free trade agreement aimed at reducing tariffs and further liberalizing the economies of 12 countries along the Pacific Rim. Yet, there are hardly any doubts that the TPP is being used as a geopolitical mechanism to pull countries like Vietnam out from under China’s growing economic shadow. The hope for the United States is that the TPP will help acquire greater economic gains relative to China not only for itself, but for its allies in the Pacific as well. These relative economic gains can then be translated into national power and a more prevalent military presence in the region.

¹⁰³ Aaron Rabena, “China’s Counter-Pivot Response,” *International Policy Digest*, May 11, 2015.

¹⁰⁴ The White House, Office of the Press Secretary. *Statement by the President on the Trans-Pacific Partnership* [Press release]. *The White House*, October 05, 2015.

Faced with the TTIP, TPP, and the potential for expanded U.S. influence with Asia and Europe, China was forced to react as it has witnessed the scales begin to tip out of its favor. Therefore, China's response to Obama's pivot to Asia with OBOR is to boost its cooperation with Asia and Europe, the same regions that the U.S. is targeting with the TPP and the TTIP. The infrastructure investments offered by OBOR will help "to add to the gravitational pull of China on long wary neighbors and diminish the attractiveness of the United States"¹⁰⁵ The United States and its major ally in the Asian-Pacific, Japan, are excluded from the current OBOR roadmap and have spoken out against the validity and feasibility of the initiative.

Liberal Institutionalism: Institution-Building, Rationalizing, Agenda-Setting, and Promotion of Development

Of Ruland's six functions of interregionalism, three of them are based in the school of liberal institutionalism. According to the view, institutions are essential for regions to promote cooperation by reducing transaction costs, fostering channels of information sharing, and offering a mechanism for resolving conflicts. Additionally, interregionalism helps drive global governance to respond to the challenges of an increasingly globalizing world.

Institution-Building

With regards to this function, Ruland asserts that interregionalism creates a demand for new institutions. As an interregional dialogue intensifies both the amount and level of communication between regions, the need for better coordination and systemization grows. The vision behind OBOR certainly creates a need for institutionalization. Thus, China established the Asian Infrastructure and Investment Bank to help manage and regulate the investments in infrastructure. Except for the United States and Japan, the AIIB has become a welcomed institution for several reasons. These reasons include infrastructure funding needs, the demand

¹⁰⁵ Douglas Paal, "Why Congress Must Pass the TPP," *Carnegie Endowment For National Peace*, June 17, 2015.

for sustainable development, and the displeasure with slow reform in the global financial architecture. The issue is that the current financial institutions are not fulfilling these needs adequately, especially when it comes to the financing of infrastructure. In breaking down the total annual financing for infrastructure investment, we find that of the “roughly \$0.8-0.9 trillion, over 50% comes from national budgets, almost 20% comes from national development banks, 25% comes from the private sector and only 3-4% comes from the existing MDB’s and 1-2% comes from south-south flows.”¹⁰⁶ Surprisingly, the current multilateral development banks have provided little in infrastructure investment, although they were primarily created to deliver infrastructure funding. For instance, although the International Bank for Reconstruction and Development (IBRD) was originally established in 1944 to finance infrastructure development in the devastation of World War II, it soon shifted its focus to poverty reduction and social development, at the expense of infrastructure.¹⁰⁷ Another major criticism of the current multidevelopment bank landscape is that it implements an approach based on conditionality and a one-size-fits-all strategy; these institutions come far short of introducing policies that are specifically designed to meet the needs of developing countries. However, the AIIB is not to be looked at as a competitor of current multilateral banks, but as a complement. The OBOR bank has already signed major co-financing agreements with the ADB and the World Bank in Pakistan and Indonesia.¹⁰⁸

As discussed earlier, the AIIB currently consists of 57 members divided into regional and non-regional contributors, ranging from developed Western countries to developing African and Asian nations. Voting rights in the bank are decided by a complex formula based on the member’s contribution and the size of their economy. Based on this formula, China will have a supermajority in the bank as its contribution of nearly \$30 billion far outweighs contributions from any other

¹⁰⁶ Ajay Chhibber, “China’s One Belt One Road Strategy: The New Financial Institutions and India’s Options,” *National Institute of Public Finance and Policy*, Working Paper No. 15-155, (2015), 9.

¹⁰⁷ *Ibid.*, 9.

¹⁰⁸ Lean Santos, “What to expect at the AIIB Annual Meeting in Beijing,” *Devex*, June 23, 2016.

member. However, to combat the criticism that the AIIB will merely be a tool for Chinese foreign policy, the bank plans to set high standards in transparency and efficiency. Based on the Zedillo report's recommendations on World Bank reform, the AIIB's governance structure should be leaner. For example the report found that the World Bank's resident board cost \$70 million a year, thus the AIIB decided to establish a non-resident board that will collaborate electronically instead.¹⁰⁹ While each country has a seat on the board of governors, the board of directors will consist of only twelve members. Based on the threshold set for board seats (6% voting power for regional members and 15% for non-regional members), China, Germany, Russia, and India will have their own seat, while the remaining eight seats will be made up of multi-country constituencies.¹¹⁰ For instance, South Korea's board vote is also a vote cast for Israel and Mongolia. As far as staffing goes, the AIIB will only maintain 500-600 staff, which is six times less than the ADB and 20 times less than the World Bank. The voting share of each member is calculated by the size of their investment, a basic share for all members, and a special share for being a founding member.¹¹¹ In the Board of Governors, decisions are made by a majority and in some cases a super majority. In the Board of Directors, each director casts the number of votes to which the governors who voted for them are entitled.

Rationalizing

As Ruland points out, interregional dialogues have the capacity to break up multilateral debates into smaller, more manageable discussions. The rationalizing function allows interregionalism to alleviate the stalemates that are so common in multilateral negotiations. Recently, a major gripe in multilateral institutions has been the limited voice of emerging and developing nations. Pumping more money into infrastructure is not the only reason China formed the AIIB. The Asian

¹⁰⁹ Anthea Mulakala, "New Asian Infrastructure and Investment Bank Breaks Ground: What You Need to Know," *The Asia Foundation*, January 27, 2016.

¹¹⁰ Scott Morris, "Doing the Math on AIIB Governance," *Center For Global Development*, July 02, 2015.

¹¹¹ New Zealand House of Representatives, "International Treaty Examination of the AIIB, Articles of Agreement, and Final Text," Report of the Foreign Affairs, Defense and Trade Committee, August 21, 2015.

Infrastructure and Investment Bank is also catering to the fact that the developing world still lacks representation in many global financial institutions. Currently, the European economies still hold more than 40 percent of the voting shares of the existing financial institutions, while Europe's share in the global economy has shrunk to around 25%.¹¹² Yet, while emerging countries have seen their share of the global GDP rise, their share of voting rights have largely remained the same. Reforms have been proposed, but have been slow to be realized. The Asian Infrastructure Investment Bank is the first international financial institution of its kind in that it was created to address the infrastructure investment needs of developing countries. Compare the Asia Development Bank and the AIIB. Developed countries outside of Asia make up 40% of the Asian Development Bank's shares while countries in Asia own only 38%. This is in contrast with the AIIB's equity breakdown, which splits 75% among Asian countries and only 25% for non-Asian countries.¹¹³ With more representation in multilateral institutions like the AIIB, emerging countries will have a greater voice in the global forum. As an unintended effect, the AIIB is already beginning to stimulate reform in other international institutions and thereby the global governance system. At the end of 2015, the U.S. Congress finally approved changes to the governance of the International Monetary Fund, which will give a greater voice to emerging countries. The timing cannot merely be chalked up as coincidence; the reforms had been muddling in Congress since 2010 and had little chance of getting passed until the AIIB came into the limelight.

Agenda-Setting

Closely related to rationalizing, the agenda setting function of interregionalism is quite straightforward in that it asserts that interregional dialogues have the ability to set the direction of global forums and bring new issues

¹¹² New Zealand House of Representatives, "International Treaty Examination of the AIIB, Articles of Agreement, and Final Text," Report of the Foreign Affairs, Defense and Trade Committee, August 21, 2015, 13.

¹¹³ Yan Wang, "China's 'One belt, one road' vision to strengthen co-operation," *Central Banking*, June 09, 2015.

to the forefront. For much of China's ascendance, it maintained a peaceful rise with a low profile and remained a rule follower. However, China is no longer content with sitting on the sidelines and wants to shift from an agenda-follower to an agenda-setter. The One Belt, One Road "embodies China's ambition in global agenda setting, especially in the international economic field."¹¹⁴

With OBOR, China is directing the global agenda towards infrastructure connectivity, the global supply chain improvement, and investment in developing countries. The purpose of the AIIB is clearly aimed at bring these goals to the forefront of the global agenda. As Article 1 of AIIB's Articles of Agreement states:

"The purpose of the Bank shall be to (i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions."¹¹⁵

Research conducted by several different organizations heavily supports these agenda goals. Based on studies conducted by the IMF, infrastructure investment in developing countries has a significantly high multiplier effect on their economies. So, for every dollar spent on infrastructure, the economy expands by 1.6 dollars.¹¹⁶ Additionally, the World Bank found that **"if all countries reduce supply chain barriers halfway to global best practice, global GDP could increase by 4.7% and world trade by 14.5%."**¹¹⁷ These benefits far outweigh the benefits from the complete removal of all import tariffs, which could only increase the global GDP by 0.7% and world trade by 10.1%.

OBOR and the AIIB's focus is quite different from the goals of the existing international financial institutions, which mostly focus on small poverty-reduction projects. As the director of Columbia University's Harriman Institute, Alexander Cooley, puts it, the AIIB "signifies the start of a new chapter in the evolution of

¹¹⁴ Feng Zhang, "China as a Global Force," *Asia and the Pacific Policy Studies* 3, no. 1 (2016): 126.

¹¹⁵ "Articles of Agreement," *Asian Infrastructure Investment Bank*, Signed on June 29, 2015.

¹¹⁶ Miriam Campanella, "The AIIB will help fill the infrastructure finance gap," *East Asia Forum*, April 9, 2015.

¹¹⁷ "Report: Reducing Supply Chain Barriers Could Increase Global GDP Up To 6 Times More Than Removing All Import Tariffs," *World Bank*, January 22, 2013.

international development — a multilateral institution, global in membership, whose agenda is not predominantly determined by the U.S. and its Western allies”.¹¹⁸ The AIIB’s push for infrastructure development is already putting pressure on other multilateral institutions and national governments to get behind its infrastructure agenda. At it’s annual meeting last year in Baku, Azerbaijan, ADB chairman Takehiko Nakao announced that the bank would be increasing its lending capacity by 50%. At the same meeting Japan’s Finance Minister, Taro Aso, announced that his country would also increase support for infrastructure development. Together, these announcements were seen as “an effort by the ADB to reassert its relevance on a region, at a time at which its influence appears to be waning.”¹¹⁹

Promotion of Development

The last of the liberal institutional functions, the promotion of development, revolves around an asymmetric setting in which the advanced side contributes aid to the less developed regions to spur economic development. Yet, the advanced side does not provide aid purely out of goodwill, but with the intention opening new stable economic markets and creating a favorable environment for trade and investment. In this regard, development promotion is motivated by mutual gains. As we’ve seen with interregional dialogues in the past, this phenomenon can support development policies and liberalize the markets of regional members. Of all of OBOR functions, development promotion is the most glaring. No matter where you read about the initiative, the major theme of OBOR continues to be providing aid, in the forms of capital and technical expertise, to developing nations across Asia, Africa, and the Middle East. Yet, by providing this aid, China is also serving its own interests.

¹¹⁸ Lean Santos, “AIIB nears completion but China’s ‘global leader’ status remains in question,” *Devex*, June 30, 2015.

¹¹⁹ Finbarr Bermingham, “ADB will reform lending to assist poorer members,” *Global Trade Review*, May 06, 2015.

As mentioned earlier, China is motivated by a plethora of factors, including increasing labor costs, an oversupply in steel, an overcapacity in the manufacturing and construction industries, the internationalization of the RMB, energy security, and a need for better environmental standards. When considering these factors, building infrastructure across the six corridors of OBOR makes sense for China, because if successful, these projects would help alleviate many of these issues. For the developing members of OBOR, many have an abundance of resources and are witnessing economic growth, yet they lack the funding to keep up with the demand for industrial development and construction. For this reason, most countries that have joined OBOR have done so due to a need for development financing, especially members in Southeast Asia. When it comes to reducing logistics costs caused by congestion and structural inefficiencies and increasing the competitiveness of the economies of countries like Indonesia, the Philippines, and Cambodia, improving port infrastructure and connectivity with remote areas is seen as a necessity. According to a study done by Citibank, ASEAN alone requires US\$100 billion every year for the next 10 to 15 years to keep up with demand.¹²⁰ With infrastructure gaps as large as this one, it is simply not possible for national governments to cover all on their own. Private investments – such as pension funds, sovereign wealth funds, and insurance companies – will certainly be required to bridge the gap. However, currently the institutional and legal frameworks for private investment remain weak. For instance, only 0.2% of the 7.2% of GDP spending on infrastructure development in Asian countries comes from private sector.¹²¹

With an abundance of capital, excess construction capacity, the requisite technical expertise, the multilateral financing mechanism of the AIIB, and the OBOR platform, China has the ingredients to fill the infrastructure gap. In 2015, Chinese companies already accounted for 17% of infrastructure investment across Southeast Asia.¹²² That figure is only expected to increase with the continued

¹²⁰ Turloch Mooney, "Southeast Asian infrastructure benefits heavily from One Belt One Road," *Fairplay*, June 07, 2016.

¹²¹ Justin Lin, "Infrastructure's class of its own," *Economia*, April 30, 2014.

¹²² Mooney, "Southeast Asian infrastructure benefits heavily from One Belt One Road."

progress of OBOR. In fact, the China Development Bank has already pledged to finance over 900 projects in 60 countries.¹²³ China's experience with supply chain management and integration is also valuable for developing countries. Unlike Japan, which is often at the end of the supply chain, due to China's participation at various stages of the regional supply chain, it has a better sense of vertical integration among ASEAN countries. OBOR provides a platform and a market through which these private parties can invest in potentially lucrative infrastructure project. In order to bring in private financing, one of the key models behind the government-to-government infrastructure projects of OBOR will be public-private partnerships in the form of cross-border, build-operate-transfer frameworks. Research conducted by CLSA found that yearly infrastructure loan quotas will increase from US\$75 billion to US\$400 billion for third parties over the next five years.¹²⁴ With all of this planning and money on the table, there is a lot at stake for OBOR. Of all the six functions of interregionalism, promotion of development is the crux of OBOR that all of its other functions revolve around.

Social Constructivism: Collective-Identity Building

For social constructivists, the incentives to engage in interregional dialogues go well beyond material gains. Interregionalism can also be pursued for a shared sense of norms, ideas, and culture. Built on these shared norms and ideas, interregional dialogues can spawn a joint feeling of common identity and regional awareness – termed cognitive regionalism. According to this view, the cohesion of participating countries relies on high levels of responsiveness, trust, and cognitive interdependence. In terms of the feasibility of OBOR to foster a collective identity, a precedent of collective-identity building in Asia has already been set with the case of ASEAN. However, the massive scale that OBOR seeks to build its community on will certainly prove more challenging.

¹²³ Kanenga Haggai, "One Belt One Road Strategy in China and Economic Development in the Concerning Countries," *World Journal of Social Sciences and Humanities* 2, no. 1 (2016), 10.

¹²⁴ Simone Wheeler, "CLSA and CITIC Securities assess One Belt One Road Implications for domestic and regional growth," *Credit Lyonnais Securities Asia*, September 15, 2015.

The social constructivist function of collective identity building also appears to be playing its part in OBOR. Although it is an idea that China initiated, Xi realizes that the success of OBOR largely rests on all of the other countries to “buy in” and participate in a meaningful way. Cooperation on this scale will require much more than money; local players, communities, and governments will all need to pitch in. Beijing increasingly views the areas that surround it as one region, which no longer is a source of security threats, but a foundation of its security.¹²⁵ Therefore, “only a shared sense of dignity and collectivism could underpin the mutual benefit and trust” required to implement such a plan. The entire initiative hinges on its vision to build a “comprehensive cultural, economic, and political network that promotes connectivity and cooperation between countries.”¹²⁶

In recognition of the need for enhanced cooperation, China has been clear that OBOR will “work to build a community of shared interests, destiny, and responsibility featuring mutual political trust, economic integration and cultural inclusiveness.” On his diplomatic visits to participating countries, Xi Jinping continues to sell OBOR as a “win-win” situation through which mutual progress and prosperity are the goals and adherence to U.N. principles of noninterference are paramount. To help foster a sense of collectivity among the members of OBOR Xi often cites their belonging to a “community of common destiny.” In this respect, every country feels like they are in the same boat and thus share their fate and responsibilities with one another. These ideals emanate from China’s new neighborhood diplomacy principles of “aminty, sincerity, mutual benefit, and inclusiveness” that came about after the 18th national congress of the CCP.¹²⁷ To satisfy ASEAN members’ adherence to non-intervention and mutual respect, China asserts that its OBOR community will uphold the Five Principles of Peaceful Coexistence, which includes mutual non-interference, mutual non-aggression, and mutual respect. To further promote as sense of community, Beijing has gone as far

¹²⁵ Yunling Zhang, “China and its neighbourhood: transformation, challenges and grand strategy,” *International Affairs* 92, no. 4 (2016): 839.

¹²⁶ Nadine Godehardt, “No End of History: A Chinese Alternative Concept of International Order?” *The German Institute for International and Security Affairs*, RP 02, (2016), 5.

¹²⁷ Zhang, “China and its neighbourhood: transformation, challenges and grand strategy,” 838.

to even compose a song in English titled, "Pursuing the Common Dream."¹²⁸ The song's chorus includes the line, "On the same road, we march forward, dedication brings glory, brings glory." With these efforts, China is trying to demonstrate that it considers the needs and concerns of the other OBOR members, so that potential conflicts can be more easily resolved. In order of China's One Belt, One Road dream to become a reality, it will require the strength of the collective working together.



¹²⁸ "Song for 'One Belt, One Road' initiative promoted globally in 2016," *China.org*, September 2, 2016.

Chapter 5

Comparing Interregionalism: APEC, OBOR, and TPP

In this chapter we take stock of each interregional function behind the ‘new regionalism’ megaregional dialogues of APEC and the TPP. Like the previous chapter on OBOR, we address each function one-by-one to identify whether each function exists in APEC and the TPP, and if so, to what degree is it present. Once the details of a function are identified, each section below ends by discussing how the features of the each function compare between APEC, the TPP, and OBOR.

5.1 Realism: Balancing

Figure 5.1 The Balancing Functions of OBOR, APEC, and the TPP



Source: Created by the Author

Much of the literature on the balancing function of interregionalism uses APEC as empirical evidence. APEC presents a prototypical example of triadic institutional balancing because it is seen as a reaction to the European common market and the CUSFTA.¹²⁹ The creation of the European Single Market in 1986 set off a ripple effect in the other triadic regions by first prompting the negotiations of NAFTA.¹³⁰ Together, the strengthening of regionalism in Europe and North America then went on become a motivation for Asia-Pacific cooperation. For the United States, APEC was a safeguard against subregional integration in East Asia while countries in Asia saw APEC as a way to check the regional agreements of NAFTA and

¹²⁹ Valeria Valle, "Interregionalism: A Case Study of the European Union and Mercosur," *Global Applied Research Network*, Working Paper No: 51/08, (2008), 5.

¹³⁰ Zhimen Chen, "NATO, APEC, and ASEM: triadic interregionalism and global order," *Asia Europe Journal*, no. 3, (2005): 361.

the European single market. By 1993, APEC stimulated balancing measures against itself as European powers became worried of their waning influence in Asia. This concern eventually led to the first ASEM summit in 1996.

As mentioned in the last chapter, the TPP is the key initiative of the Obama administration's 'Pivot to Asia.' As U.S. National Security Adviser, Thomas Donilon puts it, "the centerpiece of our economic rebalancing is the Trans-Pacific Partnership."¹³¹ Surprisingly, the US was not an original member of the TPP. The idea of a Trans-Pacific Strategic Economic Partnership began on the sidelines of the 2002 APEC Summit. At the time, the partnership only included New Zealand, Chile, and Singapore; Brunei would join a few years later in 2005. The partnership was dubbed the Pacific Four (P-4). It wasn't until 2008, that the United States – under President Bush – decided to join the TPP bandwagon. The 2008 Report on the Trade Agreements Program declared, "US participation in the TPP could position US businesses better to compete in the Asia-Pacific region, which is seeing the proliferation of preferential trade agreements among US competitors and the development of several competing regional economic integration initiatives that exclude the United States."¹³² Under Obama, 'the Asian Pivot' is a way for the United States to reassert itself in Asia and to balance China's continued rise. The Asian-Pacific region continues to grow in strategic importance for the United States and the pivot symbolizes a gravitational shift in the foreign, economic, and military policies of the US to the region. The United States wants to continue to influence the rule-making process in the region, as it has done in the past with APEC and the ADB. From their perspective China's rise threatens its ability to do so.

It is no surprise that the balancing function is clearly evident in all three megaregional agreements. Of all six functions of interregionalism, Ruland believes that balancing is often the greatest motivator of interregional dialogues. For APEC, TPP, and OBOR, the triadic context of the world's power centers has had a similar

¹³¹ Ian Ferguson, Mark McMinimy, Brock William, "The Trans Pacific Partnership (TPP) Negotiations and Issues for Congress," *Congressional Research Service*, March 20, 2015, 10.

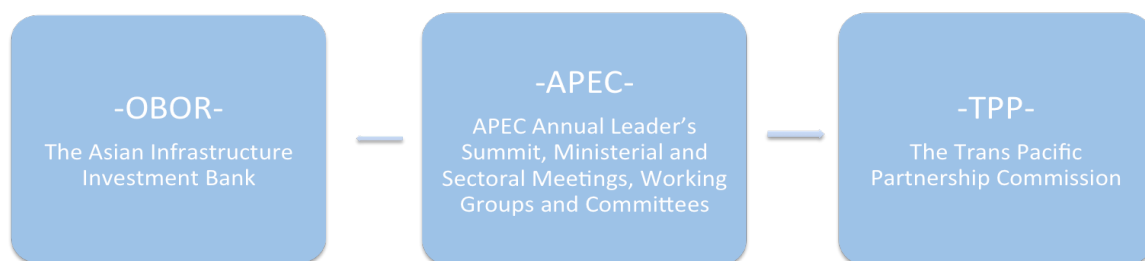
¹³² T Rajamoorthy, "The Origins and Evolution of the Trans-Pacific Partnership," *Global Research*, no. 275, July 1, 2013.

influence on their creation. Whenever the scale is tipped in the favor of one region, the other two regions seek to reestablish a power equilibrium. Between APEC and OBOR, both megaregional dialogues have involved a concerned Asian region that was worried about the warming relations among countries in Europe and North America. In the years leading up to APEC's creation, the regional concern was the strengthening of trade liberalization with the European Common Market and NAFTA. Now for OBOR, the concern, led by China, is that most of Asia is being left out of the TPP and TTIP. Both APEC and OBOR were set to put Asia back on equal footing with North America and Europe. With regards to OBOR and the TPP, the relationship is intertwined. The balancing act between the two is an extension of the relationship between the United States and China. The TPP and OBOR are essentially balancing against one another. Both China and United States are competing for the ability to foster and set the standard on trade liberalization in Asia. As we mentioned in the last chapter, Obama has even publicly stated that China should not be the one to write the rules on trade. Although they may differ on trade policies, the TPP and OBOR are similar in that the driving force behind their balancing is being led by a hegemonic power. Overall, the balancing function is very much similar across these three megaregional dialogues, and in the case of OBOR and TPP, closely related.

5.2 Liberal Institutionalism: Institution-Building, Agenda-Setting, Rationalizing, and Promotion of Development

Institution-Building

Figure 5.2.1 Institution-Building Functions of OBOR, APEC, and TPP



Source: Created by the Author

The organization of APEC hinges on a soft institutional structure based on a series of annual and regular policy meetings, a small secretariat, and lower-level working groups and committees. APEC's institutionalization is often described as 'soft' because there are not binding rules imposed on its members to implement liberalization policies. In fact, members often approach APEC as an economic forum rather than a hardcore institution.

Since 1989, APEC has held annual Ministerial Meetings of foreign and economic/trade officials from each member. Starting in 1993, APEC began holding annual Economic Leaders' Meetings, comprised of the heads of government from each member, immediately after the Ministerial Meetings. The Economic Leader's Meeting is the main component of APEC's organizational structure. It has also brought prestige to the organization, while also putting pressure on the members to actually accomplish something. The role of the Economic Leader's meeting is to set and discuss current affairs and the proposals set out by the Ministerial and Sectoral Meetings.

Besides these annual leader's gatherings, there are also regularly held Senior Official and Sectoral Ministerial Meetings. These meeting are held three to four times a year to polish the proposals that are generated from their designated committees and working groups.¹³³ The Sectoral Ministerial Meetings oversee the progress from the ECOTECH Committee and the working groups that cover areas such as education, energy, environment, finance, SMEs, IT, tourism, trade, transportation, and woman's affairs. Meanwhile, the Senior Officials Meetings handle proposals from the Committee on Trade and Investment, the Budget and Management Committee, and the Economic Committee. Under these major committees, the lower-level working groups and committees often decide the agendas of these meetings. Another important part of the organizational structure is the APEC Business Advisory Council. This council is made up of business leaders from each member economy and convenes with all the committees to discuss how the proposals can be better suited to the business environment in the region. The

¹³³ Pacific Basin Economic Council, "Asia-Pacific Economic Cooperation," *Business Matters*.

last piece of the APEC structure, the Secretariat, is essentially used to maintain records, provide logistics, and help coordinate the committees.¹³⁴ An executive director, who is chosen every year by the host economy, leads the secretariat.

Echoing the consensual nature of the APEC process, decision-making is done through committees. APEC meetings operate based on consultation and consensus to agree on non-binding commitments. When a consensus is reached, member economies must then submit their own individual action plans through which to implement the agreement. Unfortunately, the effectiveness of APEC's institution has been called into question for some time now. APEC is often criticized for its lack of formalized decision-making body and an enforcement mechanism through which it can implement and monitor its policy commitments.¹³⁵

With regards to the TPP, there is no formal institution to oversee the partnership; instead a Trans-Pacific Partnership Commission has been created to handle the implementation of the agreement. The commission is made up of ministers and officials from each member country and meets annually. As stated in chapter 27 of the agreement, the commission has been given broad powers not only to enforce the rules ("consider any matter relating to the **implementation or operation of this Agreement**") but to also interpret them (**issue interpretations of the provisions** of the Agreement") as well as change them ("consider any proposal to **amend or modify this Agreement**").¹³⁶ Essentially it is the legislative, executive, and judicial branch all wrapped into one preeminent decision-making body. The commission also oversees all the working groups and committees created under the agreement. The Trans-Pacific Partnership can be likened to the European Commission, as it is also an unelected rule-making body with hardly any oversight. Much like the meetings of the APEC, the TPP Commission makes its decisions by consensus.¹³⁷ Specifically, the commission uses a 'negative consensus' rule, meaning

¹³⁴ Vinod Aggarwal and Charles Morrison, "APEC as an International Institution," Working Paper presented at the Twenty-fifth Meeting of PAFTAD, Osaka, 1999, 19.

¹³⁵ Chen, "NATO, APEC and ASEM: triadic interregionalism and global order," 7.

¹³⁶ Trans-Pacific Partnership, "Chapter 27: Administrative and Institutional Provisions," *Medium*, November 15, 2015.

¹³⁷ *Ibid.*

that there is no objection from any party at the meeting. While we can see how the commission will operate on paper, we will have to wait for the TPP to actually go into effect, to observe how the Trans-Pacific Partnership Commission acts in practice.

When we compare the function of institution building, we begin to see some distinct differences between OBOR, and the TPP and APEC. First, the most glaring difference is that these institutions take different forms. The AIIB is a multilateral development bank, while the institutional structures of APEC and the TPP is built on a hierarchy of committees and working groups. Second, the purposes of each institution are also obviously quite different. For the TPP and APEC, their institutions exist to set and implement new trade policies and standards. On the other hand, the AIIB's main objective is to coordinate the support for the construction of new infrastructure and development projects along OBOR. Lastly, the modes through which they operate take diverging approaches. APEC and the TPP both make decisions based on consensus, while decisions in the AIIB require a majority vote.

Agenda-Setting

Figure 5.2.2 Agenda-Setting Functions of OBOR, APEC, and the TPP



Source: Created by the Author

Although APEC had started out as a vehicle for trade facilitation, in just a few years it expanded its focus to three key areas, trade facilitation, trade liberalization, and economic and technical cooperation, which would become known as the three pillars of APEC. Beginning with the Seattle Summit in 1992, the Clinton

administration pushed APEC to evolve into an agenda setter for the WTO that was being formed.¹³⁸ For the United States, APEC was a way to influence trade policy in GATT/WTO while also achieving liberalization objectives in Asia.¹³⁹ A unique component behind APEC was the commitment to 'open regionalism,' meaning that trade policies agreed upon within the forum would not be discriminatory against outside economies.¹⁴⁰ By committing to the concept of 'open regionalism,' the idea was that APEC would not merely motivate regional free trade, but multilateral trade liberalization as well. At the 1994 leader's meeting, the Bogor declaration set trade liberalization as the key theme of the APEC vision as advanced economies agreed to liberalize trade by 2010, and developing members by 2020. A year later at the Osaka Leader's Summit, an action agenda was set to provide a roadmap for reaching the Bogor deadlines. The Osaka Action Agenda outlined objectives for fifteen specific areas:

1. Progressively Lowering Tariffs
2. Reducing Non-Tariff Measures
3. Increasing market access for trade in services
4. Liberalizing Investment
5. Aligning domestic standards with international standards
6. Simplifying Customs Procedures
7. Ensuring adequate protection of intellectual property rights
8. Enhancing the competitive environment
9. Liberalizing government procurement policies
10. Enhancing transparency of regulations
11. Implementing WTO Obligations
12. Encouraging cooperative dispute mediation
13. Enhancing the mobility of business people
14. Analyzing impact of trade liberalization
15. Strengthening economic legal infrastructure

Two years later at the 1997 APEC summit in Vancouver, the United States pushed for further liberalization with the Early Voluntary Sectoral Liberalization (EVSL)

¹³⁸ Linda Low, "Asia-Pacific Economic Cooperation (APEC): The First Decade/ Trade Liberalization and APEC," *Journal of Southeast Asian Economies* 22, no. 2 (2005): 51.

¹³⁹ Hanns Maull and Nuria Okfen, "Comparing Interregionalism: The Asia-Pacific Economic Cooperation (APEC) and the Asia-Europe Meeting," in Heiner Hanggi ed., **Interregionalism and International Relations**, (London: Routledge, 2006), 222.

¹⁴⁰ Tun-jen Cheng, "APEC and the Asian financial crisis: A lost opportunity for institution-building," *Asian Journal of Political Science* 6, no. 2, (1998): 22.

program, which would further lower tariffs and non-tariff trade barriers in over a dozen industries by 2010.

Whether or not APEC has been successful in setting this agenda is up for debate. Many Asian members felt that America was merely promoting its own trade agenda. Asian nations had no interest in APEC becoming a micromanager of trade in the region. The more the United States tried to push for trade liberalization at APEC summits, the more resistance it received from developing Asian countries. Another major issue that APEC has had in being able to set an agenda, is the ASEAN norm of consensus that influences the negotiating process. With so many members and no incentive to compromise individual interests for the interests of the group, coming to a consensus is extremely difficult. Multilateral institutions that apply ASEAN norms continue to produce unclear and broad official declarations. So far, APEC has never been able to reach its full potential in advancing trade liberalization under the much-celebrated Bogor agreement.

Like APEC, the TPP is also pushing an agenda of market liberalization, but with a twist. The TPP strives to create a “21st Century trade agenda” that combats the unique challenges that globalization has introduced to modern times.¹⁴¹ The Doha Round agenda is gradually falling to the wayside and has become increasingly irrelevant in the current international trade system. All of the TPP partner countries heavily rely on world trade and value the trade liberalization that the comprehensive FTA would offer.¹⁴² The scope of the TPP’s liberalization is unprecedented in that the barriers and the goods and services it covers have never been addressed in the WTO and past FTAs. The TPP will attempt to try to set the regional rules on state-owned enterprises, the free flow of data across borders, labor and environmental protection, regulatory convergence, regional supply chains, and transparency.¹⁴³ As Vice President Joe Biden put it, the “goal is for high standards for the Trans-Pacific Partnership to enter the bloodstream of the global

¹⁴¹ Lydia Li, “Trans-Pacific Partnership Agreement: An Analysis of Opportunities and Challenges,” *Keck Center for International & Strategic Studies*, Fellowship Papers, (2012): 8.

¹⁴² Fergusson, McMinimy, Williams, “Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress,” 5.

¹⁴³ *Ibid.*, 4.

system and improve the rules and norms.”¹⁴⁴ Many also see the TPP as way to build upon the provisions that the US negotiated in its previous FTAs throughout the 2000s and take a step toward a Free Trade Area of the Asia Pacific.

In comparing the agenda-setting function of interregionalism, we again observe another split between the three agreements, with APEC and the TPP on one side and OBOR on the other. Here we find that the TPP and APEC’s agendas are centered on the ‘software’ side of economic integration. By ‘software,’ we mean the rules that govern international trade and investment integration, which include tariffs and trade and investment regulations.¹⁴⁵ Meanwhile, OBOR’s agenda deals more with advancing the ‘hardware’ component, which includes physical supply chain improvements and a wide spectrum of infrastructure projects. Another major difference between the two sides is that the agendas of APEC and the TPP encourage US-style rules and standards on things like tariffs, intellectual property, and labor protections. For OBOR, its standards are not as strict as Western-style standards. For instance, AIIB loans do not have the binding requirements for environmental protection and poverty reduction that are common with the Western-style World Bank and ADB.

Rationalizing

Figure 5.2.3 Rationalizing Functions of OBOR, APEC, and the TPP



Source: Created by the Author

One of the intentions behind APEC was to serve as a rationalizing vehicle for the WTO. In this sense, APEC would serve as a WTO plus and expedite negotiate liberalization policies under the patronage of the WTO. The foundation of APEC has

¹⁴⁴ Fergusson, McMinimy, Williams, “Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress,” 1.

¹⁴⁵ David Dollar, “China’s rise as a regional and global power: The AIIB and the ‘one belt, one road,’” *The Brookings Institution*, July 15, 2015.

been a group of Asian-Pacific states seeking to strengthen their bargaining power in the Uruguay Round of GATT negotiations. The concept behind this foundation, open regionalism, was presented as a way to implement trade liberalization more rapidly than the WTO and ensure more effective implementation of WTO Agreements.¹⁴⁶ For developing countries, APEC was seen as a way to bring their international trade concerns to the world stage.

APEC was stoutly supportive of all GATT/WTO efforts, particularly the Uruguay Round. In the early years of APEC, the Uruguay Round was in trouble due to numerous obstacles. At APEC's Annual Ministerial and Summit meetings, officials would discuss how to push through the logjam in negotiations. For example, at Ministerial Meeting in 1992, officials released a statement on the Uruguay Round that reaffirmed their support for an early conclusion of the round and "urged all participants in the Uruguay Round to return to Geneva ready to complete these far-reaching negotiations."¹⁴⁷ The First Leader's Summit in 1993 is viewed as the most pivotal action taken by APEC to reignite Uruguay Round negotiations.¹⁴⁸ With the Uruguay deadline quickly approaching, Europe saw the Leader's Summit, along with the signing of NAFTA as a threat that the United States could create its own trade framework in the Asia-Pacific if Europe refused to make concessions.

Many are hoping that APEC will be able to achieve the same success with the Doha Round being currently negotiated in the WTO. However, even though APEC takes some credit for encouraging the conclusion of the Uruguay Round, there is still some skepticism today as to how much influence APEC actually had on the successful completion of the Uruguay Round.

As a rationalizer of multilateral forums, APEC also gets credit for the Information Technology Agreement. The purpose of the agreement was for WTO

¹⁴⁶ Maul and Okfen, "Comparing Interregionalism: The Asia-Pacific Economic Cooperation (APEC) and the Asia-Europe Meeting," 222.

¹⁴⁷ "APEC Statement on the Uruguay Round," 1992 Ministerial Meeting Papers, *Asia-Pacific Economic Cooperation*, September 10, 1992.

¹⁴⁸ Colin Heseltine, "Asia-Pacific Economic Cooperation: Institutional Evolution and the Factors Driving Ongoing Change," in Michael Wesley ed., *The Regional Organizations of the Asia-Pacific*, (New York: Palgrave MacMillan, 2003), 63.

members to eliminate customs duties and other charges on six categories of IT products by 2000. At the 1996 Manila Summit, The United States led the charge in APEC to negotiate the ground rules of the ITA. The ITA was important for APEC because nine of the world's top ten IT exporters were APEC members and setting new ground rules in the WTO would certainly be advantageous. The key components of the ITA, product coverage and tariff reducing formulas, were first agreed to in the 1996 APEC Ministerial Meeting.¹⁴⁹ These components were then passed a few months later at the WTO ministerial meeting. Unfortunately, this would be the last big rationalizing of achievement of APEC. Since the 1997 Asian Financial Crisis, APEC has done little in the way of rationalizing multilateral negotiations.¹⁵⁰

The TPP also hopes to optimize the multilateral trade negotiation process by multilateralizing regionalism. First coined by Richard Baldwin, multilateralizing regionalism describes the transition from many small trade agreements to a single grand cooperative framework that applies fair and efficient trade policies to the entire region.¹⁵¹ Baldwin explains that the process of multilateralizing regionalism helps combat the noodle bowl effect and replace the many inconsistent and discriminatory bilateral preferential trade agreements that exist today.

Among the TPP members, there are already ten bilateral PTAs and three multilateral FTAs.¹⁵² Together, these agreements create a 'noodle bowl effect' in the region, which weakens the benefits of multilateral trade policies and distorts the effects of regional trade. The U.S. hopes that the TPP will be able to harmonize these past bilateral agreements and make them more manageable.¹⁵³ In this sense, the goal behind the TPP is to "rationalize the multiplicity of bilateral FTAs that have

¹⁴⁹ Pasha Hsieh, Reassessing APEC's Role as a Trans-Regional Economic Architecture: Legal and Policy Dimensions," *Journal of International Economic Law* 16, no. 1 (2016): 131.

¹⁵⁰ Jurgen Ruland, "Asian Regionalism Five Years after the 1997/1998 Financial Crisis: A Cass of 'Cooperative Realism'?" in Christopher Dent ed., *Asia-Pacific Economic and Security Cooperation: New Regional Agendas*, (New York: Palgrave Macmillan, 2003), 64.

¹⁵¹ Li, "Trans-Pacific Partnership Agreement: An Analysis of Opportunities and Challenges," 8.

¹⁵² *Ibid.*, 9.

¹⁵³ Ferguson, McMinimy, and Williams, "The Trans Pacific Partnership (TPP) Negotiations and Issues for Congress," 1.

been negotiated over the last decade."¹⁵⁴ By bringing together countries with all levels of development, the TPP allows all members to maintain a single tariff schedule to be applied equally to all other countries. Finally, the TPP may also help rationalize the Doha Round of negotiations by demonstrating to the uncooperative members of the WTO that trade liberalization can indeed continue with or without them, hopefully spurring them into action.¹⁵⁵

Based on the above, the rationalizing function is present in all three interregional dialogues. Yet, as a rationalizer, each megaregional agreement has a different goal. For APEC, it sought to create a consensus among its members on various WTO initiatives, such as the Uruguay Round and the ITA. The TPP's goal is to multilateralize regionalism and get rid of the noodle bowl of PTAs that hinders multilateral trade. OBOR sets to raise the voice of developing nations and smaller economies in multilateral institutions by giving them more representation in the AIIB. Here, we can observe a similarity between the TPP and APEC as rationalizers. APEC and the TPP's rationalizing efforts are both means of making multilateral forums more 'efficient.' Building a consensus for WTO agreements and eliminating overlapping PTAs make negotiating in multilateral forums a lot smoother. OBOR's rationalizing efforts, however, are not necessarily centered on making multilateral talks more 'efficient.' Instead, OBOR means to give a stronger voice to developing countries that are currently underrepresented in multilateral institutions. Not only has the AIIB given more representation to developing Asian nations than the ADB or WB, but it has also begun to motivate other multilateral institutions, like the IMF, to give a larger voice to emerging countries.

¹⁵⁴ Vind Aggarwal, "Mega-FTAs and the Trade-Security Nexus: The Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP)," *Asia Pacific Issues*, no. 123 (2016): 3.

¹⁵⁵ Fergusson, McMinimy, Williams, "Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress," 7.

Promotion of Development

Figure 5.2.4 Promotion of Development Function of OBOR, APEC, and the TPP



Source: Created by the Author

For APEC, the promotion of development rests on the shoulders of its ECOTECH program. The ECOTECH program was designed to enhance the capacity for the less developed members of APEC through training in data collection and preparation.¹⁵⁶ In order for the developing members of APEC to meet the Bogor declaration's goals of region-wide trade liberalization by 2010, the pillar of ECOTECH was instituted to support the capacity-building measures. The Senior Officials' Meeting (SOM) Steering Committee on Economic and Technical Cooperation (SCE) manages the ECOTECH agenda through several sectoral working groups. ECOTECH capacity building projects are also carried out across other APEC Committees and Working Groups.

During its first decade, ECOTECH received little attention. For example, the APEC Eminent Person's Group, which was established in 1992 to develop the plans for APEC's future development, included only four and half pages out of its first 78-page report on ECOTECH.¹⁵⁷ By the 1995 Osaka Summit, ECOTECH was made as an equal pillar to trade liberalization. The priorities of ECOTECH have changed in recent years. After the 1996 Manila Summit, the six priority areas of ECOTECH were

¹⁵⁶ John Ravenhill, "Regionalism and state capacity in East Asia," in Ian Marsh ed., *Democratisation, Governance and Regionalism in East and Southeast Asia: A Comparative Study*, (London: Routledge, 2006), 181.

¹⁵⁷ Ravenhill, "Regionalism and state capacity in East Asia," 182.

set to be: development of human capital, development of stable capital markets, strengthening economic infrastructure, harnessing new technologies, safeguarding the environment, and developing small and medium enterprises. However in 2010, Senior Officials altered the framework that would guide capacity-building projects. There are now only five priorities that guide ECOTECH: Regional Economic Integration, Addressing social dimensions of globalization, safeguarding the quality of life through sustainable development, structural reform, and human security.¹⁵⁸ Regional Economic Integration supports the convergence of members' digital economies, investments, and supply chains. Addressing the Social Dimension of Globalization is about promoting inclusive growth, from financial inclusion and SME development to empowering women and social safety nets. Safeguarding the Quality of Life through Sustainable Growth describes APEC's goal of reducing tariffs on environmental goods. Structural Reform includes projects that encourage strengthening economic and legal infrastructure, competition policy, and public sector governance. Lastly, Human Security entails promoting food security, product safety, and disaster preparedness. Most of the ECOTECH projects thus far have been "process" projects like conferences, training sessions, and database construction.¹⁵⁹

Unfortunately, the ECOTECH pillar of APEC has been criticized for lackluster results. A report done by senior officials and ministers found that many ECOTECH projects were not goal oriented, didn't have detailed objectives, and lacked milestones and performance criteria. The major issue has been that ECOTECH projects are more focused on process than actual concrete results, causing members to worry that the pillar hardly produces anything practical. These concerns are compounded by the fact that "process" projects like surveys, research, and seminars made up two-thirds of ECOTECH output in just over a decade of operation.¹⁶⁰ Another issue behind ECOTECH is that many of its projects have not been well financed. The Trade and Investment Liberalization and Facilitation Account, General

¹⁵⁸ "APEC Economic and Technical Cooperation," *APEC Publications*, no. 213-SE-05.2, 3.

¹⁵⁹ "Learning From Experience: The First APIAN Policy Report," *Singapore APEC Study Center*, (2000), 15.

¹⁶⁰ Ravenhill, "Regionalism and state capacity in East Asia," 182.

Project Account, and APEC Support Fund finance ECOTECH projects. Two of these accounts, TILF and APEC Support Fund, only receive voluntary member contributions. This results in having only limited funds to support APEC projects. For example, since 1997 voluntary contributions to TILF have only amounted to roughly US\$47 million.¹⁶¹ Moreover, the majority of projects have been small, receiving less than \$50,000. With this kind of funding it's not surprising that throughout its first decade, the yearly spending on ECOTECH projects has not reached over \$2 million.¹⁶²

Included in the text of the TPP are two chapters on member development and capacity building. Chapter 21 of the agreement creates a Committee on Cooperation and Capacity Building that "identifies and reviews areas for potential cooperative or capacity building efforts, on a voluntary basis and subject to the availability of resources."¹⁶³ The committee will be used to exchange information between members, initiate collaboration between public and private sectors, and establish working groups. The areas of listed for cooperation activities include agricultural, industrial, and service sectors, promotion of education, culture, and gender equality, and disaster risk management.

Closely related to the chapter on capacity building is Chapter 23, the 'Development Chapter.' This chapter "creates a permanent Development Committee to help ensure that the Agreement's developing-country parties can take full advantage of the opportunities that the TPP creates for development and poverty reduction."¹⁶⁴ This chapter outlines three specific areas for collaboration. First, 'Broad-Based Economic Growth' projects are those that deal with sustainable development, poverty reduction, and the promotion of micro, small- and medium-sized businesses. Second, 'Women and Economic Growth' projects will help to provide opportunities for women to have a more active role in the global economy.

¹⁶¹ "APEC Project Funding Sources," *Asia-Pacific Economic Cooperation*, Project Session 2, 2016.

¹⁶² Ravenhill, "Regionalism and state capacity in East Asia," 183.

¹⁶³ Trans-Pacific Partnership, "Chapter 21 Cooperation and Capacity Building," *Medium*, November 15, 2015.

¹⁶⁴ Trans-Pacific Partnership, "Chapter 23 Development," *Medium*, November 15, 2015.

The last area of collaboration planned for the TPP deals with projects in the education, science, technology, and innovation.

The means and ways through which APEC and the TPP promote development are vastly different from how OBOR plans to stimulate development. APEC's ECOTECH and the TPP's chapters on capacity building both set out similar goals in the areas of gender equality, sustainable development, poverty reduction, and disaster preparedness. Another commonality between APEC and the TPP's development promotion initiatives is that they are generally "process" projects that are meant to collect data and identify opportunities for development. This is not to say that their projects have been useless, however, there is a noticeable deficit in the results actually being witnessed on the ground. In APEC, ECOTECH project agendas are still dominated by seminars and symposiums.¹⁶⁵ In the TPP, the Committee on Cooperation and Capacity Building will only have to power to "facilitate" capacity building projects through "information sharing" and "subject to the availability of resources."¹⁶⁶ Another key word to pay attention to in the TPP's chapters on development is "voluntary." The chapter points out that the established Development committee will promote "voluntary cooperative work" and will "identify needs and resources for capacity building assistance, on a voluntary basis." APEC and the TPP's process oriented projects and voluntary approach is in sharp contrast with OBOR's promotion of development.

Being that OBOR's major theme is infrastructure connectivity between its members, it is pertinent that the initiative push for visible results. There is no room for a 'voluntary' approach that rests on the consensus of a committee. Beijing must implement its project swiftly and systematically. At the first Belt and Road Summit hosted in Hong Kong Zhang Dejiang, chairman of the standing committee of China's National People's Congress, declared that 30 OBOR agreements have already been signed. This includes the MOU to upgrade the Budapest-Belgrade railway that it signed with Hungary, which became the first European country to officially agree to

¹⁶⁵ Ippei Yamazawa, *APEC: New Agenda in Its Third Decade*, (Singapore: ISEAS, 2012), 81-82.

¹⁶⁶ Trans-Pacific Partnership, "Chapter 21 Cooperation and Capacity Building."

an infrastructure project.¹⁶⁷ Furthermore, in just six month's after the AIIB's inauguration, the board of directors has already approved four loans for:

- a \$165 million Power System Upgrade in Bangladesh
- a \$216 million Urban Infrastructure project in Indonesia
- a \$100 million motorway in Pakistan
- a \$27 million border road improvement project in Tajikistan¹⁶⁸

The numbers above point out yet another great distinction between OBOR and the other two megaregional agreements when it comes to promoting development. OBOR is much better financed than APEC's ECOTECH, which relies on lean voluntary contributions, and the TPP, which does not even have a funding mechanism. With each passing month, we can expect the number of development projects to ramp up and new agreements to be signed. Unlike APEC and the TPP, which focus more on trade liberalization rather than 'hard' development projects, the success of OBOR is almost entirely dependent on its infrastructure projects coming to fruition.

5.3 Social Constructivism: Collective Identity-Building

Figure 5.3 Collective-Identity Building Functions of OBOR, APEC, and the TPP



Source: Created by the Author

¹⁶⁷ Ben Blanchard, "Hungary first European country to sign up for China Silk Road plan," *Reuters*, June 6, 2015.

¹⁶⁸ "AIIB's Board of Directors Approves \$509 M Financing for its First 4 Projects: Power, Transport and Urban: Investments span South, Southeast and Central Asia," *Asian Infrastructure Investment Bank*, June 24, 2016.

Beginning with the 1993 Seattle Summit, APEC leaders started to consider the creation of a Pacific community. The Clinton Administration's motivation behind this push for a community was to avoid the strategic consequences of being left out of the process. Washington wanted to lead the effort of creating an Asian free trade zone. To successfully do this, the United States felt that it needed to reshape APEC from a forum on economic cooperation into a more institutionalized organization where it would have the power to impose its policies, instead of simply leaving it up to unilateral action.¹⁶⁹ By the end of the summit, the leaders agreed that the members of APEC should build a sense of community among the regions. The community was based on five principles: a sense of solidarity, supporting each other, strengthening the group, sharing a common destiny, and shaping the region.¹⁷⁰

Once again, the success of APEC to actually fulfill its intentions remains in question. In fact, it could be argued that building a Pacific community was not actually the intention of APEC as whole, but more so of its Western members. The idea of a new Pacific Community has been met with great resistance since it was first proposed in 1993. China, Malaysia, Indonesia, and even Singapore, were big proponents of not pushing for a Pacific community so swiftly. The countries were opposed to even including the word 'Community' with a capital 'C' in the summit's vision statement because they were worried that the word gave an impression of an economic bloc like the European Community. The Malaysian Trade Minister, Rafidah Aziz, demanded that the word 'community' could only be used with a small 'c'.¹⁷¹ After much negotiation, in the end, the vision statement only included the phrase, "we envision a community of Asia Pacific economies," instead of *Asia Pacific Community*.

¹⁶⁹ Yoji Akashi, "An ASEAN Perspective on APEC," *The Helen Kellogg Institute for International Studies*, Working Paper 240, (1997), 9.

¹⁷⁰ Weixing Hu, "Building Asia-Pacific Regional Institution: the Role of APEC," *Social and Behavioral Sciences* 77, no. 22, (2013): 67.

¹⁷¹ Tatsushi Ogita, "Origins of Contrasting Views of APEC," *Institute of Developing Economies*, Working Paper Series 96/97, no. 5, (1997): 18.

As Wendt has asserted, seeking mutual interests certainly encourages a collective identity. The idea is that when shared goals are achieved, members of a collective identity with group positively. The problem for APEC goes back to what we discussed about APEC's agenda setting function. The ASEAN norms of volunteerism, informality, and consent have made it extremely difficult to shape a collective agenda that all members can actively work towards. So without a detailed and clearly defined set of shared goals, the members of APEC don't feel that they are "all in the same boat" so to speak. Many Asian countries had no interest having APEC possess binding power; they preferred that each be given goals that they could achieve at their own pace. The ASEAN norms also provide few incentives for members to sacrifice their individual interests for the collective interests of the interregional body. Without accountability, there is no moral obligation for leaders to fully cooperate with the group's goals. Lastly, the distrust of Washington among the Asian nations has also made it difficult to form a sense of community. They were worried that the United States was forcing its own trade agenda on them. The APEC summits are now used more for backroom bilateral talks than they are for setting the year's goals. In this sense, little progress has been made to actually form a sense of community within APEC.

There is little evidence that the TPP aims to foster a collective self-identity as a function of its interregional agreement. In fact, with over 30 chapters and over 2,000 pages, the word 'community' appears only four times in the formal text of the agreement. Moreover, these four instances of the word 'community' have nothing to do with establishment of any sort of collective identity. Now this is not to say that the member countries would be opposed to a Trans-Pacific Community; the goal is simply not on the to-do list of the TPP. The TPP's priority is far more focused on liberalization and setting new high standards on regional trade. Being that all the members of the TPP are members of APEC, it is also likely that they learned their lesson from APEC's failed attempt at building a 'Pacific Community'.

Without a meaningful collective-identity building goal for the TPP, we are left to compare the community building functions of APEC and OBOR. At first glance, the roles of APEC and OBOR as community builders appear similar. For one, both

megaregional agreements had intentions of creating a community based on the common rhetoric of 'shared interests' and 'a common destiny;' but that's about where the similarities end. Although the rhetoric used to encourage community building was the same, the motives for the US and China to build a community were rather different. Washington's rationale was that in order for it to institutionalize APEC and liberalize trade it would need to create a sense of community like that of the European Community. For China, advertising an OBOR community where everyone 'wins' is a way to build up trust between participating countries and convincing them of China's peaceful rise. In this respect, collective-identity building is about how China can better position itself in its neighborhood. So while the United States and China both appealed to 'a common destiny,' Washington's community-building efforts were a means to further institutionalization, while Beijing seeks foster a community in order to gain trust with the surrounding region.

