

Economic Interdependence and Peace in East Asia: The Role of Regional Organizations

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This research investigates and describes economic interdependence and regional peace in East Asia in the period 1967 to 2016 based on a liberal framework. This study seeks to examine how economic interdependence decreases the severity of military conflict among ASEAN, ASEAN+3, and EAS member-states. Quantitative analysis with regression modeling was used as the primary research methodology, and the result suggests that increased economic interdependence is a key driving factor of peace among the member-states of ASEAN, ASEAN+3, and EAS. Nonetheless, an increased level of democracy does not affect the severity of military dispute in East Asia, nor is the intra-regional trade among ASEAN countries large enough to contribute to the peace among its member states. This paper presents the idea that trade disputes in East Asia would increase the security tension among East Asian countries, as the results suggests economic interdependence is a key driving factor of regional peace among ASEAN, ASEAN+3, and EAS member-states. Since little research on peace in East Asian has been conducted through quantitative methodology, this paper would be able to uniquely contribute to the richness of the discipline of security studies.

Keywords: Regional Peace, Economic Interdependence, Liberalism, ASEAN, ASEAN+3, EAS

Introduction

2017 marked the 50th anniversary of the Association of Southeast Asian Nations (hereafter ASEAN). Since its foundation in 1967, ASEAN has played a major role in Asian economic cooperation as well as security cooperation. Moreover, ASEAN is not only performing the role of a cooperation hub among its member countries, but for the entire Asia-Pacific region. In 1997, ASEAN extended its integration range to include the Republic of Korea (hereafter ROK), People's Republic of China

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(hereafter PRC) and Japan by establishing ASEAN+3. East Asia Summit (hereafter EAS), founded in 2005, includes India, Australia, New Zealand, Russia Federation, and the United States of America (hereafter U.S.) as its member-states. Expanding its cooperation area through ASEAN, ASEAN+3, and EAS clearly show that the Asia-Pacific region is now heading towards regional cooperation similar to the European Union (hereafter EU).

Liberal political scientists believe that economic interdependence through international organization is one of the key driving factors of regional peace.² They argue that a high level of economic interdependence through international organizations decreases the likelihood of military conflict among the member-states due to absolute economic gains from free trade.³ Based on this logic, liberals systematically analyzed peace in Europe after the establishment of the EU. Then, what about East Asia after the establishment of ASEAN, ASEAN+3, and EAS? There is no clear answer to this question and academic debate is still ongoing. Some scholars argue that East Asia has been somewhat peaceful following the establishment of international organizations such as ASEAN, ASEAN+3, and EAS.⁴ On the other hand, there is a group of scholars who claim that regional peace has not been settled in East Asia. They argue that East Asia is much fragmented than Europe, so economic cooperation through international organizations is not enough to stimulate regional peace.⁵

This research seeks to answer the question of regional peace in East Asia based on the theoretical framework of liberalism in the period 1967-2016. As previously mentioned, 1967 is the year that ASEAN, the very first regional organization in East Asia, was founded, and this research tries to investigate the impact of international organizations on regional peace from 1967. Due to lack of reliable data for 2017 and 2018,

² Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), 8.

³ Dale C. Copeland, *Economic Interdependence and War* (Princeton: Princeton University Press, 2015), 18-23.

⁴ Benjamin E. Goldsmith, "A Liberal Peace in Asia?" *Journal of Peace Research* 44, no. 1 (2007): 5-27. See also Xinbo Wu, "The Spillover Effect of the ASEAN Plus Three Process on East Asian Security," in *The Nexus of Economics, Security, and International Relations in East Asia*, eds. Avery Goldstein and Edward D. Mansfield (Palo Alto: Stanford University Press, 2012), 96-119.

⁵ Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security* 18, no. 3 (1994): 5-33. See also Barry Buzan and Gerald Segal, "Rethinking East Asian Security," *Survival* 36, no. 2 (1994): 3-21.

the period chosen was therefore the 1967 to 2016 period. One of the main purposes of ASEAN is to promote regional peace through economic cooperation.⁶ To figure out whether the founding principle of ASEAN has been achieved or not, it would be appropriate to conduct research with the theoretical framework of liberalism, as liberalism explores the intersections between economic interdependence and security tensions.⁷ Based on that framework, this paper asserts that East Asia became more peaceful due to increased intra-regional trade through international organizations. The research has been mainly conducted through quantitative methods with statistical modeling. By figuring out the correlation between the intra-regional trade volume and the severity of military conflicts, it concludes that regional peace in East Asia is a continuing process with some achievements thus far.

The next section reviews a number of previous studies on the topic. The subsequent part details the methodology and statistical modeling. The paper will then examine the results and discuss the implications of the findings.

Literature Review

Liberalism

Liberalism is one of the major schools of international relations theory. Unlike realist scholars, liberalists believe that economic interdependence is a key driving factor for peace. According to these scholars, mutual economic prosperity is the basis for a negative correlation between economic interdependence and military disputes. Obviously, if two highly economically interdependent states wage war against each other, their prosperity would be threatened.⁸ Therefore, increasing the degree of economic interdependence decreases the likelihood that the countries declare war against each other. Other than economic interdependence, liberal scholars also consider democracy and the presence of international organization as important driving factors of peace. Among them, there is a belief that democratic countries tend to be more peaceful than

⁶ "The ASEAN Declaration (Bangkok Declaration) Bangkok, 8 August 1967," ASEAN Secretariat, accessed August 30, 2018, <http://asean.org/the-asean-declaration-bangkok-declaration-bangkok-8-august-1967/>.

⁷ Copeland, *Economic Interdependence and War*, 18-23.

⁸ Helen V. Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton: Princeton University Press, 1988), 290-302.

authoritarian governments.⁹ Also, they believe that the presence of international organizations can help states overcome their self-interested behaviors. Normally, by foregoing immediate gains, member states can enjoy greater benefits by cooperating through international organizations.¹⁰

Cooperation Optimists

When scholars claim that there exists a spill-over effect from economic cooperation towards regional peace, they mainly refer to liberalism as their theoretical framework. According to their arguments, East Asia has been economically integrated sufficiently enough to facilitate security cooperation. One such scholar is Wu, who especially focuses on the case of ASEAN+3 to examine the diminished security tension due to increased economic interdependence. According to Wu, institutionalized economic cooperation through ASEAN+3 has facilitated cooperation on non-traditional security problems.¹¹

Goldsmith is another scholar who claims that Asia has become more peaceful after its strengthened economic interdependence. By testing models through multivariate regressions, he demonstrated a negative correlation between economic interdependence and military dispute among Asian countries. In his model, he included all the Asian countries to figure out the impact of economic interdependence on military dispute. However, due to the sample size, his research was not sufficient to evaluate the spillover effect of economic interdependence among ASEAN, ASEAN+3, and EAS member-states toward regional peace.¹²

Cooperation Pessimists

Pessimist scholarship on regional peace in East Asia are mostly based on the realist theoretical perspective. Unlike liberal scholars, realists are skeptical of the correlation between economic interdependence and peace. According to their point of view, peace is maintained through the power balance between nations, arguing that unipolar and bipolar systems are the most stable.¹³

⁹ Bruce Russett, *Grasping the Democratic Peace* (Princeton: Princeton University Press, 1993), 72-94.

¹⁰ Robert O. Keohane and Joseph S. Nye, Jr., *Power & Interdependence* (Boston: Longman Classics, 2014), 263.

¹¹ Wu, "The Spillover Effect of the ASEAN Plus Three Process on East Asian Security," 96-119.

¹² Goldsmith, "A Liberal Peace in Asia?" 5-27.

¹³ Kenneth N. Waltz, *Theory of International Politics* (Reading: Addison-Wesley Publishing Company, 1979), 129-160.

Friedberg is a typical realist scholar who asserts that East Asia cannot enjoy regional peace due to its diversity and fragmentation. In spite of his realist perspective, he agrees that regional peace can be achieved through strengthened economic interdependence and improved level of democracy. European peace is to him a typical example of a liberalist idea of peace. However, he claims that liberalist theorizations cannot be applied to the Asian case. First of all, Asian democracy is not as mature as European democracy. Only Australia, New Zealand, and Japan can be considered as fully democratic countries, so democratic peace cannot be achieved in Asia. Secondly, inter-Asian trade is not as significant as in Europe. With example of those two factors, Friedberg argues that regional peace in East Asia cannot be attained.¹⁴

Buzan and Segal are also skeptical with regards to a potential peace in Asia. They point to the escalation of military spending and the increased likelihood of an arms race as possible indicators of a potential large-scale war in Asia. Another big challenge in Asia, they argue, is the lack of multilateral security organization. In Europe, there are a number of security arrangements, not least the North Atlantic Treaty Organization (NATO), a multilateral security pact which increases the transparency of European security. However, no such institution exists in East Asia, and, as such, the risk of war in East Asia is much higher than Europe.¹⁵

This essay seeks to answer some of the questions raised by this body of literature. Has increased trade volume and democracy diminished the severity of regional military disputes? Or, in contrast to the optimists' idea, is the liberalist theories not applicable to the East Asian case? Before answering these questions, components of the statistical modeling used in this paper will be detailed.

Research Methodology and Data Collection

Hypotheses

Based on the theoretical framework of liberalism, this research sets a null-hypothesis and two working hypotheses:

H0: Intra-regional trade volumes and levels of democracy have no impact on severity of military dispute

¹⁴ Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," 5-33.

¹⁵ Buzan and Segal, "Rethinking East Asian Security," 3-21.

H1: Intra-regional trade volumes and severity of military disputes share a negative correlation

H2: Democracy levels and severity of military disputes share a negative correlation

According to liberal scholars, economic interdependence and mutual democracy through international organizations are key driving factors of peace. However, much of the conventional liberal research was conducted based on the Western European case, and they often neglected East Asian case studies. Especially, the viability of liberal peace in East Asia became one of the most controversial topics after the establishment of East Asian regional organizations such as ASEAN, ASEAN+3, and EAS. Based on previous studies, this research anticipates that increased intra-regional trade volumes and democracy levels would decrease the severity of military clashes among ASEAN, ASEAN+3, and EAS member-states. If those hypotheses are confirmed, we can assert that East Asian peace has been achieved due to regional organizations. However, if they lack statistical significance, we will instead argue that liberal peace in East Asia is not visible through these metrics.

Terminology: East Asia

Unlike the notion of Europe, the boundaries of East Asia is uncertain and very flexible. In fact, the boundaries of East Asia differ depending on what countries that researchers refer to.¹⁶ In this research, East Asia or Asia refers to the region composed of ASEAN, ASEAN+3, and EAS member-states. Geographically, among the EAS member-states, the U.S. is not a part of Asia. Nonetheless, there is an academic discourse with regards to the role of U.S. in Asian integration and many academics agree that the U.S. is a key player in these processes.¹⁷ In fact, the Kuala Lumpur Declaration mentions that the goal of EAS is to promote regional peace among its member-states, and the U.S. is undeniably a member of EAS.¹⁸ Thus, rather than excluding the U.S. from regional security cooperation initiatives, it would be appropriate to consider it one of the Asian states for the purposes of this paper.

¹⁶ T. J. Pempel, "Introduction: Emerging Webs of Regional Connectedness," in *Remapping East Asia*, edited by T. J. Pempel (Ithaca: Cornell University Press, 2005), 1-28.

¹⁷ Samuel R. Berger, "The US stake in greater Asian integration," *Global Asia* 1, no. 1 (2006): 25-27. See also Thomas J. Christensen, *The China Challenge: Shaping the Choices of a Rising Power* (New York: W. W. Norton, 2015), 63-94.

¹⁸ EAS, "Kuala Lumpur Declaration on the East Asia Summit Kuala Lumpur."

Statistical Modeling

I carefully designed three different statistical tests to explore the relationship between two main independent variables (intra-regional trade volume and the level of democracy) and one dependent variable (the severity of military dispute each year). Political scientists often consider the severity and number of military disputes between nation states as a measure of peace. There are several scholars who refer to less harshness and lower frequency of military disputes among European nations as an indicator of regional peace in Europe.¹⁹

Each model analyses the impact of trade volume and democracy on military dispute in ASEAN, ASEAN+3, and EAS. By generating three different models, it is possible to compare the degree of regional integration with the size of the organizations.

As ASEAN was first established in 1967, the models consider each year from 1967 as a unit of analysis. By counting each year from 1967 up to 2016, there are 50 cases in total. Thus, the variables in the model are all year-based data.

In order to measure the severity of military conflicts between Asian states, I decided to measure the number of fatalities from military disputes. Peace Research Institute Oslo (hereafter PRIO)'s Battle Deaths Dataset is one of the main databases used for my statistical research. PRIO's Battle Deaths Dataset provides statistics on worldwide battle deaths from 1946 to 2008. For the purposes of this research, I extracted the number of fatalities from battles amongst ASEAN, ASEAN+3, and EAS countries.

Even though PRIO's Battle Deaths Database contains well-organized data, it does not cover every single dispute among East Asian countries. To overcome the limitations of PRIO's dataset, I sourced data from the Militarized Interstate Disputes (MID) dataset from the Correlates of War (hereafter COW) project. The COW project covers military disputes in the entire world from 1816 to 2010, so I extracted military deaths from disputes among Asian countries from 1964 to 2010. Still, the fatality dataset is not complete as those two databases only provide data up to 2010, meaning that the period 2011-2016 is unaccounted for. To fill in this six-years gap, I finally referred to the Uppsala Conflict Data Program. Since the Uppsala Conflict Data Program covers the entire

¹⁹ Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," 5-33. See also, Morten Kelstrup and Michael Charles Williams, *International Relations Theory and the Politics of European Integration: Power, Security, and Community* (London: Routledge, 2000), 1-13.

militarized conflict all over the world from 1976 up to 2016, I drew out the inter-state dispute among Asian states to meet the needs of my research.

Trade volume data was extracted from the International Monetary Fund (hereafter IMF) database. To measure intra-regional trade volume, I calculated the percentage of intra-Asian trade amount from total trade volume of ASEAN, ASEAN+3, and EAS member states (Intra-regional Trade Volume / Sum of ASEAN, ASEAN+3, and EAS trade volume). Figure 1 shows my calculation on intra-Asian trade among ASEAN, ASEAN+3, and EAS members. To measure the level of democracy, I referred to the Polity 4 Project operated by The Center for System Peace (hereafter CSP).²⁰ Polity 4 data examines the level of democracy on a scale from negative ten to positive ten points. Negative ten points signify the most authoritarian government and positive ten points indicate a completely democratic country. I calculated the average democracy level of ASEAN, ASEAN+3, and EAS member-states from 1967 to 2016. The dataset covers democracy level of all the member-states of ASEAN, ASEAN+3, and EAS, measured on a yearly interval. It is especially important to measure average values of democracy since liberalists believe mutual democracy decreases security tensions between nations. According to their logic, liberal peace is not a unilateral but rather a dyadic concept. Even though democratic countries do not wage war against each other, they still declare the war against non-democratic countries.²¹ Thus, by following the liberal logic, spread of democracy is one of the best ways to decrease the likelihood of military clashes among nations. The average level of ASEAN, ASEAN+3, and EAS is one indicator that would demonstrate the spread of democracy among the member-states of these regional organizations. Figure 2 shows the variations of regional democracy levels from 1967 to 2016.

In addition to the independent and dependent variables, three different control variables were also added. These control variables are (1) absolute GDP in current USD (hereafter GDP), (2) military burdens (percentage share of military expenditure of national GDP in current USD)

²⁰ Polity 4 Project calculates the level of democracy based on the structures of political participation and legitimation. The operational indicator of democracy is derived from the competitiveness of political participation, the openness and competitiveness of executive recruitment, and constraints on the chief executive. For detail, please see Monty G. Marshall, Ted Robert Gurr, and Keith Jaggers, "Polity™ IV Project: Political Regime Characteristics and Transitions, 1800-2016, Dataset Users' Manual," 14-15, accessed via: <http://www.systemicpeace.org/inscrdata.html>.

²¹ Russett, *Graping the Democratic Peace*, 11-23.

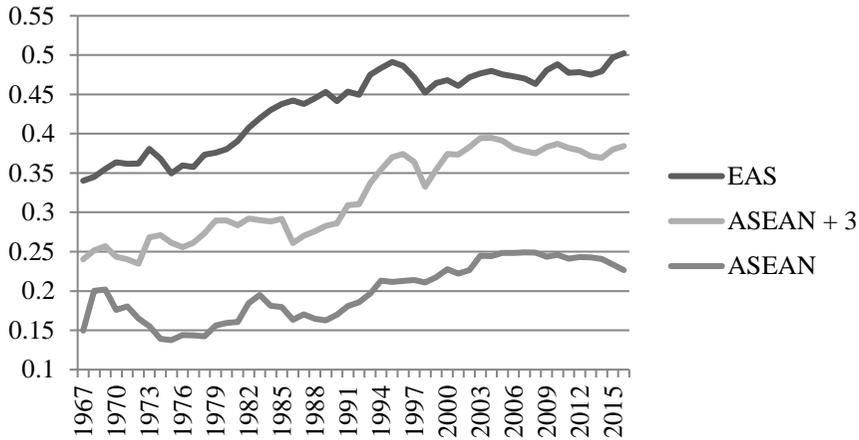


FIGURE 1. Intra-Regional Trade (EAS, ASEAN + 3, ASEAN). Source: International Monetary Fund’s *Direction of Trade Statistics*, graph made by author.²² NOTE: Intra-regional trade was calculated as the percentage of total trade.

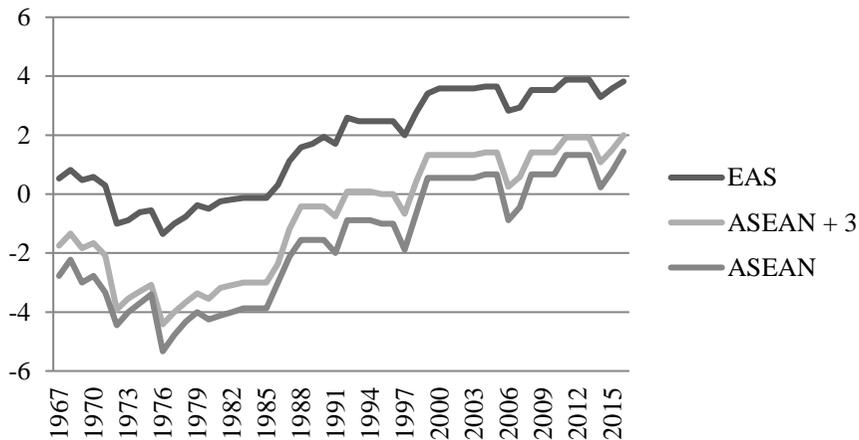


FIGURE 2. Level of Democracy (ASEAN, ASEAN + 3, EAS). Source: The Center for Systemic Peace’s *Polity 4 Project*, graph made by author.²³ NOTE: Average democracy level of member states.

²² “Directions of Trade Statistics,” International Monetary Fund (IMF), accessed via: <http://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42&sl=1479329132316>.

²³ Monty G. Marshall and Ted Robert Gurr, “Polity IV Project: Political Regimes Characteristics and Transitions,” accessed via: <http://www.systemicpeace.org/polity/polity4.htm>.

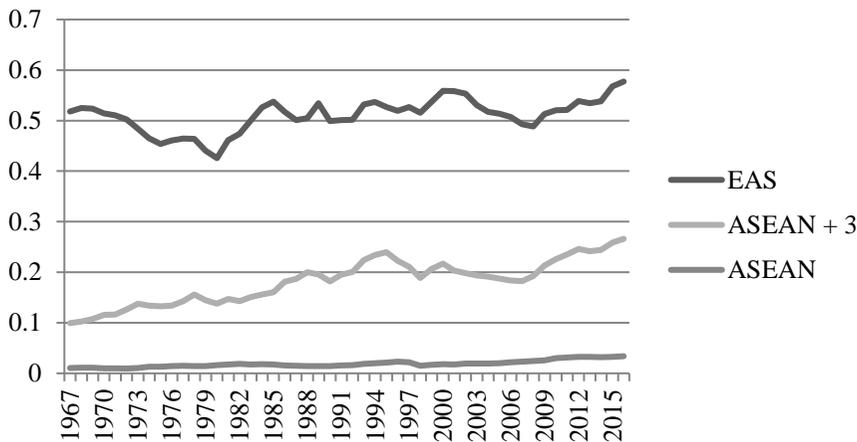


FIGURE 3. GDP (% of World GDP). Source: World Bank's *GDP (Current US\$)*, graph made by author.²⁴

and (3) the total number of disputes. The idea that more economically developed states are more reluctant to participate in wars has already been proven by a number of political scientists. In fact, due to increased production levels, many developed countries arm themselves with more sophisticated weaponry. Eventually, war which include developed countries has become much costlier compared to conventional warfare before industrialization.²⁵ I calculated the percentage share of East Asian GDP of world GDP as a control variable in my model. National GDP data was extracted from World Bank data. Figure 3 shows the change of ASEAN, ASEAN+3, and EAS GDP.

Relative power is also another important factor and is particularly emphasized in realist discourse. Rather than measuring the absolute value of military expenditure, realist scholars put more emphasis on the percentage share of military budget of national GDP.²⁶ A high military burden often indicates that a nation is facing a serious security threat.²⁷ My data on military burden was extracted from the Stockholm

²⁴ "National accounts data GDP (Current US\$)," World Bank, accessed via: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

²⁵ Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," 5-33.

²⁶ Wuyi Omitoogun, "Military Expenditure and Conflict in Africa," *DPMN Bulletin* 8, no. 1 (2001): 1-10.

²⁷ P. J. Dunne and Sam Perlo-Freeman, "The demand for military spending in developing countries: A dynamic panel analysis," *Defence and Peace Economics* 14, no. 6 (2003): 461-474.

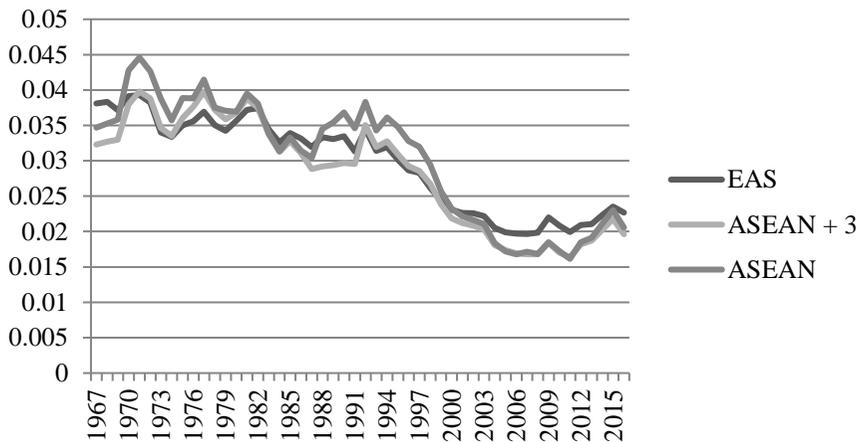


FIGURE 4. Military Burden (Military Expenditure / GDP). Source: SIPRI's *Military Expenditure Database*, graph made by author.²⁸

International Peace Research Institute (SIPRI) and is displayed in figure 4.

Lastly, the total number of disputes was extracted from the COW database.²⁹ An increased number of military disputes is supposed to accompany higher fatalities, so it is added as one of my control variables.

In summary, there are two independent variables in the model: (1) intra-regional trade volume of East Asia and (2) East Asian democracy level. The percentage of intra-Asian trade volume from total trade volume of ASEAN, ASEAN+3, and EAS member-states (Intra-regional Trade Volume / Sum of ASEAN, ASEAN+3, and EAS trade volume) was used as an indicator of intra-regional trade volume. The average value of East Asian democracy extracted from the Polity 4 Project was used as an indicator of democracy. There are three control variables: (1) absolute GDP in current USD, as extracted from the World Bank database; (2) military burden statistics extracted from SIPRI's dataset; and (3) the number of military clashes as extracted from the COW dataset. The percentage share of military expenditure of national GDP was used as an indicator of military burden.

With the merged database, I performed a regression analysis to investigate the relationship between each independent variable and the

²⁸ "SIPRI Military Expenditure Database," Stockholm International Peace Research Institute (SIPRI), accessed via: <https://www.sipri.org/sites/default/files/SIPRI-Milex-data-1949-2016.xlsx>

²⁹ The Correlates of War Project, "Militarized Interstate Dispute Data."

severity of military disputes among ASEAN, ASEAN+3, and EAS member-states. For statistical modeling, the two-step Prais-Winsten feasible generalized square (hereafter FGLS) autoregressive model was used.³⁰ The basis of the modeling is time-series data which covers the period from 1967 to 2016. To perform Ordinary Least Square (hereafter OLS) modeling with time-series data, there should be no serial correlation issues within the dataset. However, after running Durbin-Watson's alternative test, I discovered an auto-correlation, so a basic assumption of OLS is violated.³¹ Thus, rather than using OLS modeling, the statistical tests were conducted with the two-step Prais-Winsten FGLS model, which can successfully correct the serial-correlation issue.

Findings

Table 1 is a result of three different FGLS models pertaining to regional peace of ASEAN, ASEAN+3, and EAS. Interestingly, the outcome suggests that the ASEAN model is not statistically significant, which would indicate that peace among its member-states is not as significant as ASEAN+3 and EAS. For the ASEAN+3 and EAS models, intra-regional trade volume is the only statistically significant independent variable. Furthermore, trade volume has a stronger significance in the case of EAS compared to ASEAN+3. Level of democracy and the control variables are not statistically significant in any of the models. Overall, the result shows that trade volume is a key driving factor of regional peace among ASEAN+3 and EAS member-states. Based on the result, these results would support the partial rejection of the null hypothesis and the acceptance of the first research hypothesis. However, the second research hypothesis, concerning the effect of democracy on peace, is rejected due to the lacking statistical significance of the relationship between the level of democracy and the severity of military disputes.³²

³⁰ Under normal circumstances, the Ordinary Least Square (OLS) regression model is known as the preferred unbiased estimator for statistical analysis. However, if the model covers multiple time periods, statistical analysis will be skewed due to a certain time effect within the model (It is known as the serial correlation or auto-correlation issue). The Prais-Winsten Feasible Generalized Square (FGLS) model is known as one of the best models to minimize this issue in time-series dataset. For detail of the two models, please see Jeffrey Wooldridge, *Introductory Econometrics: A Modern Approach* (Singapore: Cengage Learning Asia Pte Ltd, 2016), 311-400.

³¹ Durbin-Watson's alternative test figures out the serial correlation issue within the regression model. For detail of this test, please see Wooldridge, *Introductory Econometrics: A Modern Approach*, 378-379.

³² The statistical error of the GDP variable in my ASEAN model and Military Burden variables across my models are especially high due to the small sample.

TABLE 1. Multivariate regression model on number of military personnel killed in battle (FGLS)

	ASEAN	ASEAN + 3	EAS
Constant	17.91* (8.162)	32.41*** (7.543)	38.71*** (10.09)
Trade	-42.38 (29.54)	-64.67** (19.75)	-91.6*** (16.52)
Democracy	0.367 (0.49)	-0.277 (0.469)	-0.182 (0.564)
<i>Controls</i>			
Disputes	-0.218 (0.252)	0.117 (0.181)	0.039 (0.114)
GDP	-265.291 (177.9)	-21.95 (19.66)	16.75 (16.48)
Military Burden	-4.168 (135.2)	-118.07 (126.97)	-105.7 (128.8)
Observations	50	50	50
Countries	10	13	18
F-test	2.3	18.91***	21.04***
R-Squared	0.207	0.682	0.705

Note: Robust standard errors in parentheses, Stata 14.2 was used for inference. *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$.

Discussion: Political Integration of ASEAN, ASEAN+3, and EAS

ASEAN

As the findings suggest, regional peace in ASEAN has not been achieved, and the liberalist idea of international relations theory cannot as such be applied to the case of ASEAN. The most interesting finding here is that the relationship between trade volume and peace had no statistical significance in this region. ASEAN faces two significant challenges in achieving regional peace, the biggest of which is the lack of sufficient economic interdependence among ASEAN member-states. Figure 5 shows the variations of intra-regional trade among ASEAN states.

In 1967, when ASEAN was established, its intra-regional trade

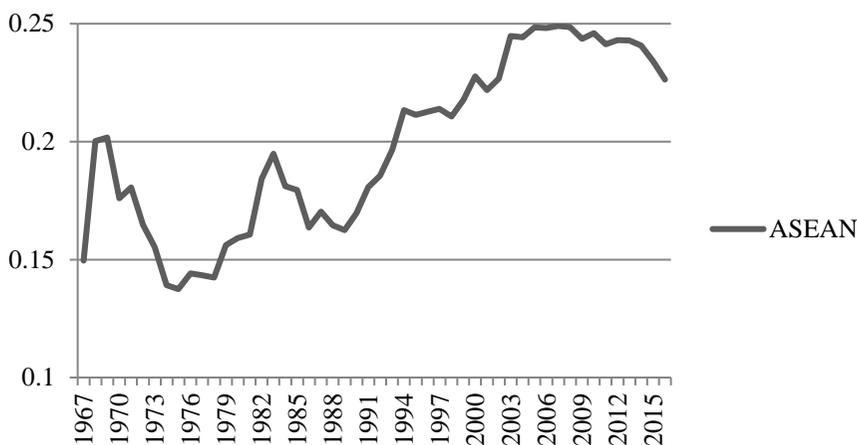


FIGURE 5. Intra-ASEAN Trade. Source: International Monetary Fund’s *Direction of Trade Statistics*, graph made by author.³³ NOTE: Intra-ASEAN trade was calculated as the percentage of total trade.

used to be around 15% of member-states’ total external trade volume. However, in the last 50 years, intra-ASEAN trade only reached 23% in 2016. Compared to ASEAN, ASEAN+3, and EAS have much larger intra-regional trade volumes. In 2016, the intra-ASEAN+3 trade volume covered about 38.4% of its total trade and intra-EAS trade volume covered about 50.2% of its total trade volume. Also, the increments of intra-regional trade volume increases are important to consider. The intra-regional trade volume of ASEAN+3 and EAS increased about 15 percentage points in the last 50 years meanwhile intra-ASEAN trade volume increased less than ten percentage points in that same period.³⁴

The other obstacle that ASEAN is facing is the multipolar regional structure. By excluding China and the U.S., ASEAN is a multipolar region without a distinct regional hegemony. According to the realist international relations theorists, a multipolar order is much more vulnerable to conflict than unipolar and bipolar systems. According to their arguments, if the power is equally distributed among a substantial number of states, the chances of a severe arms race will be significantly higher. “If country A wanted at least to keep its proportionate lead against each of its rivals, it would have to maintain its level in an exponentially

³³ International Monetary Fund, “Directions of Trade Statistics.”

³⁴ International Monetary Fund, “Directions of Trade Statistics.”

growing arms race with the most quickly growing of these rivals, because this would automatically increase its lead over all the rest.”³⁵ Border skirmishes amongst ASEAN member-states is still a common type of military clashes in the 21st century. The Cambodian-Thai border dispute between 2008 and 2011 is one of many such examples of conventional military conflicts. During the four-year battle, 41 people, including both military personnel and civilians, were killed.³⁶ It clearly shows the failure of regional peace under multipolar order in Southeast Asia.

ASEAN+3 & EAS

The intra-regional trade volumes successfully stimulated regional peace in the ASEAN+3 and EAS regions. Increases of trade decreased the severity of military conflict amongst ASEAN+3 and EAS member-states. Economic interdependence among Asian countries through ASEAN+3 and EAS provides economic prosperity for all the member-states. As seen in figure 3, their percentage share of world GDP is increasing very rapidly while the percentage share of ASEAN GDP has been increasing very slowly. Ultimately, ASEAN+3 and EAS states avoided conflict in order to enjoy economic prosperity through regional cooperation.

The South China Sea conflict would be a counterexample against regional peace in Asia. However, even though this is a tense conflict, no military fatality has occurred as a result of the military conflict.³⁷ It shows that even though China is claiming South China Sea as its territorial water, it tries to minimize military fatalities as it would impact the economic prosperity of the region.

Unipolar and bipolar orders among ASEAN+3 and EAS are also important driving factors of peace in Asia. China is obviously a central power among ASEAN+3 member-states so ASEAN+3 can be examined as a unipolar system. The case of EAS can be analyzed as a bipolar order as it includes both China and the U.S. As previously mentioned, unipolar and bipolar orders are much more stable system than any multipolar order.³⁸ Thus, peace under ASEAN+3 and EAS can be maintained with greater ease when compared with ASEAN.

³⁵ Karl W. Deutsch and J. David Singer, “Multipolar Power Systems and International Stability,” *World Politics* 16, no. 3 (1964): 390-406.

³⁶ “Thai-Cambodia border clashes claim life,” *Al Jazeera*, accessed May 3, 2011.

³⁷ Allansson, Melander and Themner, “Organized Violence, 1986-2016,” 574-587.

³⁸ Deutsch and Singer, “Multipolar Power Systems and International Stability,” 390-406.

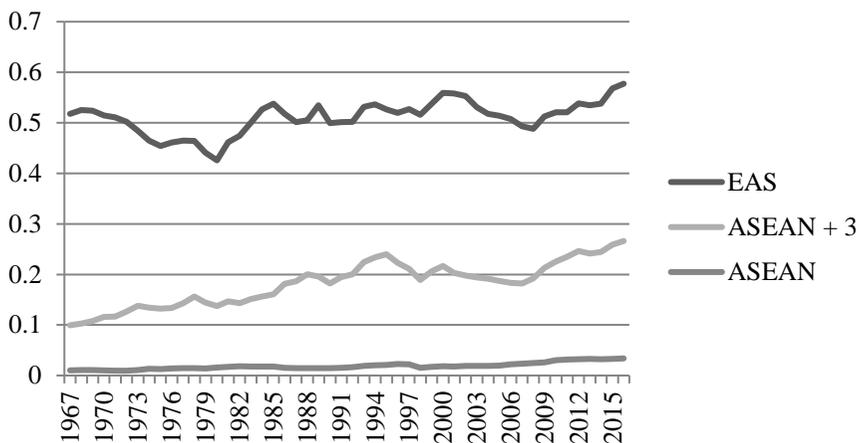


FIGURE 6. GDP (% of World GDP). Source: World Bank's *GDP (Current US\$)*, graph made by author.³⁹

Failure of democratic peace in Asia

As the findings suggest, democratic peace is not statistically plausible for all the three cases of regional cooperation. What differentiates regional cooperation in Asia from Europe is the dominance of economy and economic interdependence. In fact, many Southeast Asian countries remain non-democratic.⁴⁰ This is also the case for China and Russia. T. J. Pempel claims that peace in Asia only through economic interdependence should be understood as Asia's unique feature. According to him, Asia is heading to a different peace system than European case, and the European model should therefore not be applied to the Asian case.⁴¹ Can peace in East Asia at all be accurately examined through conventional international relations theories? This question would be an interesting starting point for further research.

Conclusion

The findings of this research suggest that increased trade volumes contribute to regional peace, though improved democracy does not. The three different models show that the realist power balance concept concerning unipolar, bipolar and multipolar (in)stability appropriately describes East Asian dynamics. Overall, East Asia has become more

³⁹ The World Bank, "GDP (Current US\$)."

⁴⁰ Erik Martinez Kuhonta, "Walking a tightrope: democracy versus sovereignty in ASEAN's illiberal peace," *The Pacific Review* 19, no. 3 (2006): 337-358.

⁴¹ Pempel, "Introduction: Emerging Webs of Regional Connectedness," 1-28.

peaceful after the establishment of regional organizations, but its impact is not as strong as is the case in Europe.

Since results suggest that liberal peace analysis is partially applicable to East Asia, we can also argue that conventional knowledge derived from Western Europe can also be applied to East Asia. This academic endeavor is especially important since it would contribute to the connection between conventional Western experience-based wisdom and East Asian cases.

However, there are several limitations in the research design. The largest limitation is an overgeneralization of the statistical results. The research analyzed yearly-based time-series data and did not consider dyadic international relations among ASEAN, ASEAN+3, and EAS member-states. If further research could utilize a panel dataset of dyadic military clashes among ASEAN, ASEAN+3, and EAS member states, the research sample and validity of research will be more appropriate. A second issue is the lack of detailed case studies due to this paper's focus on quantitative research methods. Even though quantitative research can suggest overall generalization of liberal peace in East Asia, there are number of exceptions. If further research could cover precise case studies through qualitative methodology, it would widen the understanding of the exceptions to liberal peace in East Asia.

A potential obstacle for further regional peace is the U.S.-China trade dispute that was initiated in July 2018. An intensified conflict between the two economic giants would potentially force other Asian nations to choose which side they support. Such a two-sided trade dispute will decrease the economic interdependence between East Asian nations and even harm the security transparency between them.

Minor economic powers in East Asia should strengthen economic ties among themselves to prevent disintegration of East Asia. The recent diplomatic endeavor of President Moon Jae-in is a good example of an attempt to avoid economic disintegration between these countries. He announced that South Korea would seek to improve diplomatic ties between ASEAN and South Korea so that this relationship is at the same level as the relationship between South Korea and U.S., Russia, Japan, and China.⁴² His positive attitude toward ASEAN would potentially increase the economic interdependence among East Asian countries, which in turn

⁴² "Moon pledges increased cooperation with ASEAN, joint efforts to build peace," *Yonhap News*, November 13, 2017, <http://english.yonhapnews.co.kr/news/2017/11/13/0200000000AEN20171113005000315.html>.

would facilitate the maintenance of the regional peace among ASEAN, ASEAN+3, and EAS member-states.

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