

## 5 Leadership in institution building

### The case of ASEAN+3

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#### Introduction

As a region still plagued by age-old distrust and rivalries, East Asia only caught up with the idea of regional economic integration after the 1997 financial crisis. The stark contrast between America's prompt reaction to the financial crisis in Mexico and its lukewarm reaction to the East Asian contagion propelled regional states to seriously ponder, for the first time in their history, the idea of forming a more cohesive regional bloc to weather future shocks and cope with the aftermath of the crisis (Munakata 2002).

At the same time, regional states' recognition that East Asia is rapidly falling behind other parts of the world (the EU, North America) in regional integration has added a new sense of urgency toward regional integration (Shorrocks 2002; Tang 2001; Radtke 2001). With even the less developed Africa continent forming an African Union (AU), East Asian states realize East Asia may remain fragmented for the next 20 or 30 years if they cannot get together and build an institutional foundation to take care of the long-term prosperity and security of the region.

It is within this context that the ASEAN+3 (ASEAN Plus Three (APT), also '10+3') framework has been getting increasing attention recently, both within and outside East Asia (Stubbs 2002).<sup>1</sup> With the vision of '10+5' (including Australia and New Zealand) receiving only lukewarm reception in the region, most regional states consider ASEAN+3 to be the most promising and feasible platform for realizing East Asian integration.

Nonetheless, ASEAN+3 has not made very much progress towards becoming a codified institution, and much of the discussion on East Asian integration remains more about vision than about tackling the practical obstacles to realizing this vision.

This chapter will try to fill this void and address the critical issue of leadership in institution building.

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## Leadership in the domestic and international arenas

### *Domestic leadership*

Because human beings are a social species, leadership, defined as ‘the process through which one member of a group influences other group members toward the attainment of specific group goals’ (Yukl 1994), has been associated with us since our existence. Unsurprisingly, our inquiry into it started thousands of years ago, as demonstrated by ancient Greek and Chinese writings.

Modern studies of leadership, however, did not start until the birth of social psychology in the early twentieth century, because leadership is both a political and a social psychological phenomenon. Kurt Lewitt’s and his colleagues’ work (published in 1939), in which they concluded that different kinds of leadership lead to great differences in group performance, marked the first serious inquiry into leadership by social psychologists (Baron and Byrne 1997: 13–15). From then on, especially with the rise of organization behaviour studies, leadership remained a critical sub-field of social psychology, with a general consensus that leadership is both trait-based and situational, contradicting the conventional wisdom that leaders are mostly naturally born. Today, social psychologists are developing tools for identifying potential leaders for particular situations, at least in the corporate world.

James Burns’s *Leadership*, and to a lesser degree, Richard Neustadt’s *Presidential Power*, marked modern political scientists’ efforts to study leadership with Burns’ concept of ‘transformational leadership’ being especially influential (Burns 1978; Neustadt 1960). More recently, Michael Kane’s ‘moral capital’ added a new dimension to studies of leadership (Kane 2001).

Political scientists’ inquiries into leadership, however, seemed to have ignored progress made by social psychology. They generally followed the path taken by Max Weber and fell into the trap of over-personifying leadership.<sup>2</sup> They usually focus on how a particular leader overcomes a string of roadblocks and finally succeeds while neglecting some obvious questions. Why does a leader (apparently with many traits of leadership) often have to fail many times before he can finally succeed? Is it simply because he has to learn some hard lessons (trial and error) or because he was perhaps not good at handling certain situations? If so, what constitutes successful leadership in a time of crisis? Without answering these questions, most studies of political leadership tend to be an *ad hoc* recounting of what happened, reinforcing the popular myth that a leader is a leader because he was born to be, and his/her failures are simply a necessary learning process and offer little guidance on how to manage certain situations.

Hence, even though political scientists have made some tangible contributions to our understanding of leadership, much remains to be done in our analysis of this topic. Most importantly, we have yet to discover what kind of leadership best fits what kind of task.

### ***International leadership***

While we have many studies on leadership in the domestic arena, few studies on international leadership exist. Although there are studies of international leadership, the subject is primarily viewed through a domestic prism, with most studies taking leadership only as a question for the hegemon (on this point, see Cooper *et al.* 1991: 393–394) and international leadership sometimes being a euphemism for one state bullying some other states into submission.

However, great differences exist between successful domestic leadership and successful international leadership. First, domestic leadership usually operates in a hierarchical space (even in horizontal organizations) while international leadership is exercised in an anarchical space. Second, compared with domestic leadership, successful international leadership usually rests more on moral justification than on power *per se*. Third, while states do act selfishly under anarchy, successful international leadership must be based at least partly on enlightened self-interest. Fourth, while the legitimacy of leadership in the domestic arena usually rests on both institutional arrangement and performance, the source of legitimacy for leadership in international affairs is harder to pin down.<sup>3</sup> Finally, international leadership requires more persuasion rather than the threat or the exercise of force (thus, simply compelling others to obey is not leadership).

We define successful international leadership as a process through which any combination of the following five objectives is achieved: (1) preventing conflict (leadership for preventive diplomacy); (2) winning a just war by leading a war coalition; (3) bringing conflict to an end (leadership for ending war); (4) constructing the foundation of lasting peace (leadership for building peace or reconciliation); and (5) advancing the common interest of a group of states (leadership for common interest). Leadership in institution building belongs to the fifth category of successful international leadership.

In international relations theory, the analysis of institution building should be a natural task for neo-liberals. Surprisingly, despite the fact that no institution will exist or function properly without effective institution building, neo-liberals have traditionally paid little attention to this topic, perhaps because they have been more interested in opposing realist theorists on the issue of how much international cooperation is possible under anarchy (see various contributions in Baldwin 1993 and Jervis 1999).

Oran Young's work is an exception. He identified leadership and institutional (integrative) bargaining as the two factors critical for any successful

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institution building. On leadership, Young argued that only two of the three types of leadership (structural, entrepreneurial and intellectual) are needed for successful institution building (Young 1991: 281–308). Structural leadership comes from the preponderance of power, entrepreneurial leadership means skilful diplomacy, and intellectual leadership means educating states and transforming their ideas of self-interest. Most importantly, Young contended that leadership from a hegemon (structural leadership) is neither necessary nor sufficient for effective institution building.<sup>4</sup>

Young further noted that institution building is a bargaining process because states must bargain to agree to the rules of the game and on how to enforce the rules. But bargaining over institution building and regime formation is different from distributive (or positional) bargaining. Distributive bargaining is about how to divide what we have right now, while institutional bargaining is about how first to create something so that we can share the benefits.<sup>5</sup> Further, because states tend to bargain especially hard if they believe that a future institutional arrangement will be enforceable and enforced (Fearon 1998), choosing the right issue to bargain over becomes more important. If an institution can get one or two regimes codified, the prospect of successful institution building will brighten: successful regime building can give states more confidence to move towards more difficult issue areas, thus generating positive feedback and turning institution building into a virtuous cycle. Otherwise, cooperation may be hard to realize and regime formation becomes difficult. This means that institution building through bargaining is a path-dependent process (Jervis 1997: 156–176).

Obviously, institution building through bargaining is inherently tied to the issue of leadership in institution building (a point that Young strangely forgot to emphasize), because if institution building through bargaining is a path-dependent process, then *choosing the right issue areas to bargain over is a part of leadership*.

### **Searching for leadership under ASEAN+3 with what we have**

When it comes to the question of leadership in pushing forward regional integration, the ‘hegemony’ school of institutionalism, drawing from European and US experiences, has argued that leading states in the region should take the leading role and provide medium to small states with public goods. The ‘hegemony’ school of institutionalism argues that without structural leadership from leading states, regional integration would likely prove unfeasible.

In East Asia, the search for structural leadership naturally points to Japan and China. Indeed, the weight of Japan and China in East Asia looks strikingly similar to that of Germany and France for Europe. Even more similarly, these two countries, like Germany and France, have also fought each other bitterly.

The similarity stops here, however. Unlike Germany and France, which have largely achieved reconciliation,<sup>6</sup> China and Japan are far from reaching a similar accommodation, largely because Japan has been unable to offer a satisfying apology to its former victims. Indeed, other than ever deepening economic interdependence, the relationship between Japan and China remains on shaky ground due to the two countries' different perceptions of Japan's invasion of China during the Second World War, territorial disputes over Diaoyu (Senkaku) Island, and Japan's alliance with the US and its implications for the Taiwan question.

What is more, even if there is no possibility of war between the two states, achieving cooperation among nations is not an easy task and when it comes to leadership, it will be even more difficult, as recurrent conflicts even between France and Germany in the EU testify. With Japan and China still viewing each other as strategic rivals, the possibility that Japan and China can share the leadership of East Asia seems to be low in the near future. This calls into the question whether regional integration in East Asia can actually replicate the European experience by depending upon leadership from the region's two leading economies.

International cooperation theory has recognized that it is possible for a third state or player to serve as an enforcer or facilitator of cooperation when two states seem unable to bridge their differences, if the third party is more powerful than the two and can maintain amicable relationships with the two. Traditionally, this role would be filled by the United States. For instance, the US played a constructive role in bringing not only France and Germany, but also South Korea and Japan together (Phillips 2001 and Cha 1999).

Unfortunately, because of the distrust between US and China and the US-Japan security alliance, it is unlikely that China would accept the US as the enforcer of Sino-Japan cooperation – and it is also debatable whether the US would want to facilitate Sino-Japanese cooperation. The key question thus becomes whether, in the absence of Sino-Japanese cooperation, there is any other state or combination of states that can lead regional integration in East Asia.

Fortunately for the prospects of East Asian integration, empirical evidence from actual institution building processes has lent credence to the notion that small to medium-sized states can actually provide leadership when large countries do not. For instance, the ASEAN Regional Forum (ARF), with ASEAN states at its centre, has certainly done a lot for regional security (Acharya 2001). Similarly, in the GATT (now WTO) Uruguay Round of trade negotiations, the Cairns Group, formed in 1986, 'has effectively put agriculture on the multilateral trade agenda and kept it there' (Cairns Group, n.d.).<sup>7</sup>

Extending this logic to East Asia, South Korea and the ASEAN states collectively may be the only possible facilitators or enforcers of cooperation between China and Japan. As long as close bilateral cooperation

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between Japan and China is not on offer, the devolution of East Asian leadership to Korea and ASEAN states represents the best hope for advancing regional integration.

There are at least two solid rationales for arguing that this might occur. First, the ASEAN states and South Korea as a group enjoy the trust and support of both China and Japan. Second, letting ASEAN and South Korea take the lead may alleviate their fear that, as small or medium-sized states, they otherwise will not be able to prevent dominant powers – in this case, Japan and China – from abusing their power.

#### **Leadership reformulated: are ASEAN and South Korea up to the job?**

If we accept that ASEAN and South Korea must lead East Asian integration for now, how should they exercise leadership?

As stated above, social psychology has acquired a more fine-grained understanding of leadership in the past several decades, with the most significant conclusion that leadership is far more situational than we previously thought. To put it differently, while there may be some truth about the notion that leadership does require certain inherent qualities, there is more truth to the notion that leadership is successful when it comes at the right time, at the right place, with the right people and with the right approach.

Leadership in institution building is a very special task on at least four fronts. First, it is both institutional and personal. This means that an egoistic person may not be the best choice for leadership in institution building. Second, it is both international and national, thus the leadership has constantly to bargain at two levels. Third, the leadership's audience is usually not the general public in the region, but a group of career bureaucrats, different national leaderships and non-governmental organizations (NGOs). Finally, leadership is usually based on a consensual, not formal, delegation of power (a group of states lets one state take the lead, either voluntarily or following an agreement reached through hard bargaining).

Leading institution building may therefore require a specific mix of qualities. Drawing from studies on the process of regime formation (Moravcsik 1991; Sandholtz 1993), we propose that, other than the conviction that the goal set is desirable, at least four ingredients are necessary for effective leadership in institution building:

- optimism: the belief that the ultimate goal is within reach;
- devotion: being willing to pursue the goal vigorously;
- pragmatism: setting timetables for certain goals and getting there before the deadline;<sup>8</sup>

- skill: possessing the means to realize the goal, such as Oran Young's criteria of intellectual leadership, entrepreneurial leadership, and issue-setting and deal-closing leadership (Young 1991).

Let us now examine to what extent the ASEAN states and South Korea can provide these ingredients and thus leadership in East Asian integration.

### ***Optimism***

No grand project can be carried out without a strong belief that it is feasible. Optimism is one of the essential components of effective leadership.

In this aspect, the fate of the EU as the grandest experiment since the dawn of the sovereign state certainly has a lot of bearing on East Asian states' thinking about the fate of their own region. As the former Malaysian prime minister Dr Mahathir himself admitted in Europe's German heartland: 'If you fall flat on your faces, then we do not have a free trade zone.'

East Asian countries are certainly applauding the rise of the euro and quietly switching some of their foreign reserves into euros. But are East Asian states now more optimistic than they would have been otherwise that there will one day be a common Asian currency? Certainly, the most important lesson from the dramatic turnaround in the euro's fortune is that optimism generates confidence and confidence generates even more optimism (i.e. because more people come to believe in the rise of the euro, the euro will rise, thus fuelling even more optimism). Therefore, if East Asian states were to draw any lesson from the rise of euro after the new currency had initially taken a veritable beating, it would be that even a fragmented region such as East Asia could unite into a powerful player (Europe was just as fragmented as East Asia sixty years ago, only a bit bloodier) (Lander 2003). Likewise, European states' voluntary submission of a part of their national sovereignty should give East Asian states the confidence that they can do just the same in the future.

### ***Devotion***

Great feats can be accomplished only with unflinching devotion. To realize the vision of an integrated East Asia, we will not only need East Asian states to devote political and financial capital for the goal, we will also need individuals with great devotion to the goal and backed by intellectual presence.

If we look back at the European experience, without leaders such as Churchill, Monnet and Schuman in the early years, plus the continuous strong commitment from two key countries (France and Germany), the integrated Europe we have today is unlikely to have emerged so early.

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In East Asia, with leaders such as the former Singaporean and Malaysian prime ministers, Lee Kuan Yew and Mahathir respectively, fading into obscurity and the former South Korean president, Kim Dae-jung, leaving behind a tarnished legacy, the region seems to be devoid of leaders with charisma, devotion and moral capital. Is East Asia therefore doomed?

The more interesting aspect of ASEAN's leadership in regional affairs should give us more confidence. In the past decade, while none of the ASEAN leaders as an individual played a 'transformational' role in regional affairs, the ASEAN states as a group were 'transformational': ASEAN succeeded in bringing all major powers into the ARF and constructing a better regional security environment before the 1997–98 financial crisis. The problem, of course, might be that ASEAN has yet to fully recover from this crisis, just when the grand project of regional integration demands more from it.

Therefore, it is crucial for South Korea and especially for ASEAN to retain the confidence that, despite the financial crisis, ASEAN remains a critical force in regional affairs. The fact that four ASEAN states – Indonesia, Malaysia, the Philippines and Thailand – are members of the 'Cairns Group', which was successful in bringing the agricultural trade issue to the forefront of the Uruguay Round trade negotiations (see above) should provide valuable lessons for ASEAN and South Korea in trying to bring China and Japan together (Higgott and Cooper 1990). Only with confidence in their ability to shape the region's future can ASEAN and Korea be expected to devote political capital to the task and persist in trying to realize it, despite expected hard bargaining and impasses.

### ***Pragmatism***

Despite the general conviction among regional states that regional integration under ASEAN+3 is good for them (and for the whole region), there seems to be great differences among different East Asian leaders' visions for the region.

One can detect at least three different visions for East Asian integration. For some, an integrated East Asia means a naturally developed trading bloc with the help from the powerful invisible hand of ever closer economic interdependence. For others, an integrated East Asia means a bloc, eventually with a set of consciously constructed rules governing the behaviour of member states (maybe not exactly like the EU, but at least similar to it). Finally, for some even a free trade zone is not a viable option for East Asia for the foreseeable future and ASEAN+3 is likely, therefore, to remain no more than a place for simply showing East Asian solidarity (versus others, the EU and NAFTA, say) (*Straits Times* 2002).

A healthy debate on the relative merits of these different visions is certainly necessary. But such a debate would not give us all the answers



to questions about the future of East Asian integration. Only real groundwork will tell us which is the best choice for the region. Countries in East Asia therefore must not take each other's visions as competing ends of regional integration, but rather as different paths or certain milestones towards a more integrated region.

Instead of debating which vision is the right one and holding up the real groundwork, ASEAN and Korea must be pragmatic. They must set a few deadlines for achieving some milestones along the road of the integration process (e.g. an ASEAN-China FTA in 2010, an Asian bond market in a not too distant future, etc.). They must then work hard to getting to these destinations on time. ASEAN+3 may move forward without a clear vision for a while (we can cross the river by feeling the stone), but it cannot survive without some outstanding achievements (this relates to the question of institutional bargaining) that make states believe in the enterprise's eventual success.

***Skill: a new set of skills from a new mindset***

Perhaps simply because of their geographic locations, the ASEAN countries and South Korea over the years have perfected the art of maintaining a delicate balance of power and demonstrated great dexterity in diplomacy. Most of their skills, however, will have to be retooled for the new task of regional integration if there is to be any chance of ASEAN and South Korea leading East Asia as a whole along the road towards a more integrated region.

First and foremost, the present endeavour requires the ASEAN states and Korea to change fundamentally their mindsets. In the past, these states tended to play major powers off against each other so that they could maintain a delicate balance among the major powers. Now they will have to play an entirely new role: that of facilitators or enforcers of cooperation between China and Japan in a regional context. Instead of preventing great powers from getting together and marginalizing middle powers' interest through collusion, ASEAN and Korea now must try to bring great powers together and make them work for a common regional interest. The ASEAN states must recognize that ASEAN as an economic bloc has no independent future. While ASEAN's formation of linkages with all kinds of external economic blocs may be self-gratifying, these merely reflect the fact that ASEAN cannot sustain itself without integrating into the larger East Asian bloc.

This task requires agents of ASEAN states and South Korea to be skilful diplomats not only for their own countries, but also at getting Japan and China to agree. They should bargain hard not only for their own countries' interests but also out of a sense of 'enlightened interest' in order to reach consensus among themselves and then get Japan and China to go along

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with them. When attempting to get China and Japan to agree on something, the ASEAN states and Korea have to behave as honest brokers in the interests of the whole region and avoid being perceived as unfairly targeting either Japan or China, although adding a dose of competition to Sino-Japanese relations to get China and Japan on board may not be an entirely bad thing.<sup>9</sup>

### ***Practical issue I: choosing the right path and generating positive feedback***

Because institution building is a path-dependent process, the ASEAN states and South Korea must be skilful in choosing the right path by setting and advancing the agenda (of course, with consultation with Japan and China). Or, to put it the other way around, taking the wrong way can severely hinder the institution-building process and waste tremendous amounts of (human, financial and political) capital. The worst outcome would be a lack of progress, which would generate a vicious cycle of incompetence and inattention, rendering the vision of integration through institution building meaningless.

As cooperation theory has argued, different issue areas (such as the arms race, trade, telecommunication standards) often have different strategic structures that will influence the bargaining process through which states reach cooperation (Oye 1986; Fearon 1998). It is therefore reasonable to assume that under ASEAN+3 it will be easier for states to reach agreement in some areas than in others.

Again, Young has made a significant contribution for guiding the selection of issue areas for jumpstarting the process of institution building through regime formation. He argues that international regime formation is more likely when (1) the issues at stake lend themselves to *contractarian* interactions; (2) arrangements exist that all participants can accept as equitable or fair rather than efficient; (3) salient solutions exist; and (4) clear-cut and effective compliance mechanisms are readily available (Young 1990: 366–374).

For the task of identifying issue areas for jumpstarting regime formation under ASEAN+3, ASEAN and Korea should learn from their own and other institutions' experiences of negotiation in multilateral settings and take the lead in identifying issue areas in which great chances exist for regional countries to agree on initial action.

In particular, regional states should first try to build upon existing multilateral agreements or initiatives, such as the currency-swap arrangement formulated under the Chiang Mai Initiative (CMI) in 2000. While this arrangement has yet to approach the vision of an 'Asian Monetary Fund', it does give regional states another tool with which to confront future emergencies and increases the bargaining leverage of regional states

versus the IMF in time of need. Making the arrangement work on a codified regional (right now, it is more on a bilateral) basis should give regional states more confidence that they can accomplish things through regimes and institutions.

Second, and most importantly, because there has been a clear difference in the success of regime formation in different issue areas, regional states have to identify issue areas in which regional states are more likely to agree so as to build momentum for institution building and foster trust between Japan and China. Possible areas include environmental protection, water management and liberalization measures in specific sectors. The possibility of an 'early harvest' agreement reducing tariffs on agricultural products between China and ASEAN, while limited in scope and scale for now, could also be a good starting point (*Lianhe Zaobao* 2002; *Straits Times* 2002).

Finally, regional states should also seriously consider launching a body for coordinating economic and monetary policies in member economies, especially in large economies such as Japan, China and South Korea. At the very least, these states should get their economic and financial policy makers under the same roof and make their policy-making processes known to other member states.<sup>10</sup> Workshops on policy making in individual countries should be offered for officials from all regional countries. While the role of supranational bodies in regime formation is still debatable, it is better to give them a chance.

All these efforts should be geared toward making institution building under ASEAN+3 a positive feedback process, making regional states more willing to cooperate by bringing cooperative benefits to member economies.

### ***Practical issue II: bringing Japan and China together, gradually***

The devolution of leadership to ASEAN and South Korea represents a temporary solution for achieving regional integration under ASEAN+3. Eventually, the success of ASEAN+3 depends upon a closer and much more cooperative relationship between Japan and China. Just as a European Union without cooperation between Germany and France is unimaginable, an East Asia without constructive cooperation between Japan and China has no future.

Japan and China will ultimately have to come around if the East Asian states are to achieve something together. Unfortunately, with domestic constraints on both sides, Japan and China seem unable to transcend their historical bitterness and forge a more productive relationship. Despite their deep economic interdependence, the two countries continue to view each other more as rivals than as potential partners. If they are to get together, Japan and China have to do at least a few things.

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First, they have to recognize that ASEAN+3 represents the best and the last chance for realizing regional integration in East Asia. If, after the East Asian Economic Caucus (EAEC), AMF and various other unsuccessful projects, ASEAN+3 cannot succeed, what else can East Asia turn to? The answer is absolutely nothing. It is therefore imperative, simply out of political necessity, that Japan and China recognize that they will have to cooperate with each other. With their own future fatefully tied to the future of East Asian integration, they must shoulder the responsibility. For that, Japan and China have to do their own part.

Second, Japan has to face the dark side of its past with courage and dignity. It has to understand that it will be difficult for a nation that cannot overcome its 'inner demons' to become a normal nation, no matter how hard it tries. This is because a state's self-image is not a sole product of its self-imagination, but has to be confirmed by its interactions with other states. In this sense, Japan has to learn from Germany and initiate an official policy of trying to reach successful reconciliation with its past victims, just as Germany did (Feldman 1993; Akermann 1994). Only then could Japan be accepted as a natural leader of Asian affairs and have a more constructive relationship with China and other regional states.

Third, given that Japan is nonetheless unlikely to go back to its militarist past and become an expansionist power again, China's media and elite have the responsibility of making its own people aware of this fact. On this account, China also has a lot of work to do.

Finally, both Japan and China have to forsake their illusion of singularly dominating the region: neither of them can. East Asia is a region with simply too much external presence for a single regional power to be able to hope to achieve dominance. Moreover, while the call for Japan to become a 'Great Britain in the Far East' (an off-shore balancer against continental powers) makes strategic sense (Asher 2001), it makes no economic sense at all. Therefore, Japan and China must understand that competition for regional dominance will not only be a waste of precious resources, but also a waste of precious time, although competition to liberalize trade and facilitate integration may be a good thing.<sup>11</sup>

Fundamentally, East Asian integration depends on whether Japan and China can recognize the political necessity of cooperating with each other even though it may not be psychologically comfortable for them to do so. What ASEAN+3 can do is to bring Japan and China together under a multilateral framework, and get them, with prodding from the ASEAN states and South Korea, to learn how to cooperate. Regional states must keep in mind that only if they can bring Japan and China together will their efforts to forge closer regional integration eventually pay off. Indeed, the leadership supplied by ASEAN and South Korea must be measured partly by how successful they prove in bringing Japan and China together.

### **Conclusion: Changing mindsets by learning to cooperate**

Finally, we come down to an area that has been relatively under-discussed in multilateral organizations: mental barriers. Reaching for the goal of regional integration in East Asia requires a fundamental change of mentality for all states in the region.

First, Japan and China have to recognize that because the two countries will not be able to overcome their mutual suspicion anytime soon, working together and learning how to cooperate under a multilateral framework is the best way for them to build more trust, pay less attention to relative gains, and eventually achieve a more constructive bilateral relationship. They should therefore try to work together more rather than going their separate ways.

Second, while China and Japan have to assure regional states that they do not seek regional hegemony, regional states also have gradually to recognize that persistent mistrust of China and Japan's intentions will be counterproductive at some point. While expressing suspicion of China's and Japan's intentions may be good for short-term gains by squeezing more concessions from the two leading states, their goodwill will have a limit.

Other regional states must therefore make concrete efforts to let Japan and China know that regional states do appreciate the two states' goodwill gestures.<sup>12</sup> Moreover, regional states must also be prepared to offer Japan and China leading voices in some critical issues, once the institution-building process has gained momentum and the two states have reached a more constructive *modus vivendi*. Trust must be mutual: when Japan and China are willing to trust regional states, regional states must be willing to trust Japan and China more.

Last, contrary to the fear of the political class in some ASEAN states, especially Singapore (Lee 2002; Yeo 2001), that a more integrated East Asia will mean the withdrawal of the US from the region (therefore leading to their submission by Japan and China), the chance of this fear materializing is very remote. Not only are there institutions such as APEC keeping the US permanently (and hopefully constructively) engaged in the region, but also neither China nor Japan wants to exclude the US from the region. Harboring such a fear can only prevent ASEAN states from taking a leadership role in pushing regional integration. The worst scenario for East Asia is not one in which an integrated region is dominated by China or Japan, neither of which would be able to dominate it, but rather one in which there is no regional integration at all.

In the end, the future of ASEAN+3 does not depend on what ASEAN+3 has done so far – it depends on what the ASEAN+3 member states choose to do in the future. For optimists, ASEAN+3 can achieve great things if member states have the requisite political will and wisdom. For pessimists

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(see, for example, Ravenhill 2002), ASEAN+3 has no future even if member states try because East Asia is simply not (Western) Europe. I would opt for the former position and hope the region can get together in time to deal with the next crisis – because new crises will come.

**Notes**

- 1 ASEAN+3 includes the ten Association of Southeast Asian Nations (ASEAN) member states and three Northeast Asian countries (Japan, South Korea and China). East Asia refers to Southeast and Northeast Asia.
- 2 Max Weber espoused the concept of the ‘charismatic leader’, whom he defined as ‘set apart from ordinary men and treated as endowed with supernatural, superhuman, or at least . . . exceptional powers and qualities . . . which are not accessible to the ordinary person but are regarded as of divine origin as a leader’ (Weber 1947: 358–359).
- 3 The discussion on the ‘democratic deficit’ in international institutions is closely related to this issue, although it does not directly address the issue of leadership inside institutions or during institution building. The author thanks Iain Johnston for bringing out this issue. For contributions to the debate on the democratic deficit, see Keohane and Nye 2002: 219–244 and Coleman and Porter (n.d.).
- 4 In contrast to Young, Keohane (1984) argued that hegemony is necessary for building an institution, although not necessary for maintaining the institution, thus the title of his book: *After hegemony*. Lake (1993) has developed an incisive critique of the ‘hegemony theory’.
- 5 Hence, the ultimate failure of distributive bargaining may be just living with the uncomfortable *status quo*, while the ultimate failure of institutional bargaining will be never realizing the future benefit embedded in a successful agreement (Young 1990: 361–366).
- 6 International conflict resolution or reconciliation, defined as the process through which former opponents reshape their hostile relationship into a stable peace, is different from conflict termination or settlement. Conflict termination or settlement does not necessarily lead to reconciliation, and sometimes may actually lay the seeds for another round of conflict (e.g. the Versailles Treaty). Only a successful reconciliation can guarantee peace. On this issue, see Akermann 1994 and Feldman 1993.
- 7 Formed in 1986 with 14 members, the Cairns Group meanwhile has 18 members: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.
- 8 ‘Vision’ is not included because the leader does not have to be a visionary in a strategic sense. Instead, he must be more an operator than a visionary, although he may have to be very creative in getting things done.
- 9 For instance, the quickening pace of negotiating an FTA between South Korea and China may force Japan’s hands (Kim 2002).
- 10 Initiatives such as the ‘China-ASEAN Macroeconomic Policy Forum’ resemble this idea (*Xinhua News Agency* 2002).
- 11 Thus, one should not view the competition between Japan and China to woo ASEAN countries as a completely bad thing if it leads to an accelerated pace of integration.
- 12 China’s recent moves such as forming an FTA with ASEAN, signing a declaration on the ‘Code of Conduct’ with ASEAN concerning the South China Sea, and joining the Treaty of Amity and Cooperation in Southeast Asia have been designed to assure ASEAN states of China’s goodwill. In contrast, Japan is perhaps causing more anxieties about the nature of its intentions.

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