

The Political Economy of the Asia Pacific

Vinod K. Aggarwal  
Kristi Govella *Editors*

# Linking Trade and Security

Evolving Institutions and Strategies  
in Asia, Europe, and the United States



Springer

# The Political Economy of the Asia Pacific

*Series Editor*

Vinod K. Aggarwal

For further volumes:  
<http://www.springer.com/series/7840>

Vinod K. Aggarwal · Kristi Govella  
Editors

# Linking Trade and Security

Evolving Institutions and Strategies in Asia,  
Europe, and the United States

 Springer

*Editors*

Vinod K. Aggarwal  
Berkeley APEC Study Center (BASC)  
University of California  
Berkeley, CA  
USA

Kristi Govella  
Department of Political Science  
University of California  
Berkeley, CA  
USA

ISSN 1866-6507

ISSN 1866-6515 (electronic)

ISBN 978-1-4614-4764-1

ISBN 978-1-4614-4765-8 (eBook)

DOI 10.1007/978-1-4614-4765-8

Springer New York Heidelberg Dordrecht London

Library of Congress Control Number: 2012942719

© Springer Science+Business Media New York 2013

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed. Exempted from this legal reservation are brief excerpts in connection with reviews or scholarly analysis or material supplied specifically for the purpose of being entered and executed on a computer system, for exclusive use by the purchaser of the work. Duplication of this publication or parts thereof is permitted only under the provisions of the Copyright Law of the Publisher's location, in its current version, and permission for use must always be obtained from Springer. Permissions for use may be obtained through RightsLink at the Copyright Clearance Center. Violations are liable to prosecution under the respective Copyright Law.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

While the advice and information in this book are believed to be true and accurate at the date of publication, neither the authors nor the editors nor the publisher can accept any legal responsibility for any errors or omissions that may be made. The publisher makes no warranty, express or implied, with respect to the material contained herein.

Printed on acid-free paper

Springer is part of Springer Science+Business Media ([www.springer.com](http://www.springer.com))

# Preface

Although the relationship between trade and security has been a matter of long-standing interest, the ways that countries link these two spheres in their international negotiations is now ripe for further examination. With problems in the Doha Development Round of the World Trade Organization (WTO), states are increasingly engaged in the active pursuit of bilateral and unilateral trade accords, resulting in a much more complex web of trade arrangements. Moreover, the relatively recent appearance of “non-traditional” security issues such as labor and the environment has further complicated the nexus between trade and security. Many of these dynamics are most obvious in the context of the Asia-Pacific, which is the focus of this volume.

This book addresses several key gaps in the literature: (1) the concept of “non-traditional” or “human” security as a driver and potential result of trade arrangements, independent of and distinct from “traditional” security concerns; (2) the role of different types of trade arrangements in defining the nature of security-trade linkages; and (3) the effects that trade arrangements have on the security environment. In particular, we connect the experiences of the EU and US with those of the Asian region in order to draw larger insights about the interplay between trade and security. A more nuanced understanding of trade-security linkages represents a step forward for contemporary international relations scholarship, much of which still deals with these spheres as artificially separate entities.

This project benefited from generous grants from the Center for Global Partnership and the Korea Foundation. The funds we received allowed us to host two conferences with all of the authors of the chapters in this volume, and most importantly, to get feedback from discussants and observers that allowed the writers to revise their papers for this volume. At our meeting in Berkeley in December 2010, the participants benefited from the insightful comments of Crystal Chang, Beverly Crawford, Nina Kelsey, Sara Newland, Seung-Youn Oh, Dan Mattingly, and Robert Stern. These scholars provided detailed critiques of each of the papers and engaged in lively discussion during the question and answer periods that greatly benefitted the paper writers.

Revised drafts were prepared in advance of the second conference, which was held at the East–West Center in Honolulu, Hawaii on August 11–12, 2011. We are particularly grateful to Nancy Lewis and Charles Morrison for their help in hosting the conference. A number of distinguished academics were invited to give comments on the papers, including Beverly Crawford, Lonny Carlile, Eric Harwit, Christopher McNally, Michael Plummer, Sherrie Stephenson, and Shujiro Urata.

The Berkeley APEC Study Center staff provided crucial support throughout the project and book manuscript preparation. Sara Newland has ably managed the publication process and provided essential assistance with organizing the conferences. A number of undergraduates who work at the center as part of the Berkeley Undergraduate Research Apprenticeship program provided invaluable assistance at all stages. We are particularly grateful to Daniel Chen, Do-Hee Jeong, Ren Yi Hooi, Jake Lerner, Cindy Li, Adam Motiwala, Alex Newhall, Ivy Ngo, and Peter Volberding for their general support and editorial work. We are also indebted to the Ron and Stacy Gutfleish Foundation for their generous annual contributions to support BASC's work.

Finally, we would like to thank Jon Gurstelle of Springer Verlag for his help and support. We, of course, remain responsible for any errors or omissions.

Berkeley, California

Vinod K. Aggarwal  
Kristi Govella

# Contents

|          |   |            |
|----------|---|------------|
| <b>1</b> | <b>The Trade-Security Nexus in the Asia-Pacific</b> . . . . .   | <b>1</b>   |
|          | Vinod K. Aggarwal and Kristi Govella  |            |
| <b>2</b> | <b>Global Trade Linkages: National Security and Human Security</b> . . .  | <b>23</b>  |
|          | David Vogel   |            |
| <b>3</b> | <b>APEC and Security</b> . . . . .  | <b>49</b>  |
|          | John Ravenhill  |            |
| <b>4</b> | <b>Trade and Human Security in ASEAN:<br/>Toward Deeper Linkage?</b> . . . . .  | <b>67</b>  |
|          | Jonathan T. Chow  |            |
| <b>5</b> | <b>The ASEAN+‘X’ Framework and its Implications<br/>for the Economic-Security Nexus in East Asia</b> . . . . .            | <b>89</b>  |
|          | Min Gyo Koo   |            |
| <b>6</b> | <b>The Shanghai Cooperation Organization:<br/>The Security-Economics Nexus</b> . . . . .                                  | <b>111</b> |
|          | Ming Wan  |            |
| <b>7</b> | <b>The Economy-Security Nexus in East Asian FTAs</b> . . . . .  | <b>135</b> |
|          | Seungjoo Lee  |            |
| <b>8</b> | <b>Bilateral Trade Agreements and Human Security in Asia</b> . . . . .  | <b>157</b> |
|          | Atsushi Yamada  |            |
| <b>9</b> | <b>Linking Traditional and Non-Traditional Security in Bilateral<br/>Free Trade Agreements: The US Approach</b> . . . . . | <b>175</b> |
|          | Vinod K. Aggarwal   |            |

**10 The Trade Do-Gooder? Linkages in EU Free Trade Agreement Negotiations . . . . . 201**  
Anders Ahnlid

**11 Trade Linkages to Traditional and Non-Traditional Security: Lessons and Prospects . . . . . 223**  
Vinod K. Aggarwal and Kristi Govella

**Index . . . . . 245**



# Contributors

**Vinod Aggarwal** is Professor of Political Science, Affiliated Professor at the Haas School of Business, and Director of the Berkeley APEC Study Center at the University of California at Berkeley. He is also a Global Scholar at Chung-Ang University.

**Anders Ahnlid** is Sweden's Ambassador to the OECD and UNESCO and former Director General for Trade in the Ministry for Foreign Affairs (2005-2011).

**Jonathan T. Chow** is Visiting Assistant Professor in the Department of Political Science at Reed College.

**Kristi Govella** is Ph.D. candidate in Political Science at the University of California at Berkeley.

**Min Gyo Koo** is Associate Professor in the Graduate School of Public Administration at Seoul National University.

**Seungjoo Lee** is Professor of Political Science and International Relations at Chung-Ang University.

**John Ravenhill** is Head of the School of Politics and International Relations, Research School of Social Sciences, Australian National University.

**David Vogel** is Professor in the Department of Political Science and the Haas School of Business at the University of California at Berkeley.

**Ming Wan** is Professor of Government and Politics at George Mason University.

**Atsushi Yamada** is Professor of International Relations at the School of International and Public Policy at Hitotsubashi University.

## Abbreviations

|         |  |
|---------|--|
| 3R      | Reduce, Reuse, Recycle   |
| ABAC    | APEC Business Advisory Council   |
| ABMI    | Asian Bond Market Initiative   |
| ACFTA   | ASEAN-China Free Trade Agreement   |
| ACP     | African, Caribbean and Pacific countries                                 |
| ADB     | Asian Development Bank   |
| AEC     | ASEAN Economic Community   |
| AFAS    | ASEAN Framework Agreement on Services                                    |
| AFC     | Asian Financial Crisis   |
| AFL-CIO | American Federation of Labor and Congress<br>of Industrial Organizations |
| AFTA    | ASEAN Free Trade Area  |
| AIC     | ASEAN Industrial Complementation   |
| AICHER  | ASEAN Intergovernmental Commission on Human Rights                       |
| AIJV    | ASEAN Industrial Joint Ventures  |
| AIP     | ASEAN Industrial Projects  |
| AIPAC   | American Israel Public Affairs Committee                                 |
| AMF     | Asian Monetary Fund  |
| APEC    | Asia-Pacific Economic Cooperation  |
| APIAN   | APEC International Assessment Network                                    |
| APNet   | Asia-Pacific Network for Energy Technology                               |
| APT     | ASEAN Plus Three   |
| APTERR  | ASEAN Plus Three Emergency Rice Resources                                |
| ARF     | ASEAN Regional Forum   |
| ARIC    | Asia Regional Integration Center   |
| ARPDM   | ASEAN Regional Programme on Disaster Management                          |
| ASEAN   | Association of Southeast Asian Nations                                   |
| ASEM    | Asia-Europe Meeting  |
| BBC     | Brand-to-Brand Complementation   |

|              |   |
|--------------|---|
| CAFE         | Corporate Average Fuel Economy  |
| CBD          | Convention on Biological Diversity  |
| CCP          | Chinese Communist Party   |
| CEO          | Chief Executive Officer   |
| CEP          | Closer Economic Partnership agreement   |
| CEPEA        | Comprehensive Economic Partnership Agreement<br>in East Asia                              |
| CEPT         | Common Effective Preferential Tariff  |
| CFSP         | Common Foreign and Security Policy (EU)   |
| CICA         | Conference on Interaction and Confidence-Building<br>Measures in Asia                     |
| CIS          | Commonwealth of Independent States  |
| CITES        | Convention on International Trade in Endangered Species<br>of Wild Flora and Fauna        |
| CMI          | Chiang Mai Initiative   |
| CMP          | Conference of the Parties serving as the Meeting<br>of the Parties to the Kyoto Protocol  |
| COCOM        | Coordinating Committee for Multilateral Export Controls                                   |
| COP          | Conference of the Parties of the United Nations Framework<br>Convention on Climate Change |
| COREPER      | Committee of Permanent Representatives (EU)   |
| CSO          | Civil Society Organization  |
| CSR          | Corporate Social Responsibility   |
| CSTO         | Collective Security Treaty Organization   |
| CTE          | Committee on Trade and the Environment  |
| CUFTA/CUSFTA | Canada–US Free Trade Agreement  |
| DCFTA        | Deep and Comprehensive Free Trade Agreement   |
| DDA          | Doha Development Round  |
| DR-CAFTA     | Dominican Republic-Central America Free Trade Agreement                                   |
| EAC          | East Asian Community  |
| EAEC         | East Asia Economic Caucus   |
| EAEG         | East Asian Economic Group   |
| EAFTA        | East Asian Free Trade Area  |
| EAS          | East Asia Summit  |
| EASG         | East Asia Study Group   |
| EAVG         | East Asia Vision Group  |
| ECOTECH      | Economic and Technical Cooperation  |
| EEC          | European Economic Community   |
| EFTA         | European Free Trade Association   |
| EHP          | Early Harvest Program   |
| EPA          | Economic Partnership Agreement  |
| ERIA         | Economic Research Institute for ASEAN and East Asia                                       |
| ECSC         | European Coal and Steel Community   |
| ETITF        | Energy Trade and Investment Task Force  |
| EU           | European Union  |

|           |  |
|-----------|--|
| EWG       | Energy Working Group                                     |
| FDI       | Foreign Direct Investment                                |
| FTA       | Free Trade Agreement                                     |
| FTAA      | Free Trade Area of the Americas                          |
| FTAAP     | Free Trade Area of the Asia Pacific                      |
| GATT      | General Agreement on Tariffs and Trade                   |
| GATS      | General Agreement on Trade in Services                   |
| GCC       | Gulf Cooperation Council                                 |
| GDP       | Gross Domestic Product                                   |
| GM        | Genetically Modified                                     |
| GMO       | Genetically Modified Organism                            |
| GSP       | General System of Preferences                            |
| HPA       | Hanoi Plan of Action                                     |
| HTF       | Health Task Force  |
| HWG       | Health Working Group                                     |
| ICAO      | International Civil Aviation Organization                |
| IEA       | International Energy Agency                              |
| ILO       | International Labor Organization                         |
| IMF       | International Monetary Fund                              |
| IMO       | International Maritime Organization                      |
| ITA       | Information Technology Agreement                         |
| ITO       | International Trade Organization                         |
| JACEPA    | Japan-ASEAN Comprehensive Economic Partnership Agreement |
| JICA      | Japan International Cooperation Agency                   |
| JIEPA     | Japan-Indonesia Economic Partnership Agreement           |
| JPEPA     | Japan-Philippine Economic Partnership Agreement          |
| KORUS FTA | South Korea-US FTA                                       |
| KP        | Kimberly Process   |
| MAFF      | Ministry of Agriculture, Forestry and Fisheries (MAFF)   |
| MANPADS   | Man-Portable Air Defense Systems                         |
| MEA       | Multilateral Environmental Agreement                     |
| MERCOSUR  | Southern Common Market                                   |
| METI      | Ministry of Economic, Trade and Industry (Japan)         |
| MFA       | Multi-Fiber Arrangement                                  |
| MFN       | Most Favored Nation                                      |
| MHLW      | Ministry of Health, Labor and Welfare (Japan)            |
| MMPA      | Marine Mammal Protection Act                             |
| MOA       | Ministry of Agriculture (China)                          |
| MOF       | Ministry of Finance (Japan)                              |
| MOFA      | Ministry of Foreign Affairs (Japan, China)               |
| MOJ       | Ministry of Justice (Japan)                              |
| NAFTA     | North American Free Trade Agreement                      |
| NAM       | National Association of Manufacturers (US)               |
| NATO      | North Atlantic Treaty Organization                       |

|        |  |
|--------|--|
| NEACI  | Northeast Asian Cooperation Initiative                 |
| NGO    | Non-Governmental Organization                          |
| NLD    | National League of Democracy                           |
| NPT    | Non-Proliferation Treaty                               |
| OECD   | Organization for Economic Co-operation and Development |
| OEM    | Original Equipment Manufacturer                        |
| OPEC   | Organization of the Petroleum Exporting Countries      |
| OPTAD  | Organization for Pacific Trade and Development         |
| OSCE   | Organization for Security and Cooperation in Europe    |
| PAFTA  | Pacific Free Trade Area                                |
| PAFTAD | Pacific Trade and Development Conference               |
| PECC   | Pacific Economic Cooperation Conference                |
| PPM    | Process Production Method                              |
| PTA    | Preferential Trade Agreement                           |
| REEEP  | Renewable Energy & Energy Efficiency Partnership       |
| SAA    | Stabilization and Association Agreement                |
| SARS   | Severe Acute Respiratory Syndrome                      |
| SCO    | Shanghai Cooperation Organization                      |
| SOME+3 | ASEAN Plus Three Senior Officials Meeting on Energy    |
| SPS    | Sanitary and Phytosanitary Standard                    |
| STAR   | Secure Trade in the APEC Region                        |
| TAA    | Trade Adjustment Assistance                            |
| TAC    | Treaty of Amity and Cooperation                        |
| TBT    | Technical Barriers to Trade                            |
| TIFA   | Trade and Investment Framework Arrangement             |
| TPA    | Trade Promotion Authority                              |
| TPP    | Trans-Pacific Partnership                              |
| TRIPS  | Trade Related Aspects of Intellectual Property         |
| UMNO   | United Malays National Organization                    |
| UN     | United Nations   |
| UNEP   | United Nations Environmental Programme                 |
| USITC  | United States International Trade Commission           |
| USTR   | United States Trade Representative                     |
| VAP    | Vientiane Action Program                               |
| WMD    | Weapons of Mass Destruction                            |
| WTO    | World Trade Organization                               |

# Chapter 1

## The Trade-Security Nexus in the Asia-Pacific

Vinod K. Aggarwal and Kristi Govella

### 1.1 Introduction

The connections between trade and security are hardly new. Analysts and practitioners have clearly recognized this interrelationship since the mercantilist era of the sixteenth and seventeenth centuries. Despite the fact that economic liberals often prefer to separate the political from the economic, it is widely recognized that trade and security are fundamentally interconnected in the foreign policy of states. Over time, as new forms of trade policy have come into being and the international security environment has evolved, the nexus of these two spheres has grown more complex and scholars have struggled to understand their interconnection.

Much of the research on the relationship between trade and security has focused on whether economic interdependence reduces interstate conflict—or, inversely, on whether conflict affects aggregate trade levels. A large and well-established literature has debated the first question. While many scholars find that trade does indeed reduce conflict, some maintain that trade has no effect at all.<sup>1</sup> Over the

---

<sup>1</sup> For arguments that trade reduces conflict, see for example Bearce and Fisher (2002); Jungblut and Stoll (2002); Keshk et al. (2004); Maoz (2009); Oneal et al. (2003); and Souva and Prins (2006). Those who claim that trade dependence has no effect include Goenner (2004); Kim and Rousseau (2005); Pevehouse (2004); and Ward et al. (2007).

---

V. K. Aggarwal (✉) · K. Govella  
University of California, Berkeley, CA 94720, USA  
e-mail: vinod@berkeley.edu

K. Govella  
e-mail: kgovella@berkeley.edu

years, researchers have brought increasingly sophisticated statistical tools to bear on these questions, but disagreement still persists; the answer to the question seems to depend in part on how one defines “trade” and “conflict” and what cases one considers relevant.<sup>2</sup> In the smaller body of work that looks at the effects of conflict on trade, the findings are similarly mixed; while most argue that conflict negatively affects trade, a few claim that there is no systematic relationship between the two.<sup>3</sup> Another interpretation of this question has looked at the effect of alliances on trade, asking whether military allies are likely to trade more with one another than with non-allies. Most findings suggest that trade does not always “follow the flag”—the effects of alliances on trade depend on factors such as the type of alliance or the type of trade.<sup>4</sup>

In this volume, we look at a different class of trade activity: trade agreements. There is now a growing literature that considers the linkages between trade and security, particularly with respect to preferential trade agreements (PTAs). For example, Richard Higgott writes about the so-called “securitization” of trade with respect to American motivations for concluding bilateral agreements, Ann Capling considers the current negotiations on an Australia-Japan PTA from a foreign policy perspective, and John Ravenhill analyzes the role of security and political factors in PTAs across the western Pacific (Capling 2008; Higgott 2004; Ravenhill 2008). A number of scholars have also done work illuminating the political and security motivations of China’s trade policies.<sup>5</sup> The role of political factors in driving PTAs is becoming increasingly accepted (Cattaneo 2009; Pang 2007; Wesley 2008; White 2005). Moreover, once in place, the resulting agreements, even if originally motivated by economic considerations, may have significant security implications. For example, Edward Mansfield and Jon Pevehouse argue that parties to the same PTA are less prone to disputes than other states (Mansfield and Pevehouse 2000). Kathy Powers argues that trade agreements can be useful in reducing conflict when they include military alliance commitments (Powers 2004, 2006). Emilie Hafner-Burton finds that PTAs can improve the human security environment by giving participants incentives to observe human rights principles (Hafner-Burton 2005). Since most of these PTAs have been concluded relatively recently, it is difficult to come to conclusive findings, but evidence suggests that the security impacts of these agreements may be quite diverse and complex.

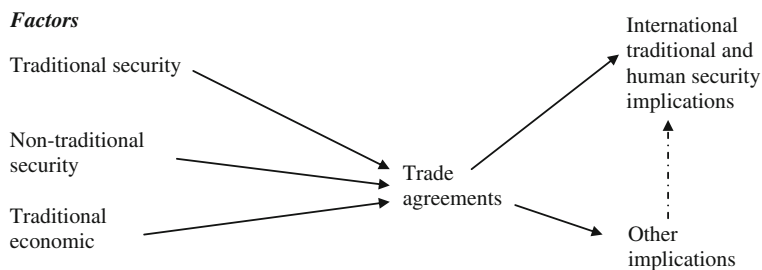
---

<sup>2</sup> For example, Gartzke and Li (2003a, b) show that alternative variable constructions and model specifications are sometimes sufficient to account for discrepant findings. Barbieri et al. (2009) show that results vary depending on how researchers handle missing data in their analyses. Dorussen (2006) argues that “what you trade matters,” showing that conflict affects some sectors more than others and calling into question studies using aggregate trade data.

<sup>3</sup> Those who argue that conflict disrupts trade include Anderton and Carter (2001) and Oneal et al. (2003). Barbieri and Levy (2001) directly challenge the latter, claiming that there is no systematic relationship between war and trade.

<sup>4</sup> See for example, Gowa and Mansfield (2004); Long (2003); and Long and Leads (2006).

<sup>5</sup> See for example, Hoadley and Yang (2007) and Sheng (2003).



**Fig. 1.1** Origins and implications of trade measures

In this book, we build on this literature by examining the influence of security factors in driving trade policy measures and the corresponding implications of different types of trade arrangements for international security, broadly defined. In particular, we address several key gaps in the existing literature. First, our examination of security includes “non-traditional” or “human” security factors in addition to traditional military security considerations. Second, we examine the role of different *types* of trade arrangements (i.e. global, unilateral, or bilateral as well as other dimensions such as organizational structure) in influencing the nature of security-trade linkages; too often, these diverse arrangements have been lumped into a single analytical category that obscures detailed analysis. Third, we look at both sides of the trade-security relationship; after investigating the effects of security on trade, we take the additional step of illuminating the effects that trade arrangements themselves have on the security environment. Our attention to these three issues allows us to produce a comprehensive and differentiated analysis of the complex web of trade and security relationships currently permeating the Asia-Pacific.

In order to tackle this ambitious task, chapter writers conduct detailed case studies of the key trade institutions and agreements affecting the Asian region: the World Trade Organization (WTO), the Association of Southeast Asian Nations (ASEAN), ASEAN Plus Three (APT), the East Asia Summit (EAS), the Asia-Pacific Economic Cooperation (APEC) forum, the Shanghai Cooperation Organization (SCO), and bilateral preferential trade agreements. As a region where economics is increasingly important but many unresolved security issues still linger, Asia presents an ideal setting in which to test theories about the ways that trade agreements are linked to different types of security. We also put the Asian experience in comparative perspective through examination of how the US and EU have used their trade policies to achieve non-economic goals and how these policies have influenced their security environment.

Our basic conceptual approach is laid out in Fig. 1.1 above, which illustrates that several elements—traditional economic factors, traditional security factors, and human security factors—can affect the development of trade agreements and unilateral policies. It also shows that trade policies may have both a direct and an indirect effect on traditional and human security as indicated by the dotted line. Although this process is obviously complex, a systematic analysis of each part of



this framework helps us to understand the effects of different types of trade arrangements on the international security environment.

Section 1.2 of this chapter begins by explaining the broad definition of security that we employ in this volume, reviewing the distinction between traditional, non-traditional, and human security as commonly discussed in the academic literature. In Sect. 1.3, we classify and examine both the variety of trade accords that have been negotiated as well as unilateral measures undertaken by states with a focus on the Asia–Pacific. In Sect. 1.4, we present a framework for looking at linkage strategies. Section 1.5 then considers the role of security in both driving trade policy measures and the implications of different types of arrangements for international security and introduces the case studies done by the chapter writers. We reserve the discussion of our findings for the conclusion of this volume. As a caveat, in view of the relatively recent conclusion of many types of trade agreements, particularly bilateral PTAs and new unilateral measures taken during the financial crisis, examining the impact of such accords is necessarily speculative.

## 1.2 Broadening the Definition of Security

While existing scholarship has primarily focused on “traditional” security concerns—defined narrowly as the military defense of state interests and territory—it has become apparent that this notion of security is too restrictive to capture the diversity of threats in an increasingly globalized world. Consequently, in this volume, we address not only traditional security but also a broader range of issues that fall under the umbrella of “non-traditional” or “human” security.<sup>6</sup>

Non-traditional security and human security are related but distinct concepts. Human security represents a radical break with traditional security in that it shifts the focus from threats to the state to threats to the *individual*; it is based on the argument that there can be no secure state with insecure people living in it (Oberleitner 2005). The 1994 United Nations *Human Development Report* includes elements such as “safety from chronic threats such as hunger, disease, and repression, as well as protection from sudden and harmful disruptions in patterns of daily life” in its influential and expansive definition of human security (United Nations Development Programme 1994). While some academics have criticized human security for its vague and imprecise nature, others have endeavored to find concrete measures and indicators with which to analyze it (Burger 2004; Iqbal 2006; King and Murray 2001–2002; Matlary 2006).<sup>7</sup>

The related concept of “non-traditional” security also embraces a broader range of security issues; however, rather than focusing on the security of the individual, non-traditional security tends to maintain a focus on the protection of state

---

<sup>6</sup> For a useful discussion and comparison of traditional and human security see Tow and Trood (2000).

<sup>7</sup> For critiques, see for example, Paris (2001).

sovereignty. As a result, non-traditional security represents a less dramatic departure from the traditional security; the two differ primarily in that non-traditional security includes non-military threats such as terrorism, transnational crime, piracy, and cyberattacks (Arase 2010). Consequently, while treatments of human security and non-traditional security often include much of the same substantive material, their motivating ideas are quite different. In this volume, both terms are used to describe and analyze the various types of trade agreements affecting Asia.

Both non-traditional security and human security have received increased scholarly attention since the end of the Cold War. Since threats to human or non-traditional security often transcend national borders, they would seem to be a natural driver of interstate cooperation. A growing body of descriptive work has looked at the way that issues such as pandemic disease and natural disasters have led to increased regional and international collaboration. Moreover, groups have increasingly chosen to actively “securitize” such issues in order to obtain state attention and funding (Caballero-Anthony et al. 2006; Curley and Wong 2008).

In our discussion of various trade agreements in this volume, it is clear that traditional security continues to play a more significant role than non-traditional security in terms of linkages to trade. To date, there has been little evidence of human security issues as a primary driver of the formation of trade arrangements; however, these issues have been included on the agenda of every Asian regional organization, as well as in some PTAs and in the WTO (Govella 2007).<sup>8</sup> The advent of natural disasters and pandemics has been an important catalyst for regional cooperation within existing organizations, as in the case of the 2003 SARS epidemic and the 2004 Indian Ocean tsunami, and despite their sometimes antagonistic relationships with one another, the countries of Asia have often been able to use cooperation in the non-traditional security arena as an important means of confidence-building.<sup>9</sup> For example, minilateral trade forums in Asia such as APEC and the East Asia Summit have taken steps to deal with issues such as pandemic diseases, natural disasters, energy security, and the environment even when their progress on economic issues has been stymied. In addition, it is plausible that these organizations have benefited non-traditional security more tangibly than they have impacted traditional security, since it is often easier for Asian countries to cooperate on non-traditional security issues than on trade or traditional security.

### 1.3 Conceptualizing the Variety of Trade Agreements

The post-World War II period has been marked by a host of measures to regulate and liberalize trade flows. The Asian region in particular has seen much growth in trade-

---

<sup>8</sup> See also the chapter by Yamada in this volume.

<sup>9</sup> This idea is explicit in the strategy of the ASEAN Regional Forum, which outlines a three-stage process: (1) promotion of confidence building; (2) development of preventive diplomacy; and (3) elaboration of approaches to conflict.

related organizations and agreements; although ASEAN was the only regional institution in Asia for over two decades after its creation in 1967, it was subsequently joined by APEC (1989), ASEAN Plus Three (1997), and the East Asia Summit (2005) and by an explosion of bilateral preferential trade agreements in the 2000s. Despite the diverse membership and domains of these arrangements, analysts have often conflated and used them synonymously. For example, the term “regional agreement,” commonly used by the WTO as a contrast with multilateral arrangements, has been used to refer to such widely disparate accords such as APEC, the Asia Europe Meeting (ASEM), the North American Free Trade Agreement (NAFTA), interregional and transregional bilateral free trade agreements, and even sectoral agreements such as the Information Technology Agreement (ITA).<sup>10</sup>

This conceptual ambiguity and under-differentiation of the dependent variable makes it more difficult to develop causal arguments to account for specific outcomes, and for the purposes of this chapter, to adequately understand both the role of security considerations in driving different types of accords and the implications for security of the trade arrangements that have been concluded.

To analytically conceptualize different types of trade arrangements, we focus on several dimensions: the number of participants involved in an agreement, geographical scope, and organizational structure. We define the number of participants in terms of unilateral actions and bilateral, minilateral, and multilateral accords. Bilateral accords refer to arrangements between two countries and minilateral to more than two but less than relatively global membership coverage.<sup>11</sup> Geographical scope distinguishes between arrangements that are concentrated geographically and those that bind states across great distances. Finally, one can also look at the degree of institutionalization or strength of agreements.<sup>12</sup> Table 1.1 summarizes a typology of trade agreements with illustrative examples for the Asia–Pacific (where such measures exist) based on number of participants and geographical scope. All of the agreements included are multiproduct, although sector-specific agreements also exist for each of the categories (see Aggarwal 2001).

*Unilateral* actions as in cell 1 include unilateral liberalization measures taken by Australia, New Zealand, Chile, Hong Kong, and Singapore. Although we do not examine these types of actions in this project, they can be quite important; the most important unilateral market-closing measures were taken by the US, with the

---

<sup>10</sup> See for example, Mansfield and Milner (1999, 592), who recognize the problematic nature of the term “regionalism” but then proceed to use this term in their analysis. An earlier version of the analytical distinction in this section was first developed in Aggarwal (2001).

<sup>11</sup> This usage differs from that of Yarbrough and Yarbrough (1987), which conflates third party enforcement with these terms so that “bilateral” for them can also mean three countries, a highly counterintuitive use. Keohane (1990) refers to an agreement among three or more states as multilateralism. Richardson (1987) is consistent with our usage.

<sup>12</sup> Of these, the dimension of geographical scope is the most controversial. It is worth noting that this category is quite subjective, since simple distance is hardly the only relevant factor in defining a “geographic region.” Despite the interest that regionalism has attracted, the question of how to define a region remains highly contested. See the discussion by Aggarwal and Fogarty (2004); Katzenstein (1997); and Mansfield and Milner (1999), among others.

**Table 1.1** Varieties of trade governance classified by number of participants and geographical scope

| Number of participants                     | Bilateral                            |                                  | Mimilateral                                      |   | Multilateral         |
|--|--------------------------------------|----------------------------------|--|---|----------------------|
|  | Geographically concentrated          | Geographically dispersed         | Geographically concentrated                      | Geographically dispersed                |                      |
| (1)  |                                      | (3)                              | (4)  | (5)                                     | (6)                  |
| Singapore and Hong Kong unilateral opening | Canada-US FTA (1989)                 | Singapore-New Zealand CEP (2000) | AFTA (1991)                                      | APEC (1989)                             | GATT/WTO (1947/1995) |
| APEC individual action plans (IAPs)        | Mainland China-Hong Kong CEPA (2003) | Japan-Singapore EPA (2002)       | China-ASEAN FTA (2003)                           | EAEC (1994)                             |                      |
| <i>Snoot-Hawley (1930)</i>                 | Mainland China-Macau CEPA (2003)     | Korea-Chile FTA (2002)           | Northeast Asian FTA (proposed)                   | ASEM (1996)                             |                      |
|  | Japan-South Korea FTA (halted)       | US-Singapore FTA (2003)          | Shanghai Cooperation Organization FTA (proposed) | ASEAN Plus Three (1998)                 |                      |
|  | China-South Korea FTA (under study)  | Taiwan-Panama FTA (2003)         |  | EAS (2005)                              |                      |
|  |                                      | Japan-Mexico FTA (2004)          |  | South Korea-EFTA FTA (2006)             |                      |
|  |                                      | Korea-Singapore FTA (2005)       |  | South Korea-EFTA FTA (2005)             |                      |
|  |                                      | Japan-Malaysia FTA (2005)        |  | TPP (2005)                              |                      |
|  |                                      | China-Chile FTA (2005)           |  | ASEAN-Japan Closer Economic Partnership |                      |
|  |                                      | China-New Zealand (2008)         |  | EU-Mercosur (under negotiation)         |                      |
|  |                                      | US-Korea (2012)                  |  |   |                      |

Source Adapted from Aggarwal (2001). Examples illustrative, not exhaustive

1930 Smoot-Hawley Tariff that set a cycle of trade protectionism in motion and aggravated the depression.

Bilateral agreements of both regional and transregional actor scope have rapidly proliferated over the last few years. Cell 2 refers to *bilateral regional* trade agreements covering multiple products between a pair of adjacent countries, such as the Canada-US FTA (CUSFTA) that took effect in 1989, the Mainland China Closer Economic Partnership Arrangements signed with Hong Kong and Macau in 2003, and the Japan-South Korea preferential trade agreement.

*Bilateral transregional* agreements, cell 3, include cases of geographically dispersed bilateral agreements covering multiple products. Examples include PTAs between the United States and Israel (1985), Mexico and Israel (2000), the United States and Jordan (2001), Japan and Singapore (2001), South Korea and Chile (2002), the United States and Singapore (2004), Japan and Mexico (2004), the United States and South Korea (2012), and many current negotiations involving the EU, China, Japan, and others.

*Minilateral regionalism*, as noted in cell 4, focuses on geographically concentrated minilateral agreements, such as the ASEAN Free Trade Area (AFTA), the North American Free Trade Agreement (NAFTA), and the proposed free trade area under the Shanghai Cooperation Organization. These types of accords have attracted much scholarly attention. It is worth noting that in referring to many accords as “regionalism,” we should be aware that this term only makes analytical sense for cells 2 and 4 of our typology. And even in these cases, as we can see, the types of accords differ on many dimensions, thus indicating the conceptual ambiguity and under-differentiation inherent in the existing literature on regionalism.

*Minilateral interregionalism* is another important recent development in trade arrangements concerning links that span countries across continents, as noted in cell 5. Many analysts lump their examination of “minilateral regional” accords such as NAFTA and the EU with those of “minilateral interregional” arrangements such as the EU’s efforts to link up with Mercosur, although the causal factors behind minilateral interregionalism are often quite different from those driving minilateral regionalism.<sup>13</sup> Asia is home to a number of minilateral interregional trade organizations, including APEC, ASEAN Plus Three, and the East Asia Summit. Preferential trade agreements have been proposed within each of these organizations by the US, China, and Japan respectively, though these agreements are far from being formalized or put into force.

---

<sup>13</sup> The term “interregionalism” can itself be broken down into more specific types, based on the prevalence of PTAs and/or customs unions as constitutive units within interregional agreements. Aggarwal and Fogarty (2004) refer to an agreement as “purely interregional” if it formally links free trade areas or customs unions, as in the case of EU-Mercosur. If a customs union negotiates with countries in different regions, but not with a customs union or free trade agreement, we refer to this as “hybrid interregionalism” (e.g., the Lomé Agreement). Finally, if an accord links countries across two regions where neither of the two negotiates as a grouping, then we refer to this as “transregionalism” (e.g., APEC).

*Multilateralism*, cell 6, refers to the case of global, multiproduct trading arrangements such as the GATT and its successor organization, the WTO. Though highly successful throughout the postwar period, multilateral trade forums at the global level have increasingly encountered difficulties in hammering out new terms of trade liberalization. This, in turn, has fueled interest in preferential arrangements at the sub-multilateral level.

In addition to the number of participants, we also consider the underlying organizational structure as an important element differentiating these trade arrangements. Scholars have been quick to point out how regional organizations in Asia and Europe differ greatly in terms of organizational structure; institutions in Asia tend to be highly informal and non-legalistic, in contrast with the European emphasis on formal rules (Kahler 2000; Pekkanen forthcoming). While formal PTAs and arrangements under the WTO include binding legal commitments, well-defined domains of interest, and dedicated personnel, groupings such as APEC, ASEAN+3, the East Asia Summit, and the Shanghai Cooperation Organization have less focused organizational domains, non-binding agreements, and may largely consist of meetings between officials. ASEAN+3 and the East Asia Summit lack even an independent secretariat to call their own.

We do not assume that more formal organizations with hard legal rules are necessarily ideal; there is an ongoing debate about this issue. But for our purposes, it is important to take this factor into consideration, as the organizational structure of a trade arrangement can stem from or lead to different issue linkage dynamics. For example, the level of formalization or types of rules can be a strategic choice. More powerful states might be able to more easily manipulate informal institutions, while relatively weak states can use formal agreements to constrain larger states. These power disparities (as well as the normative preferences of the actors) also play into the formation of the arrangements themselves.

Organizational structure may also play an important role in the propensity of these trade agreements to affect the traditional or nontraditional security environment. For example, evidence from Africa shows that regional trade agreements that include formalized military alliance obligations successfully reduce aggression among member-states Powers 2004; 2006). Research has also shown that linking human rights to formal PTAs can improve state compliance (Hafner-Burton 2005). Although less institutionalized arrangements are unlikely to force states to change their behavior, they may be more successful in facilitating dialogue on sensitive issues precisely because of their informal nature. This idea is embedded in the norms of consultation and consensus that constitute the “ASEAN Way,” though its record has been rather mixed in practice.

This volume considers a wide variety of trade arrangements that combine differing numbers of participants, geographical scopes, and levels of institutionalization, which allows us to consider the factors that affect the way countries link trade and security in their negotiations. But before we provide some preliminary ideas on that score, we first theorize more abstractly about the process itself of linkage formation.

## 1.4 Theorizing About Linkages to Trade

Actors can go about linking trade to security in a variety of ways. One approach is to “nest” broader and narrower institutions in a hierarchical fashion. Another is to use “parallel” linkages across institutions, through an institutional division of labor.<sup>14</sup> A third approach focuses on linkages within a single institution, as manifested in direct linkage to security in the context of a trade agreement or organization. Our interest is in thinking about linkages based on four closely inter-related questions. First, how do actors decide on which issues, both traditional and nontraditional, to link to trade in setting their agenda domestically? This question is closely tied to a second consideration—anticipation by policymakers of whether such linkages will actually lead to a positive negotiating outcome with their international counterparts.<sup>15</sup> To examine these two questions, we consider the key issue of the extent to which, from the originator’s perspective, linkages are seen to be tactical (based on power) or substantive (based on knowledge connections), both domestically and internationally. A third question is: How strongly are these other issues linked to trade? The answer to this question is again partially tied to the tactical or substantive nature of the linkage, but also to factors such as the relative power distribution between states and the trade-offs that policymakers in the originating state are willing to make to achieve their linkage goals. Fourth, and closely tied to the third question, what inducements or punishments do these actors attempt to use to convince the target state to agree to an accord?

How can we think about the question of the domestic agenda-setting process by which issues are linked to trade? And how do policymakers then make calculations about whether or not to engage in issue linkage with specific states? The notion of linkage nature reflects the intellectual basis for the issue connection. If two issues are perceived by decision-makers to be unrelated but become tied together in negotiations, both with respect to domestic and international negotiations, this can be considered a power-based connection or tactical link. By contrast, if the issues exhibit some intellectual coherence, then the linkage can be labeled substantive.<sup>16</sup> Table 1.2 presents the alternatives under different conditions.

The second type of manipulated linkage, “failed substantive linkage,” is more complicated. Here, even though experts agree that two issues are interconnected (e.g. the connection between trade and the environment or trade and labor standards), policymakers who do not believe that the two issues are linked may still agree to treat them together because of domestic pressures—solely to mollify powerful interest groups. In an international context, in this second type the target country does not recognize the issues as substantively linked. Instead, the target

---

<sup>14</sup> For a detailed discussion, see Aggarwal (1998).

<sup>15</sup> Of course, policymakers may not care if other states actually go along with the linkage, as long as it helps them domestically.

<sup>16</sup> See Haas (1980) on substantive and tactical linkages. The discussion of linkages in this section builds on Aggarwal (1998).

**Table 1.2** The dynamics of issue-linkages

| Linkage type                                    | Objective reality | Target decision makers' perception | Basis for issue connection | Outcome  |
|---|-------------------|------------------------------------|----------------------------|--|
| Substantive link                                | Connected         | Connected                          | Knowledge                  | (1) Stable issue-area  |
| Failed substantive link (perceived as tactical) | Connected         | Unconnected                        | Power                      | (2) Temporary solution to externalities                                |
| Tactical link                                   | Unconnected       | Unconnected                        | Power                      | (3) Unstable issue-area  |
| Failed tactical link (perceived as substantive) | Unconnected       | Connected                          | Misunderstanding           | (4) "Contingent" (shifts to unstable issue-area with knowledge change) |

Source Aggarwal (1998)

policymakers perceive the issues as only tactically related and go along with the linkage because of asymmetrical power. Without a change in beliefs about the issue connection, even though the target actor treats the issues as connected and agrees to the linkage, this will prove to be only a temporary solution to the externalities problem. Such a situation may provide hope for the actor trying to establish the link (the "linker"). In a domestic context, when the policymaker's initial reaction is to reject substantive connections among issues, experts in that country who are advising interest groups and government policymakers may play a prominent role in swaying decisionmakers' opinions. Thus, over time, with changed causal understanding, we may see a move to substantive linkage. Similarly, transnational exchange of ideas across countries may also lead to greater cooperation between the linker and linkee, eventually leading to a more stable relationship and greater likelihood of cooperation to achieve the targeted goals of the linkage effort.

The third type of link, tactical linkage, may foster even greater conflict. This method of connecting issues is a pure power play. If used as a positive inducement, it can diminish conflict. But if used as a stick, tactical linkages will create sharp conflict in negotiations and will most likely lead to unstable agreements. At the domestic level, we often see powerful interest groups pressuring policymakers who are resistant to making linkages (e.g. various NGOs pressuring the Republicans on the environment-trade connection in the US). Internationally, smaller states may realize that they have little choice but to go along with a linkage (say to environmental protection or labor rights issues) if they want to secure a trade accord with a powerful actor such as the US, China, or the EU.

Finally, in the last case, misperceived tactical linkages, policymakers in the target country see the issues as substantively linked—even though they are only linked tactically. Although the target decisionmakers' own experts will attempt to dissuade their policymakers from accepting the linkage, target decisionmakers may agree to some type of joint agreement and consider the issues in question as a package. Clever manipulation by the linker could produce considerably more



favorable outcomes than might otherwise be the case. But because it is based on a misunderstanding, this is an unstable situation and will lead to an unstable policy outcome. Indeed, if and when the target comes to realize that the connection was tactical in nature, the bargaining connection will shift to a potentially unstable one that will only endure as long as the linker maintains its superior power. This type of phenomenon could apply both in domestic and international negotiations.

In terms of the strength of linkages between other issues and trade in international negotiations, this will depend on several inter-related elements. These include the degree of pressure on policymakers domestically to implement linkages, which itself is tied to whether or not the linkages are seen to be tactical or substantive. Another key element will be the asymmetry of power between the initiator and the target state. Obviously, if the initiating state's policymakers are convinced of the need to link two or more issues—whether owing to the political pressure they face or to their deep, expert-driven conviction about promoting their values—they face the reality of power in international negotiations. The EU, for example, has had a more difficult time in attempting to pressure countries like India to link trade to issues such as non-proliferation than in its efforts to convince either prospective accession states or weak countries (as in the Lomé Convention) to go along with linkages on trade and the environment.

Finally, states promoting issue linkages must consider how they wish to convince other countries to agree to linkages between two issues. Again, if the target country believes the issue is substantively connected, little in the way of inducements or threats not to pursue a trade accord would be needed. If the power balance is very asymmetrical, the need to explicitly pressure countries may also not arise. Beyond these relatively simple cases, the more interesting ones involve, once again, countries that are more on par with the initiator from a power perspective. In such cases, policymakers in international negotiations must consider the trade-offs they will face in attempting to secure linkages, and the extent to which this will create domestic counter-pressures. For example, when the EU negotiates with countries such as India, or when the US negotiated with South Korea, policymakers in both the EU and US faced criticisms about excessive efforts to engage in issue linkage from their domestic business lobbies who were eager to conclude accords for economic reasons.

## 1.5 Linkages and Types of Trade Agreements

With these analytical considerations about the factors that influence linkages and types of linkage efforts, the next step is to examine security factors, first as a

---

<sup>17</sup> See Aggarwal (2006) for a discussion of how these factors influence the origin and evolution of bilateral free trade agreements.

dependent variable and then as an independent variable. As mentioned above, a variety of factors can affect the development of trade arrangements: traditional security factors, nontraditional security factors, and economic factors.<sup>17</sup> Resultant trade policies may also in turn affect the security environment both directly and indirectly. In this section, we give a brief overview of the interrelationship between traditional security and trade among the various types of trade agreements.

We begin with arguments about security influences on multilateral agreements and their effects, before turning to consider specific minilateral, bilateral, and unilateral measures. Each of these trade agreements is discussed in greater detail in the subsequent chapters of this volume.

### *1.5.1 Multilateral (Global) Arrangements*

Of the major states involved, the US played the most crucial role in creation of the GATT. With a dominant military force, a large market, enormous productive capacity, and a strong currency and financial system, the US was well positioned to assume global responsibility at the end of the Second World War. It acted as the military leader of the Western alliance, served as the world's central banker, and provided the major impetus for international trade liberalization. For our purposes, the key element of interest is the "nested" context of the international trading system within the overall security system. This nesting gave the US executive leverage to resist domestically oriented protectionist groups. The president could resist both Congressional and interest group pressures by raising the specter of the Soviet and Chinese communist threat to US interests, thereby allowing him to advance Cold War concerns over narrow parochial interests and foster free trade.<sup>18</sup> Even when these security considerations failed to overcome a coalition of protectionists and free traders in the United States, as in the case of Congressional failure to pass the International Trade Organization, the US promoted a temporary implementing treaty, the GATT, as the key institution to manage trade on a multilateral basis in 1948. The US executive continued to resist protectionist pressures, helping Japan secure entry into the GATT over European objections and then using the specter of communism to at least initially resist protectionist demands by the textile industry. As John Foster Dulles put it in 1953, "Legislation to establish import quotas on Japanese textiles would be unfortunate...it would restrict trade when the free world must depend for so much of its strength on the expansion of trade and economic viability of countries such as Japan."<sup>19</sup>

---

<sup>18</sup> See Aggarwal (1985) for a discussion of the nesting of economic issues within a security context.

<sup>19</sup> *US Department of State Bulletin*, 26 June 1953.

With respect to global trading arrangements, the link between security and trade continues in the post-Cold War period. For example, shortly after the 9/11 attacks, Alan Greenspan, Chairman of the US Federal Reserve, noted on September 20, 2001: “A successful [trade] round would not only significantly enhance world economic growth but also answer terrorism with a firm reaffirmation of our commitment to open and free societies” (Greenspan 2001). In [Chap. 2](#), David Vogel provides a detailed analysis of linkages to traditional security, environmental issues, and labor in WTO negotiations.

### ***1.5.2 Minilateral Agreements***

The most significant minilateral arrangement in the Asia–Pacific has been the ASEAN grouping. At its inception, ASEAN was specifically designed to address regional security concerns. The conflict between Indonesia and Malaysia was the immediate catalyst, and ASEAN states were also keen to band together in hopes of keeping external powers (i.e. the US and the Soviet Union) from interfering in their regional affairs. From its early days, ASEAN linked the ideas of economic integration and a common market to dealing with broader security concerns. However, it took over two decades for ASEAN to seriously broaden into economic cooperation with the creation of the AFTA in the 1990s; it currently has a target of 2015 for creating an ASEAN Economic Community (AEC). Indeed, even with the AEC target date, it remains to be seen if ASEAN can truly foster the creation of a strong open trade grouping.<sup>20</sup> In [Chap. 4](#), Jonathan Chow explains how economic and security issues have traditionally been intentionally “de-linked” in the ASEAN context and outlines some of the ways that the organization is making tentative moves toward incorporating human security issues.

Additional efforts to create minilateral arrangements have been pursued in the Asia–Pacific. Among these, two have been linked to ASEAN, the ASEAN Plus Three initiative (involving South Korea, Japan, and China) and the East Asia Summit, or ASEAN Plus Six (which adds India, New Zealand, and Australia to the ASEAN Plus Three countries). These arrangements have not resulted in any significant economic integration, although China and Japan have proposed the formation of trade agreements within ASEAN Plus Three and the East Asia Summit respectively. ASEAN Plus Three has made some headway on financial cooperation through the Chiang Mai Initiative and the Asian Bond Market (Amyx 2008). Many analysts see ASEAN Plus Three and the East Asia Summit as potentially competing visions, with China preferring APT where it is better able to exert its power and other

---

<sup>20</sup> The role of norms in preventing sustained trade liberalization is the theme of Aggarwal and Chow (2010).

<sup>21</sup> For a realist analysis focusing on balancing and bandwagoning in the case of ASEAN Plus Three, the East Asia Summit and ASEM, see Aggarwal (2009). For a focus on ASEAN, see Roy (2005).

countries hoping to dilute Chinese influence in the larger membership of EAS (Pempel 2007).<sup>21</sup> The membership structure of these two groupings seems to be something of a security issue in itself; engaging China was often seen as a goal of ASEAN Plus Three in its early days, while the admission of the US to the East Asia Summit in 2011 (after years of debate) was seen as a way of keeping the US engaged in Asia.

In addition to ASEAN Plus Three and the East Asia Summit, the ASEAN+1 meetings have also produced some interesting linkages between trade and security. The ASEAN+China dialogue and the associated ASEAN-China FTA (ACFTA) were security-embedded in that for both China and ASEAN, security concerns—rather than pure economic considerations—drove an interest in the creation of the ACFTA (Kwei 2006). China's rapid rise has raised fears about its intentions in the region and its likely foreign objectives. In response, China has chosen to use not only purely security forums like the ARF and the SCO, but also economic and other soft institutional mechanisms—such as the 2002 Code of Conduct in the South China Sea and the 2003 TAC with ASEAN—to diminish concern about its rise. Indeed, Beijing's proactive participation in a variety of regional institutions reflects a broader trend towards a “cooperative security” in the region (Shambaugh 2005; Yahuda 2005). Japan and Korea have also developed individual relationships with ASEAN, but neither is as well developed as the ASEAN-China dialogue. In *Chap. 5*, Min Gyo Koo discusses the development of the so-called “ASEAN Plus X” groupings (ASEAN+1, ASEAN+3, and the East Asia Summit) in the broader context of American security policy.

At the Asia-Pacific level, security considerations have clearly influenced APEC.<sup>22</sup> Created in 1989, APEC reflected concerns in the Asia-Pacific about the changing role of China and the US. Led by Japan and Australia, APEC has been seen in part as a balancing effort against NAFTA and EU integration efforts. Almost immediately after it was proposed, however, the US chose to participate, thus addressing the balancing effort. The discussion of Asian security cooperation at APEC is nearly as old as the organization itself. Although security has been most visible at the ministerial meetings after 9/11, discussions relating to the North Korean threat were broached as early as the 1991 meeting in Seoul. On 14 November 1991, China's Foreign Minister Qian Qichen declared at a news conference concluding the APEC meeting that dialogue, not pressure or sanctions, was the best way to deal with North Korea (Mazarr 1995). Discussions of the North Korean nuclear program also took place at the APEC Summit in Seattle in November 1993, as officials worked behind the scenes to convince Pyongyang to give up its nuclear program.<sup>23</sup>

---

<sup>22</sup> On APEC's formation, see Aggarwal and Morrison (1998) and Crone (1993), among others. On APEC and security, see Aggarwal and Kwei (2005) from which the following discussion draws.

<sup>23</sup> *The New York Times*, 22 November 1993, A5.

In terms of security, over time, APEC has taken on new roles, particularly after 9/11 when the US chose to rally international support in the fight against terrorism. Security concerns dominated the discussions at the Los Cabos meeting in 2002 and were an overarching theme in what would normally have been a more “economic” agenda. For example, the US led a drive to increase security in shipping containers and cooperation in customs and immigration. Stronger controls over financial institutions were partially motivated by the imperative to freeze assets of suspected terrorist organizations. Additional steps were also taken to enhance maritime, aviation, and telecommunications security. In [Chap. 3](#), John Ravenhill traces the development of non-traditional security issues on the APEC agenda.

The most recent discussion about APEC’s role has focused on the possible creation of a Free Trade Area of the Asia Pacific (FTAAP). C. Fred Bergsten of the Peterson Institute of International Economics, a prominent Washington D.C. think tank, has endorsed this idea, which was promoted by the Bush Administration in the waning days of the administration. In the last year, steps have been taken to use the Trans-Pacific Partnership (TPP) as the basis for a FTAAP. While TPP was originally an agreement between Brunei, New Zealand, Chile and Singapore (P4), its membership has now expanded to include Australia, Canada, Malaysia, Mexico, Peru, Vietnam and the US. Among other arguments that have been adduced in FTAAP’s favor is the notion of diminishing the incentives for Asian states to pursue ASEAN Plus Three or the East Asia Summit. Yet, this notion may have the opposite effect of encouraging the pursuit of these types of arrangements. Moreover, free trade with China appears to be a non-starter, a point that has been reinforced by the current financial crisis and the rise of “murky protectionism.”<sup>24</sup>

Moving to the northwestern reaches of Asia, the SCO was motivated primarily by security concerns related to border protection and fears of secession, which were particularly tangible given the heterogeneous populations of its member countries [Misra 2001](#); [Newland 2007](#)). China and Russia were the key players pushing for the formation of the grouping in an effort to expand their influence in Central Asia. Today, the SCO includes six member states—China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan—and has expanded into economic cooperation. The SCO does seem to have been successful in enhancing the stability of Central Asia; for example, China has resolved its long-standing border disputes with other countries in the area. But the success of a union of non-democratic states like the SCO may have more dubious consequences for the international security environment, particularly with regard to human security ([Wan 2011](#)). In [Chap. 6](#), Ming Wan analyzes the development of the SCO and its recent moves to link security to economics.

---

<sup>24</sup> For this debate, see [Morrison and Pedrosa \(2007\)](#).

<sup>25</sup> This discussion on PTAs and security draws on [Aggarwal and Koo \(2007\)](#).

### 1.5.3 *Bilateral Trade Agreements*

The newest trend in trade has been the proliferation of bilateral PTAs since the early 2000s.<sup>25</sup> Some argue that PTAs might be a building block for security issues, thus providing the context for regional security institution-building. If we consider some cases of PTAs, we can see security considerations playing a role. For example, Singapore considered security to be the single most important motive for entering an FTA with the US in 2003, while it considered the economic benefits of the agreement insignificant due to its traditional openness and the small size of its economy. Singapore has approached China as well, concluding an FTA in October 2008. Singaporean officials are often quite explicit in their concern for maneuvering carefully in the region and often point to the security dimensions of their trade strategy.<sup>26</sup> The recently ratified South Korea-US FTA (KORUS FTA) also illustrates the simultaneous pursuit of economic benefits and strategic interests in trade negotiations. In addition to the goal of maximizing the gains from trade and investment, South Korea wanted to hedge against the growing strategic uncertainties in Northeast Asia by cementing its economic ties with the US, while the US realized that an FTA with South Korea would give Washington a strong foothold to maintain its strategic and economic presence in the region. In [Chap. 7](#), Seungjoo Lee discusses the development of bilateral trade agreements in Asia, exploring the different strategies that China, Japan, Singapore, and South Korea have pursued in linking these agreements with trade.

There has been much less activity in terms of linkages between bilateral trade agreements and non-traditional security. Labor and environmental issues remain largely absent from the texts of intra-Asian trade agreements due to their sensitive nature. In [Chap. 8](#), Atsushi Yamada takes up two prominent exceptions to this rule: Japan's trade agreements with the Philippines and Indonesia, which include provisions for the freer movement of workers, specifically nurses and caregivers.

The US government has been explicit in closely linking foreign economic and security policy, utilizing PTAs as a reward for allies. This tendency was demonstrated in the cases of the US-Israel FTA and the US-Jordan FTA. This "securitization" of US PTA policy further accelerated in the post-9/11 era as the US pursued agreements with countries that supported the Iraq war such as Australia, Bahrain, and Oman (Aggarwal, this volume and Higgott 2004).

For its part, the EU has actively sought to promote an agenda of linking both traditional security concerns and non-traditional ones in its bilateral FTAs. It has included clauses on Weapons of Mass Destruction (WMD) and small arms, as well as on labor standards and environment in all of its agreements. More recently, it faces the challenge of convincing India to go along with security linkages, which it continues to resist. As Ahnliid notes, the EU has been successful in linking issues when it is much stronger than the other countries (as with a number of small developing countries) or with states attempting to enter the EU and states that see

---

<sup>26</sup> Author interviews with Singaporean officials, March 2009.

eye to eye with the EU on these issues. India, on the other hand, will provide a first test case of whether the EU would back away from an agreement with important economic implications if it does not secure Indian agreement on linkages, or if it will agree to deviate from all of its previous FTAs (Ahnlid, this volume).

At this stage, it is difficult to assess the extent to which PTAs have provided security benefits to states that have concluded them, given their relatively recent conclusion. In many cases, the view that trade can drive security has faced the reality of the sharp difficulties that Japan has had in pursuing PTAs with China and South Korea. While these may reflect problems of concerns about economic competitiveness and agriculture, the less than friendly relations among these countries can pose an impediment to trade accords, no matter how logical these accords might be from an aggregate economic perspective.

### ***1.5.4 Unilateral Measures***

Although they are not the focus of this volume, we can also see security considerations in the use of unilateral measures in trade. On the export side, the US had long used export controls through the Coordinating Committee for Multilateral Export Controls (COCOM) and more recently has restricted the export of high technology goods with potential military applications. Currently, this policy is being reviewed by the Obama administration under pressure from export interests in the US and from China. On the import end, restrictions on goods may allow states to develop industries that have significant competitive and security implications. As noted earlier, many of the curbs on imports that China—and, to a lesser extent, the US—has been imposing in the context of the current financial crisis appear to be targeted toward the development of leading-edge technologies. Whether these will be important for security is unclear at this point, but the implications for possible conflict as states compete with each other in advanced technologies are clear.

## **1.6 Conclusion**

The institutional architecture of the Asia–Pacific is in flux. Following the end of the Cold War, the Asian financial crisis, and the 9/11 attacks, and in the context of China’s rise, we have seen the pursuit of new forms of trade agreements as the Doha Round of the WTO remains moribund. Although many scholars have examined this shift, the focus of this chapter has been to examine the contribution of security factors, as compared to other driving forces, to understand the shift in trade policies, and to suggest ways that trade agreements affect the security environment.

In [Sects. 1.2](#) and [1.3](#) of this chapter, we laid out the broad range of traditional and non-traditional security issues to be taken up in this volume and our approach

to analyzing trade arrangements in terms of number of actors, geographical scope, and underlying organizational structure. Clarifying these concepts and elements allows us to systematically examine various trade arrangements and their linkages to different types of security issues.

Section 1.4 introduced an analytical approach to thinking about linkages, differentiating between power-based efforts (tactical) versus knowledge-based ones (substantive), as well as differences in actors' perceptions. Our basic claim is that understanding these elements, together with power and domestic considerations, helps to shed light on the bargaining process and likely outcomes of trade negotiations.

Section 1.5 of this chapter presented a preliminary consideration of the role of security in influencing trade arrangements, and the effects of these arrangements on security, revealing a great deal of variation. The Cold War clearly influenced the creation of many types of trade agreements, and the executive branch of the US government was able to use concerns regarding communist expansion as a means of at least partially resisting protectionist pressures. In terms of the new trends that we see in the Asia-Pacific of ASEAN Plus Three, the East Asian Summit, proposals for FTAAP, and the like, there are clear elements of security bandwagoning and balancing taking place as countries vie to create the most favorable arrangement for economic, political, and security reasons, rather than simple aggregate economic gains as generally propounded by economists. The most significant development, however, is the move toward bilateral PTAs. China, Singapore, and South Korea, among others, have been pursuing these arrangements with zeal. By contrast, the US has stopped pursuing this track, not for lack of interest, but for lack of trade promotion authority. Together with the opportunistic protectionism that we have seen in the context of the global financial crisis, the damage that these measures will cause to the very institution that has enabled their post-World War II dynamic growth—the GATT/WTO system—may prove to be the most consequential development for global security.

By addressing a broad notion of security, differentiating among types of trade agreements, and looking at both sides of the trade-security relationship, it is our hope that this study will contribute to scholarly understanding of the complex nexus of trade and security. Given the speed at which trade agreements are forming and the increasing complexity of interstate relationships in an era of globalization, this is an area that demands serious inquiry.

## References

- Aggarwal, Sonia. 2009. The proliferation of economic liberalization initiatives in East Asia. Unpublished manuscript, May, Claremont McKenna College, CA.
- Aggarwal, Vinod K. 1985. *Liberal protectionism: The international politics of organized textile trade*. Berkeley: University of California Press.
- Aggarwal, Vinod K. 1998. *Institutional designs for a complex world: Bargaining, linkages, and nesting*. Ithaca: Cornell University Press.



- Aggarwal, Vinod K. 2001. Economics: International trade. In *Managing a globalizing world: Lessons learned*, ed. P.J. Simmons and C. Oudraat, 234–280. Washington, DC: The Carnegie Endowment for International Peace.
- Aggarwal, Vinod K. 2006. Bilateral trade agreements in the Asia-Pacific. In *Bilateral trade agreements in the Asia-Pacific*, ed. Vinod K. Aggarwal and Shujiro Urata. London: Routledge.
- Aggarwal, Vinod K., and Charles Morrison. 1998. *Asia-Pacific crossroads: Regime creation and the future of APEC*. New York: St. Martin's Press.
- Aggarwal, Vinod K., and Edward Fogarty, eds. 2004. *EU trade strategies: Between globalism and regionalism*. London: Palgrave.
- Aggarwal, Vinod K., and Elaine Kwei. 2005. Asia-Pacific economic cooperation (APEC): Transregionalism with a new cause? In *Interregionalism and international relations: A stepping stone to global governance?* ed. Jurgen Ruland, Heiner Hanggi, and Ralf Roloff, 67–84. London: Routledge.
- Aggarwal, Vinod K., and Jonathan Chow. 2010. The perils of consensus: How ASEAN's meta-regime undermines economic and environmental cooperation. *Review of International Political Economy* 17(2).
- Aggarwal, Vinod K., and Min Gyo Koo, eds. 2007. *Asia's new institutional architecture: Evolving structures for managing trade, financial, and security relations*. New York: Springer.
- Amyx, Jennifer. 2008. Regional financial cooperation in East Asia since the Asian financial crisis. In *Crisis as catalyst: Asia's dynamic political economy*, ed. T.J. Pempel, Andrew MacIntyre, and John Ravenhill. Ithaca: Cornell University Press.
- Anderton, C.H., and J.R. Carter. 2001. The impact of war on trade: An interrupted time-series study. *Journal of Peace Research* 38(4): 445–457.
- Arase, David. 2010. Non-traditional security in China–ASEAN Cooperation: The institutionalization of regional security cooperation and the evolution of East Asian regionalism. *Asian Survey* 50(4): 808–833.
- Barbieri, K., and J.S. Levy. 2001. Does war impede trade? A response to Anderton & Carter. *Journal of Peace Research* 38(5): 619–624.
- Barbieri, K., O.M.G. Keshk et al. 2009. Trading data: Evaluating our assumptions and coding rules. *Conflict Management and Peace Science* 26(5): 471–491.
- Bearce, D.H., and E.O.N. Fisher. 2002. Economic geography, trade, and war. *Journal of Conflict Resolution* 46(3): 365–393.
- Burger, Erika. 2004. Human security and the crisis of public health in Malawi. *Canadian Journal of Development Studies* 25(2).
- Caballero-Anthony, Mely, Ralph Emmers, and Amitav Acharya, eds. 2006. *Non-traditional security in Asia: Dilemmas in securitization*. London: Ashgate Publishing.
- Capling, Ann. 2008. Preferential trade agreements as instruments of foreign policy: An Australia–Japan free trade agreement and its implications for the Asia Pacific region. *The Pacific Review* 21(1):27–43.
- Cattaneo, Olivier. 2009. The political economy of PTAs. In *Bilateral and regional trade agreements: Commentary and analysis*, ed. Simon Lester & Bryan Mercurio. Cambridge: Cambridge University Press.
- Crone, Donald. 1993. Does hegemony matter? The reorganization of the pacific political economy. *World Politics* 45(4): 501–525.
- Curley, Melissa, and Siu-Lin Wong, eds. 2008. *Security and migration in Asia: The dynamics of securitisation*. London: Routledge.
- Dorussen, Han. 2006. Heterogeneous trade interests and conflict: What you trade matters. *Journal of Conflict of Resolution* 50(1): 87–107.
- Gartzke, Eric, and Q. Li. 2003a. Measure for measure: Concept operationalization and the trade interdependence-conflict debate. *Journal of Peace Research* 40(5): 553–571.
- Gartzke, Eric, and Q. Li. 2003b. All's well that ends well: A reply to Oneal, Barbieri & Peters. *Journal of Peace Research* 40(6).

- Goenner, C.F. 2004. Uncertainty of the liberal peace. *Journal of Peace Research* 41(5): 589–605.
- Govella, Kristi. 2007. Non-traditional security: A panacea for Asian regional institutions? *Berkeley APEC Study Center News* 10(1).
- Gowa, J., and E.D. Mansfield. 2004. Alliances, imperfect markets, and major-power trade. *International Organization* 58(4): 775–805.
- Greenspan, Alan. 2001. Testimony on the condition of the financial markets. *US Senate Committee on Banking, Housing, and Urban Affairs*. Sept. 20, 2001.
- Haas. 1980. Why collaborate? Issue-linkage and international regimes. *World Politics*. 32(3) 357–405.
- Hafner-Burton, Emilie. 2005. Trading human rights: How preferential trade agreements influence government repression. *International Organization* 59(3):593–629.
- Higgott, Richard. 2004. After neoliberal globalization: the “securitization” of US Foreign Economic Policy in East Asia. *Critical Asian Studies* 36(3): 425–44.
- Hoadley, Stephen, and Jian Yang. 2007. China’s cross-regional FTA initiatives: Towards comprehensive national power. *Pacific Affairs* 80(2): 327–348.
- Iqbal, Zaryab. 2006. Health and human security: The public health impact of violent conflict. *International Studies Quarterly* 50(3): 631–649.
- Jungblut, B.M.E., and R.J. Stoll. 2002. The liberal peace and conflictive interactions: The onset of militarized interstate disputes, 1950–78. *Journal of Peace Research* 39(5): 527–546.
- Kahler, Miles. 2000. Legalization as strategy: The Asia-Pacific case. *International Organization* 54(3): 549–572.
- Katzenstein, Peter J. 1997. Introduction: Asian regionalism in contemporary perspective. In *Network power: Japan and Asia*, ed. Peter J. Katzenstein and Takashi Shiraiishi. Ithaca: Cornell University Press.
- Keohane, Robert. 1990. Multilateralism: An agenda for research. *International Journal* 45:731–64.
- Keshk, O.M.G., B.M. Pollins, et al. 2004. Trade still follows the flag: The primacy of politics in a simultaneous model of interdependence and armed conflict. *Journal of Politics* 66(4): 1155–1179.
- Kim, H.M., and D.L. Rousseau. 2005. The classical liberals were half right (or half wrong): New tests of the ‘liberal peace’, 1960–88. *Journal of Peace Research* 42(5): 523–543.
- King, Gary, and Christopher J.L. Murray (2001–2002) Rethinking human security. *Political Science Quarterly* 116 (4):585–610.
- Kwei, Elaine. 2006. Chinese bilateralism: Politics still in command. In *Bilateral trade arrangements in the Asia-Pacific: origins, evolution, and implications*, ed. V. Aggarwal and S. Urata. New York: Routledge.
- Long, A.G. 2003. Defense pacts and international trade. *Journal of Peace Research* 40(5): 537–552.
- Long, A.G., and B.A. Leads. 2006. Trading for security: Military alliances and economic agreements. *Journal of Peace Research* 43(4): 433–451.
- Mansfield, Edward, and Helen Milner. 1999. The new wave of regionalism. *International Organization* 53(3): 589–627.
- Mansfield, Edward, and Jon Pevehouse. 2000. Trade blocs, trade flows, and international conflict. *International Organization* 54(4): 775–808.
- Maoz, Z. 2009. The effects of strategic and economic interdependence on international conflict across levels of analysis. *American Journal of Political Science* 53(1): 223–240.
- Matlary, Janne. 2006. When soft power turns hard: Is an EU strategic culture possible? *Security Dialogue* 37(1): 105–121.
- Mazarr, Michael. 1995. *North Korea and the bomb: A case study in nonproliferation*. New York: St. Martin’s Press.
- Misra, Amalendu. 2001. Shanghai 5 and the emerging alliance in Central Asia: The closed society and its enemies. *Central Asia Survey* 20(3).
- Morrison, Charles, and Eduardo Pedrosa, eds. 2007. *An APEC trade agenda? The political economy of a free trade area of the Asia-Pacific*. Singapore: ISEAS.

- Newland, Sara. 2007. The enemy of my enemy is my friend: Regional security complex theory and the Shanghai Cooperation Organization. Unpublished manuscript, May, University of California, Berkeley.
- Oberleitner, Gerd. 2005. Human security: A challenge to international law? *Global Governance* 11.
- Oneal, John R., Bruce Russett, et al. 2003. Causes of peace: Democracy, interdependence, and international organizations, 1885–1992. *International Studies Quarterly* 47(3): 371–393.
- Pang, Eul-Soo. 2007. Embedding security into free trade: The case of the United States–Singapore free trade agreement. *Contemporary Southeast Asia* 29(1): 1–32.
- Paris, Roland. 2001. Human security: Paradigm shift or hot air? *International Security* 26(2): 87–102.
- Peckanan, Saadia, ed. Forthcoming. *Asian designs: Interests, identities, and states in external institutions.*
- Pempel, T.J. 2007. Northeast Asian economic integration: A region in flux. *Asia–Pacific Review* 14(2): 45–61.
- Pevehouse, Jon. 2004. Interdependence theory and the measurement of international conflict. *Journal of Politics* 66(1): 247–266.
- Powers, Kathy. 2004. Regional trade agreements as military alliances. *International Interactions* 30: 373–395.
- Powers, Kathy. 2006. Dispute initiation and alliance obligations in regional economic institutions. *Journal of Peace Research* 43(4): 453–471.
- Ravenhill, John. 2008. The move to preferential trade on the Western Pacific Rim: some initial conclusions. *Australian Journal of International Affairs* 62(2): 129–150.
- Richardson, J. David. 1987. Comment. In *US trade policy in a changing world economy*, ed. Robert M. Stern. Cambridge: MIT.
- Roy, Dennis. 2005. Southeast Asia and China: Balancing or bandwagoning? *Contemporary Southeast Asia* 27(2): 305–322.
- Shambaugh, David. 2005. China engages Asia: reshaping the regional order. *International Security* 29(3): 64–99.
- Sheng, Lijun. 2003. China-ASEAN free trade area: Origins, developments and strategic motivations. ISEAS working paper: International politics & security issues series 1, Institute of Southeast Asian Studies.
- Souva, M., and B. Prins. 2006. The liberal peace revisited: The role of democracy, dependence, and development in militarized interstate dispute initiation, 1950–1999. *International Interactions* 32(2): 183–200.
- Tow, William, and Russell Trood. 2000. Linkages between traditional and human security. In *Asia's emerging regional order: Reconciling traditional and human security*, ed. W. Tow, R. Thakur, and I. Hyun. United Nations.
- United Nations Development Programme. 1994. *Human development report*. New York: Oxford University Press.
- Wan, Ming. 2011. The domestic political economy of China's preferential trade agreements. In *Trade policy in the Asia–Pacific: The role of ideas, interests, and domestic institutions*, ed. Vinod K. Aggarwal and Seungjoo Lee. New York: Springer.
- Ward, M.D., R.M. Siverson, et al. 2007. Disputes, democracies, and dependencies: A reexamination of the Kantian peace. *American Journal of Political Science* 51(3): 583–601.
- Wesley, Michael. 2008. The strategic effects of preferential trade agreements. *Australian Journal of International Affairs* 62(2): 214–228.
- White, Gregory. 2005. Free trade as a strategic instrument in the war on terror?: The 2004 US–Moroccan free trade agreement. *Middle East Journal* 59(4): 597–616.
- Yahuda, M. 2005. Chinese dilemmas in thinking about regional security architecture. *The Pacific Review* 16(2): 189–206.
- Yarbrough, Beth V., and Robert M. Yarbrough. 1987. Cooperation in the liberalization of international trade: After hegemony, what? *International Organization* 41(1)1–26.

# Chapter 2

## Global Trade Linkages: National Security and Human Security

David Vogel

### 2.1 Introduction

This chapter explores the linkages between international trade rules, national security, and various dimensions of human security, which includes the environment, labor, and human rights. It shows how and why such linkages emerged, describes who initiated and opposed them, and explains how they have affected the membership, terms, scope, and interpretations of global trade agreements. In contrast to several other essays in this volume, this chapter focuses not on regional or bilateral trade agreements, but on multilateral ones. It specifically explores trade policy linkages in the context of the International Trade Organization (ITO), the General Agreement on Tariffs and Trade (GATT), and the World Trade Organization (WTO).

While the ITO never became operational, it did incorporate several non-trade linkages, many of which have since become more politically salient. Security linkages played an important role in the formation and membership of the GATT. For several decades its membership was closely linked to Western security interests during the Cold War. The highly controversial dispute panel decision in the 1991 tuna-dolphin case placed trade and environment linkages on the GATT's agenda as well as that of its successor organization, the WTO, where they have remained. One of the most important linkages is between the GATT/WTO and the several multilateral environmental agreements (MEAs) that include trade restrictions, which has created considerable discussion and controversy.

While the WTO has explicitly addressed and made various efforts to accommodate environmental linkages, strong opposition from several member states has kept trade and labor linkages off the WTO agenda. However, labor linkages have

---

D. Vogel (✉)  
University of California, Berkeley, CA, USA  
e-mail: vogel@haas.berkeley.edu

surfaced in connection with the reviews of some countries for WTO membership as well as in connection with periodic assessments of country compliance.

Various GATT/WTO provisions permit trade restrictions on human rights grounds, and a number have been adopted. In marked contrast to trade/labor linkages, trade/human rights linkages have been much less controversial as they have affected relatively few countries.

The growth of global corporate social responsibility (CSR) codes is associated with the perceived unwillingness or inability of global institutions, including the WTO, to adequately address important dimensions of human security. As they are voluntary agreements among private actors (i.e. firms and non-governmental organizations), they are generally thought to fall outside the WTO's purview. However, the boundaries between these private or non-state regulations and many public policies have become increasingly blurred. Many governments and inter-state organizations have both initiated and promoted business compliance with CSR codes, and both states and non-state bodies make extensive use of product certifications or eco-labels, both of which are considered technical barriers to trade under WTO rules.

The unwillingness or inability of the WTO to adequately accommodate human security linkages favored by activist constituencies in the United States and Western Europe has encouraged these countries to enter into numerous bilateral trade agreements that do incorporate such linkages.

## 2.2 The International Trade Organization

Toward the end of and following World War II, the United States and its allies developed a set of multilateral institutions to govern the post-war global economy. These institutions included the International Monetary Fund, the World Bank, a revised International Labor Organization and the International Trade Organization. In March 1948, negotiations for the ITO's charter were successfully concluded in Havana.<sup>1</sup> The terms of the Havana Charter, which were endorsed by 50 countries, went considerably beyond the promotion of trade liberalization. Reflecting the objectives of embedded liberalism and the principles of the Atlantic Charter, the ITO sought to integrate the removal of trade barriers with a variety of other social and economic objectives. Specifically, it linked the reduction of traditional trade barriers to employment policies and labor standards, economic development, investment, and the regulation of business monopolies.<sup>2</sup> According to President Franklin Roosevelt, the ITO had an essential role to play in rebuilding a "stable international system of justice for all peoples."<sup>3</sup>

---

<sup>1</sup> For a detailed discussion of the ITO, see Drache (2000).

<sup>2</sup> Ibid, 17.

<sup>3</sup> Ibid.

Two of its important and innovative provisions reflected these broader aspirations. One stated that “unfair labor conditions, particularly in production for export, create difficulties in international trade,” and urged ILO and ITO members to “act in close cooperation with each other and consult each other regularly with regard to matters of common interest.”<sup>4</sup> In the case of violations of ILO standards, countries would be able to bring their complaints to the Executive Board of ITO and violators could be subject to the organization’s dispute settlement procedures. The ILO was also granted the right to participate in ITO meetings.

A second provision held that the “monopolistic” and other restrictive practices of global firms in critical sectors such as telecommunications, insurance, banking, and pharmaceutical sectors represented a threat to the orderly development of global commerce. Accordingly, signatory governments were permitted to use the power of expropriation to defend national economic interests against global firms. They were also granted the authority to regulate intra-company trade by global firms and to define standards of conduct for them. Thus ITO rules applied not only to governments but to firms as well. The Havana Charter, which created the ITO, contained an entire chapter on anti-competitive practices, effectively making foreign direct investors and multinational firms subject to an international authority.

However, the ITO did not become operative because the US Congress refused the repeated requests of the Truman administration to ratify it. Congressional leaders were concerned that some of its provisions would interfere with domestic economic policies, such as employment, while other American policymakers argued that the ITO did not sufficiently protect American business interests and investment rights. The Charter was also opposed by domestic supporters of trade liberalization, who argued that it contained too many loopholes and exceptions, many of which had been demanded by developing countries. In effect, “what had begun as an ‘American project’ did not remain one once the developing countries become involved in designing the ITO.”<sup>5</sup> However, in important respects the ITO proved prescient. Its linkages between trade policies on one hand, and labor practices and the conduct of global firms on the other, have recently become increasingly salient.

### 2.3 The GATT: Trade and Security Linkages

With the demise of the ITO, efforts to promote trade liberalization focused on an alternative global institution, namely the General Agreement on Tariffs and Trade (GATT). In October 1947, an agreement on its terms was reached and signed by

---

<sup>4</sup> Ibid.

<sup>5</sup> Ibid, 4.

nine of the 23 countries that had participated in negotiations, including the US. The GATT was much narrower in scope than the ITO: it only addressed the removal of trade barriers. It did not include the ITO's provisions on labor standards or any rules governing the conduct or international obligations of global firms. Unlike the ITO, whose provisions were influenced by the interests of developing countries, the terms of the GATT were primarily shaped by the United States and Great Britain. The only developing country that signed the initial agreement was Cuba, though over the following year, several other developing countries ratified it. A year later, the GATT's membership consisted of 21 countries, all of whom were considered original signatories to the agreement.

The GATT was initially ratified by far fewer countries than the ITO because it was originally intended as a provisional agreement that would be superseded by the ITO. It thus took several years before the "GATT 1947" became the primary focus of international governmental cooperation on trade matters. However, GATT membership steadily expanded through the 1960s, and by 1963, an additional 41 countries had become members.

The GATT's membership was strongly influenced by the Cold War.<sup>6</sup> During this period, American trade policy was effectively controlled by the State Department, which regarded trade liberalization as a vehicle to strengthen America's Cold War allies and exclude its Cold War adversaries. The American government viewed the GATT as "an arrow in the Western world's quiver, much like the Marshall plan."<sup>7</sup> The trade organization became closely associated with the interests of the Western alliance:

The link between GATT and liberal capitalist democracies gave the GATT's commercial mandate a new meaning. In the Cold War context, peace and prosperity came to be equated with survival and triumph...The values embedded in liberal trade policies were bedrock principles of capitalism.<sup>8</sup>

Moreover, "prosperity would permit members of the Western alliance to afford the large defense budgets needed to deter Communist expansion."<sup>9</sup> In short, "the GATT was written in the language of the free world."<sup>10</sup>

Accordingly, membership was extended to a number of developing countries on the grounds that promoting their economic development would lessen the appeal of communism and integrate them into the global capitalist system. American security interests contributed to the important concessions the US made to Great Britain at the outset, which allowed the most important political ally of the United

---

<sup>6</sup> This section is based on McKenzie (2008), 79–109.

<sup>7</sup> *Ibid.*, 87.

<sup>8</sup> *Ibid.*, 79.

<sup>9</sup> *Ibid.*, 87–88.

<sup>10</sup> *Ibid.*, 79.

States to maintain its system of imperial preferences.<sup>11</sup> Security considerations also prompted the United States to successfully pressure for membership of the occupied countries of West Germany, which joined the GATT in 1951, and Japan, which became a member in 1955. GATT accession was viewed as critical to both promote their economic growth and to integrate them more closely into the Western alliance.

While the United States was unable to expel Czechoslovakia, which had joined the GATT before the Communist seizure of power, it did withdraw all its trade concessions after Czechoslovakia became part of the Soviet bloc, a decision that was ratified by two-thirds of the GATT's membership following extensive American lobbying. Czechoslovakia in turn revoked all the tariff benefits it had extended to American exports. American pressures also led China, which had joined the GATT in 1948, to withdraw from the organization when it became communist. Cuba did maintain its GATT membership after it became communist, though the United States subsequently suspended all trade relations with it on national security grounds.

During the 1950s de-Stalinization and the partial relaxation of Soviet control over the economies of central and eastern European countries, the position of Western countries changed. Security considerations now led the United States and its Western European allies to support the admission of some communist states into the GATT in order to reduce their dependence on and the political influence of the Soviet Union. However, negotiations over the terms of the accession of Poland, Romania, and Hungary proved contentious.<sup>12</sup> While Western European governments wanted to maintain quantitative restrictions against the import of products from Central and Eastern Europe, the United States, which had negligible commercial interests at stake, supported the full incorporation of these countries into the GATT's multilateral non-discriminatory framework. The former prevailed: while the non-market economies of Poland, Hungary, and Romania were admitted to the GATT between 1967 and 1973, they joined as "second-class citizens": they were denied all of the trade liberalization privileges accorded to other GATT members.

During the 1980s, strategic considerations led the Western powers that dominated the GATT to deny applications for affiliation from Bulgaria and the Soviet Union. Opposition to the latter's inclusion was led by the US, which claimed that Moscow's "state supported and controlled economic system was incompatible with GATT trade rules" and that "to admit the Soviet Union would do too much damage to the fabric of the GATT system" (Haus 1992, 5). Thus prior to the break-up of the Soviet empire around 1990, no communist country enjoyed full GATT privileges.

---

<sup>11</sup> See Miller (2000).

<sup>12</sup> For an extensive discussion of the accession of communist states, see Haus (1992).



## 2.4 Trade and Environment

### 2.4.1 *The Tuna/Dolphin Case*

Neither the ITO nor the GATT addressed the linkages between trade and environmental protection. The word ‘environment’ did not appear in either agreement, although Article XX(b) and (g) of the GATT did specify conditions under which trade restrictions could be imposed on environmental grounds. The relationship between GATT rules governing trade liberalization and national environmental policies first became politically salient following the 1991 ruling of a GATT dispute panel. It found that American legislation restricting the import of tuna from three developing countries in order to protect dolphins in international waters violated American obligations under the GATT.

One critical issue in this dispute was the GATT dispute panel’s interpretation of Article XX(b), which permits signatory nations to restrict imports if they are “necessary to protect human, animal or plant life or health.” The position of the US was that its import ban was “necessary” to protect animal life, specifically the large number of dolphins that were being killed as a result of the harvesting of tuna, much of which was subsequently exported to the United States. According to the US, “no alternative measures were reasonably available to the United States to protect dolphin health and lives outside of American jurisdiction.”<sup>13</sup>

However, the dispute panel concluded that Article XX(b) only permitted countries to enact restrictions on “production and consumption within their jurisdiction.” However, the dolphins the United States was seeking to protect were harvested in international waters and thus were outside of American jurisdiction. According to the panel, “if the United States can dictate conservation methods to Mexico as a condition to Mexico’s access to the U.S. market, the GATT would be eviscerated” since countries could only then maintain access to the markets of another country if their regulations were identical.<sup>14</sup>

### 2.4.2 *The Uruguay Round*

The tuna/dolphin ruling led to strong and heated criticism of the GATT by environmentalists, who claimed that it showed how the GATT favored free trade over environmental protection. It also stimulated considerable discussion and

---

<sup>13</sup> Quoted in Vogel (1995), 110. For a more extensive discussion of this case and the debate over its implications, see *ibid.*, 103–125.

<sup>14</sup> Quoted in *ibid.*, 112.

debate among policy analysts about the relationship among trade liberalization, trade rules, and environmental regulation.<sup>15</sup> The 1994 Uruguay Round agreement, which created the World Trade Organization, attempted to address some of the concerns of environmentalists and of countries that wanted to protect their environmental regulations from challenges by the WTO. The preamble to the Standards Agreement on Technical Barriers to Trade, which was incorporated into the WTO, marks the first mention of the word “environment” in an international trade agreement. It states that each country “may maintain standards and technical regulations for the protection of human, animal, and plant life and health and of the *environment*,” though it did not address the issue of extraterritorial jurisdiction, which was central to the tuna/dolphin trade dispute.<sup>16</sup>

Signatory nations also approved a resolution that committed the newly established WTO to undertake a systematic review of “trade policies and those trade-related aspects of environmental policies which may result in significant trade effects on its members.”<sup>17</sup> In January 1995, the WTO’s General Council officially established a Committee on Trade and the Environment (CTE) open to all WTO members, to undertake such a review. The impetus for its establishment came from the US and the EU, who wished to improve the WTO’s public image in response to heated criticisms of both its trade rules as well as trade liberalization in general by environmentalists following the tuna-dolphin decision. At the same time, they also wanted to subject the growing number of national environmental regulations to GATT/WTO scrutiny to prevent them from being abused as trade barriers. This initiative was strongly opposed by some delegates from developing countries who feared that the CTE would be used by developed countries to justify “green protectionism.”

### 2.4.3 *The WTOs and MEAs*

The CTE’s charge was a broad one. It included charges, taxes, standards, technical regulations, as well as packaging, labeling, and recycling requirements used for environmental purposes, along with environmentally harmful substances, the export of environmentally harmful goods, and trade barriers for green goods and services. Among the CTE’s most important responsibilities was to examine the GATT/WTO consistency of the 17 international environmental agreements that provide for enforcement through trade restrictions. As the GATT had earlier noted, the trade agreement’s principles needed to be carefully reexamined “to make certain that they [did] not hinder multilateral efforts to deal with environmental

---

<sup>15</sup> See for example, Zaelke et al. (1993), Runge (1994), Steinberg (2002), Brack (1998), Esty (1994), and Vogel (1995), 98–114.

<sup>16</sup> Quoted in Vogel (1995), 136.

<sup>17</sup> *Ibid.*, 137.

problems.”<sup>18</sup> Thus the relationship between these two kinds of international agreements was now placed on the WTO agenda.<sup>19</sup>

In principle, there was no conflict between the two as long as every international environmental treaty that included trade restrictions was also ratified by every WTO member. But would a WTO member that had not ratified an international environmental agreement be able to challenge trade restrictions imposed by another WTO member that had? In the important case of the Montreal Protocol, adopted in 1987, GATT officials privately informed its drafters that its trade restrictions were GATT-consistent. The harm due to the depletion of the ozone layer it was designed to prevent was global in nature and thus *did* affect *domestic* health and welfare. However, a potential conflict between the WTO and the Protocol was avoided after the latter was ratified by all of the world’s major producers of ozone-depleting chemicals who also were WTO members.

#### ***2.4.4 The Cartagena Protocol and the WTO***

The relationship between the Convention on Biological Diversity’s Cartagena Protocol on Biosafety and the WTO became a major focus of contention during the Protocol’s negotiations. The Protocol explicitly addressed the conditions under which a country can restrict imports or the use of genetically modified organisms (GMOs). The United States, joined by other major agriculture exporters, sought to both reserve its rights to challenge the Protocol’s enforcement in the WTO and to require any signatories who imposed restrictions on GMOs to base them on the risk assessments required by the Agreement on Sanitary and Phytosanitary Standards (SPS), which was incorporated into the WTO during the Uruguay Round.

The EU, whose regulations for GM varieties are the world’s most stringent, opposed making the Protocol subservient to the WTO. It also sought to include a provision that would permit countries to restrict GM varieties on precautionary grounds, a less demanding risk management standard than that required by the SPS Agreement, and one which was consistent with the EU’s own risk management policies. The result was a complex compromise: the Protocol included language that both acknowledged the importance of scientific risk assessments as well as the right of signatory countries to base their risk management decisions for GMOs on the precautionary principle. However, many analysts regard the inclusion of the latter as incompatible with the SPS Agreement, and it remains unclear whose standards would apply in the case of a WTO dispute settlement proceeding.<sup>20</sup>

---

<sup>18</sup> Quoted in *ibid.*, 138.

<sup>19</sup> For a detailed discussion of this issue, see Kuijper (2010).

<sup>20</sup> See Cottier (2002) and Howse and Meltzer (2002).

### 2.4.5 *Other Trade and Environmental Trade Disputes*

While many environmentalists remain highly critical of the WTO, subsequent WTO dispute panels have been careful to avoid any ruling that would provoke the public outrage that followed the GATT panel's tuna/dolphin ruling.

An important example is how the WTO's dispute panels addressed the shrimp/turtle trade dispute, which pitted the United States against India, Malaysia, Pakistan, and Thailand. In a series of rulings, which were concluded in 2001, the US was permitted to impose trade restrictions based on how a product was produced outside its borders—an important basis of the ruling against the US in the tuna/dolphin case—provided the same turtle protection standards were applied equally to all trading partners and that the US had made a good faith effort to pursue bilateral or multilateral approaches before imposing unilateral trade sanctions. One important factor underlying this decision was the fact that the turtle species the United States was trying to protect migrated between American and international waters (unlike dolphins, which were not found in American waters), which enabled the panel to broaden the interpretation of the “exhaustible natural resources” provision of Article XX(g).

The final resolution of the shrimp-turtle trade dispute did suggest a change in the interpretations of some of the environmental dimensions of WTO rules by the organization's dispute panels and subsequently, their decisions were heralded as signaling the belated “greening” of the WTO.<sup>21</sup> Not only did it “represent the first time that a [dispute panel] ruling... clearly supported a breach of international trade law rules for the purpose of environmental protection” but the basis of its ruling employed some of “the same logic” that an earlier panel had used to rule against the United States in the tuna-dolphin trade dispute (DeSombre and Barkin 2002, 17). In essence, the panel expanded the criteria that permitted a signatory nation to impose trade restrictions to protect the natural environment. Not surprisingly, the dispute panel's rulings were strongly criticized by the developing countries whose trade the US had restricted on conservation grounds.

However, the terms of the Appellate Body's rulings still left unresolved the critical question of “whether the imposition of an import or export ban pursuant to an MEA against a WTO member that is not a signatory to the MEA would be GATT [WTO] consistent” (Cameron and Campbell 2002, 31). In fact, the term “MEA” did not even appear in the text of the dispute panel decision: the panel thus made no reference to the fact that, unlike dolphins, various species of turtles *were* protected by an international environmental treaty.

In the case of the equally potentially politically explosive trade dispute between the United States, Canada, and Argentina on one hand and the European Union on the other which adjudicated the compatibility of the EU's restrictive regulations on

---

<sup>21</sup> See Weinstein and Charnovitz (2001) and Wofford (2000), 563–592. For a comprehensive analysis of the seven trade disputes that have addressed environment and public health regulations, see Kelly (2007).

GMOs with its WTO treaty obligations, the dispute panel decisions also sought to avoid controversy. After a long delay, the WTO dispute panel rendered a split decision that enabled each of the disputants to claim “victory” and thus neither appealed its ruling.

The scope of the panel’s ruling, issued in 2006, was a narrow one: it explicitly chose not to address the safety of GMOs, a highly divisive issue on which European and American regulatory policies have sharply diverged. Equally important, the panel also chose not to consider the provisions of the Convention on Biological Diversity’s Cartagena Protocol in evaluating the legality of the EU’s regulations that restricted biotechnology products on the grounds that not all parties to the WTO dispute (i.e. the United States) had also signed the Protocol. Thus, like its rulings in the shrimp/turtle case, the WTO dispute panel carefully avoided addressing the potentially highly contentious relationship between WTO rules and the provisions of an MEA.

#### ***2.4.6 Trade and Global Climate Change***

More recently, a new, potentially highly divisive conflict between trade rules and environmental protection has emerged. This stems from the increasing number of national and international initiatives to reduce greenhouse gas emissions in order to address the risks of global climate change. While the Kyoto Protocol itself does not incorporate any trade restrictions—which in part reflects the impact of the WTO—many national or regional climate change policies do have potential trade implications. These include procurement policies and subsidies that favor domestic producers of alternative energy technologies, energy efficiency standards, and the certification of biofuels for environmental sustainability based on how they are produced. Moreover, national competitiveness concerns may well lead some Kyoto signatories to impose taxes on the carbon content of imported products, though no country has yet done so.

Several of these climate change policies and regulations have or could be carefully crafted to withstand WTO scrutiny, while the WTO could agree to waive some signatory treaty obligations in order to enable signatory nations to adopt important regulations without running afoul of the WTO’s rules. Moreover, it is possible, though by no means assured, that a carbon tax on imports could be judged permissible under the Article XX(g) environmental exemption if a dispute panel held the global climate to be an “exhaustible natural resource” whose preservation transcended national boundaries (as it ruled in the shrimp/turtle trade dispute).<sup>22</sup> The publication of several studies on the relationship between climate change regulations and the WTO, including by the WTO itself, reveals the degree

---

<sup>22</sup> For a discussion of under what conditions they would be required to meet to be judged WTO consistent, see Pauwelyn (2007).

of concern by policy analysts about the potential of this new dimension of environmental regulation to conflict with WTO rules.<sup>23</sup> As a co-authored paper by Patrick Low of the WTO Secretariat admits, “the reality [is] that the GATT/WTO rules were not originally crafted to accommodate climate change policies and concerns.”<sup>24</sup>

### ***2.4.7 The Doha Round***

In 2001, trade ministers and negotiators met in Doha to begin a new round of trade negotiations. Paragraph 31 of the Doha Declaration outlined the WTO’s first negotiating mandate on trade-environment linkages. It endorsed trade negotiations on the relationship between WTO rules and the trade dimensions of MEAs, 18 of which now contained trade provisions as part of their enforcement mechanisms. It also instructed trade negotiators to develop procedures for information exchanges between MEA secretariats and relevant WTO committees as well as to develop criteria for granting observer status to MEAs. In addition, trade negotiators were charged with developing proposals for the reduction or elimination of tariffs or non-tariff barriers for environmental goods and services. The responsibility for negotiating these issues and proposing policies to address them was assigned to the CTE.

However, agreement on changing WTO rules to address the substantive dimensions of trade-environmental linkages has proven elusive. Developing countries have strongly resisted proposals to remove trade barriers to environmental goods and services on the grounds that their domestic green technologies would then become dominated by firms from developed countries. The EU and the US have also clashed over the reduction of government subsidies for fisheries and agriculture.

The most contentious issue has been the relationship between MEAs and the WTO. The EU has proposed that WTO rules be changed to exempt any trade restrictions sanctioned by a MEA from being legally challenged as a trade barrier, thus creating an expanded “environmental window” in WTO rules. This initiative has been strongly opposed by developing countries who fear that it would be used to coerce them into adopting the environmental priorities of their greener trading partners.

For its part, the US, which has recently ratified far fewer international environmental agreements than the EU (and fewer than scores of other countries) has implicitly backed the position of developing countries, on the grounds that there is no need for any change in WTO rules as no dispute has come before the WTO regarding the provision of a MEA. The American position is that “increased

---

<sup>23</sup> See, for example, Charnovitz (2003), Low et al. (2011), Zhang and Assuncao (2002), Pauwelyn (2010) and World Trade Organization (2009).

<sup>24</sup> Low, “The Interface,” ii.

information exchange between MEAs and the WTO...could go a long way to ensuring that the two systems of international obligations remain compatible and mutually supportive.”<sup>25</sup>

This issue has sharply divided the CTE, with the US and many developing countries on one side and Norway, Switzerland, and the EU on the other, with the majority of states favoring the former’s position. For their part, developing countries remain suspicious of any change in WTO rules that would make it easier for developed countries to restrict their imports on environmental grounds, including those made pursuant to the provisions of MEAs. For many developing countries, making the WTO “greener” would provide a window of opportunity for developed country producers to join hands with environmentalists to restrict their imports.

In this context, it is worth recalling that the two most controversial trade-environmental disputes to come before the GATT/WTO—namely the tuna-dolphin and shrimp-turtle disputes—pitted developing countries against a coalition of American environmentalists and domestic producers. Consequently, “the CTE negotiations have largely resulted in a stalemate between a minority of WTO members who have sought clear and explicit rules to exempt MEAs from WTO challenges and those who oppose any further environmental compromise of trade rules” (Eckersley 2004, 33). In any event, any substantive changes in WTO rules governing environmental regulations must await the completion of the Doha Round, which to date shows little sign of coming to a successful conclusion.

#### ***2.4.8 Administrative Linkages***

However, at the administrative level, there has been measurable progress in reducing conflicts regarding trade-environmental linkages. Much of this effort has been spearheaded by the WTO’s secretariat, which provides staff support for the CTE. The secretariat has become “the center of WTO politics surrounding trade-environment overlap management” (Jinnah 2010, 63). Since 1996, the secretariats from several MEAs have been granted permanent observer status at meetings of the WTO and they regularly brief the CTE on the use of trade measures in their agreements. At the Seattle Ministerial conference in 1999, the WTO and the United Nations Environment Program entered into a formal relationship, which includes annual UNEP-CTE meetings and the production of joint working papers.

The staff of the CTE has become an important source of information for WTO delegates, many of whom have little or no expertise on environmental issues. As one staff member put it:

---

<sup>25</sup> Quoted in Vogel (2006), 364.

We write documents for members informing them of issues from an environmental perspective, such as why the Montreal Protocol has a trade embargo on certain substances, or why the Basel Convention (on hazardous waste exports) does what it does or how the CBD (Convention on Biological Diversity) rules fit within TRIPS (Trade-Related Aspects of Intellectual Property).<sup>26</sup>

The staff has organized several workshops in various regions in order to promote awareness of the relationship among trade, environment, and sustainable development and encourage dialogue between national policymakers responsible for trade and environment in WTO member states. It has also informally worked with both the UNEP, which administers several MEAs, as well as with selected non-governmental organizations (NGOs) to arrange for them to schedule their meetings and workshops at the same time as those of the CTE.

Members of the WTO secretariat also regularly attend MEA conferences and side events. As a result, many MEAs that use trade measures to achieve their objectives now have a standing item on their negotiating agendas that addresses their relationship with the WTO. WTO staff have worked closely with MEA negotiators to encourage them to adopt international environmental agreements that would avoid potential conflicts between WTO rules, an effort that has been characterized as “GATting the greens.”

While the CTE has emerged as the key international mechanism in the consideration of trade-environmental issues,

It has been unable to achieve its integrative potential in part because its delegates still reflect primarily the WTO’s dominant trade paradigm...Despite its stated objective of considering modifications to the multilateral trading system to accommodate environmental concerns, the CTE has been reluctant to make recommendations that would in any way be inconsistent with the GATT’s [WTO’s] core principle of nondiscrimination...and ongoing trade liberalization (Cameron and Campbell 2002, 26).<sup>27</sup>

The underlying reason why the CTE continues to be so constrained is that it reflects the preferences of the WTO’s member states. These remain sharply divided: there is no consensus among WTO signatories as to how trade-environmental linkages should be better addressed, or indeed, whether they should be addressed at all.<sup>28</sup> Because the CTE is unable to move beyond the terms of the Uruguay Round Agreement, whose principles and rules currently govern the WTO, the organization is unable to engage in meaningful negotiations with either NGOs or MEAs; the hands of the CTE and the WTO secretariat are effectively tied. As a result, trade-environmental linkages will continue to be muddled and the formation of an integrated trade-environmental regime will remain elusive. As one observer notes,

---

<sup>26</sup> Ibid, 64.

<sup>27</sup> For a highly critical analysis of the CTE’s weak environmental impact, see Gabler (2010), 80–117.

<sup>28</sup> See Shaffer (2002), 80–114. He notes that not only has there been no agreement within the CTE among countries, but in many cases, the interests and policy preference *within* WTO members have been divided.



A great deal remains to be done in order to go beyond the usual diplomatic formula of striving to make trade and environmental objectives ‘mutually supportive.’ What is needed is to bring the various MEAs and WTO agreements, which can be regarded as elements of global economic governance, into some coherent mosaic.<sup>29</sup>

But this shows no sign of happening.

### **2.4.9 Analysis**

There has been no shortage of proposals to make WTO rules more accommodating to environmental concerns, but due to a lack of consensus among its member states, none have been adopted. Thus the WTO’s efforts to reduce trade-environment tensions and conflicts can be best understood as palliatives. They are designed to defuse tensions between green constituencies, including the staffs of MEAs, and the WTO without making or requiring any substantive changes in the latter’s rules. To date, the WTO has been relatively successful in defusing the highly contentious trade-environmental linkages provoked by the tuna-dolphin dispute. But new potential sources of trade-environmental conflicts, such as regulations to address global climate change, continually emerge. Thus it may only be a matter of time before tensions between the two flare up again, thus creating another legitimacy crisis for the WTO.<sup>30</sup>

## **2.5 Labor Linkages**

The linkages or potential conflicts between labor standards and the WTO are different from those involving the relationship between trade and environment. While the potential trade impacts of national environmental standards are typically indirect consequences of their implementation or enforcement, in the case of labor standards, their trade impact is explicit. A key issue is whether WTO signatories can use trade policy to require or pressure other WTO members to improve their domestic labor standards or practices. A broader question is whether all WTO members should be required to enforce the core international labor standards of the International Labor Organization (ILO).

As noted above, the ITO did incorporate linkages between trade and labor standards. One reason why labor provisions were not incorporated into the GATT was the assumption that the ITO would supersede the GATT, and thus there was no reason to also include them in the latter agreement. In 1953, 1979, and 1986, the United States sought to remedy this omission, but its efforts were unsuccessful.

---

<sup>29</sup> Quoted in Chamovitz (2002), 259.

<sup>30</sup> See, for example, Esty (2002), 7–22 and Conca (2000), 484–494.

The GATT, however, does contain one labor-related provision, which was subsequently incorporated into the WTO. Article XX(e) permits signatory nations to unilaterally prohibit trade produced by prison labor, though it does not itself restrict trade in such products. It has also been suggested that trade restrictions on goods produced by abusive labor practices might fall under the “public morals” exception of Article XX(a), but no country has ever attempted to invoke this clause and thus its legal status remains unclear. In principle, a country’s labor practices might also be challenged on the grounds that they constitute an unfair trade subsidy. But again, no country has ever sought to restrict trade from a WTO signatory on this basis.<sup>31</sup>

Within both the GATT and the WTO, resistance to formally linking trade and core labor standards has been powerful. When the administration of President George H.W. Bush requested that a GATT working party *study* the link between labor rights and trade, it was met with strong opposition from developing countries, led by Mexico and India. They claimed that the American concern about worker rights was a form of protectionism, and suggested that the ILO, not the GATT, was the proper forum to address labor practices. As a result, such a study was not authorized.

In the preparatory meetings for the 1996 WTO Singapore Ministerial Conference a few countries, including the United States, urged that labor rights be included on its agenda. The Clinton Administration specifically proposed the establishment of a WTO working party on Trade and Core Labor Standards. Both initiatives were strongly resisted by developing countries, who argued that “the subject of labor standards should not be brought into the WTO in any form.”<sup>32</sup> As a result, the labor language in the WTO Ministerial Declaration explicitly rejected the use of labor standards for protectionist purposes, adding that the comparative advantage of lower-wage developing countries “must in no way be put into question.” The only recommendation approved by the Conference was that “the WTO and ILO Secretariats continue their existing collaboration.”<sup>33</sup>

Subsequently, even the latter clause was clarified by the WTO Director-General, who explained that it only allowed the two organizations to exchange information on certain issues, such as whether ILO initiatives are consistent with international trade rules. At the conclusion of the ministerial meeting, the conference’s chairman stated: “Some delegates had expressed the concern that this text may lead the WTO to acquire a competence to undertake further work on the relationship between trade and core labor standards. I want to assure these delegations that this text will not permit such a development.”<sup>34</sup>

Linkages between trade and labor again surfaced at the 1999 WTO Ministerial Conference in Seattle, which was intended to launch a new trade round. While the

---

<sup>31</sup> For an extended discussion of how these provisions and other mechanisms could be utilized to incorporate labor standards into the WTO, see Turnell (2001).

<sup>32</sup> Quoted in Chamovitz (2002), 259.

<sup>33</sup> Quoted in *ibid.*, 261.

<sup>34</sup> Quoted in *ibid.*

WTO had not granted formal observer status to the ILO, its secretariat was invited to send observers to Seattle, which it did. One of the many disagreements that surfaced at the Seattle meetings had to do with whether the new trade round should promote worker rights. Unions from both the US and the EU, as well as the International Confederations of Free Trade Unions, urged the WTO to include a “social clause” in new trade rules.

But the EU and the US were unable to agree upon a joint proposal. In any event, their effort suffered a setback when President Clinton stated in an interview that he wanted to see “core labor standards... be a part of every trade agreement” and that he favored “a system in which sanctions would come to countries violating” any of its provisions.<sup>35</sup> Developing countries, which feared that any discussion of labor within the WTO would create a slippery slope leading to the restriction of their exports, viewed the President’s comments as vindicating their strong opposition to any mention of labor issues in a new trade agreement, and it was omitted.

For its part, the ILO has established numerous standards regarding employment practices. Like the Singapore Declaration, the ILO provides that labor standards “should not be used for protectionist trade purposes” or call into question a nation’s comparative advantage. This language suggests that some kinds of trade restrictions based on a country’s violation of core labor standards might be legitimate under ILO rules, but none have been or are likely to be adopted due to the influence of developing countries in the ILO. But in any event, any such restrictions are unlikely to survive WTO scrutiny. As Steve Charnovitz concludes, “The WTO... is never going to be a good forum for pursuing the goal of higher labor standards,” because there is no agreement among its member states that it should.<sup>36</sup> Robert Howse adds: “the WTO’s main role with respect to labour standards is, through interpretations of legal provisions, to constrain the use of trade measures as a means of putting economic pressure on countries or firms to comply with such standards” (Howse 1999, 147).

### ***2.5.1 Other Trade-Labor Linkages***

Trade and labor linkages have, however, emerged in other contexts. Concerned that the Chinese government was ignoring or flouting its own labor laws for products produced in its export-focused Special Economic Zones, the 2001 Protocol on the Accession of the People’s Republic of China to the WTO required China to enforce the “uniform administration of Chinese Law,” throughout all its territories. While this document did not explicitly address labor laws, it does suggest that the WTO recognizes that a country’s failure to enforce its labor laws could distort trade.

---

<sup>35</sup> Ibid., 280.

<sup>36</sup> Ibid., 263.

The negotiations for the accession of Cambodia and Vietnam to the WTO also indirectly addressed these countries' labor standards by reviewing whether or not their domestic policies adhered to the "rule of law." In the case of Vietnam, the US wanted the Working Party's report on its accession to note that Vietnam had not ratified eight of the ILO's core labor standards. This proposal was strongly and effectively opposed by Vietnam and thus its accession documents contain no reference to labor standards. However, the government of Vietnam subsequently acknowledged that it needed to make a greater effort to implement ILO conventions, suggesting that the American effort was not without some impact.

The EU's Generalized System of Preferences-Plus grants more favorable market access to countries that have developed better human rights and labor policies and practices and was expanded to recognize countries engaged in efforts to combat drug production and trafficking. It was challenged by India after the EU extended special trade privileges to Pakistan in 2001. The Indian government claimed that this was discriminatory, and the following year, it requested the establishment of a WTO dispute panel to determine whether the criteria used by the EU to award Generalized System of Preferences (GSP) privileges was compatible with WTO rules. However, India subsequently withdrew its complaint. India has long been among the most vocal opponents of including labor rights within the scope of the WTO, and it presumably was reluctant to have the WTO address this issue, lest it provoke a broader examination of the relationship between worker rights and the WTO.

When the US used India's 2004 trade policy review to stress the relationship between labor rights and trade, India responded to the WTO's review of the American report by emphasizing that the ILO, not the WTO, was the appropriate forum to address a country's labor policies and practices. It also stated that the reviews of country compliance with the WTO should not address non-trade issues. However, several industrialized countries have used the trade policy review process to press developing countries to improve their compliance with internationally accepted labor standards within export processing zones, and in the context of the Doha trade negotiations, the United States stated the implementation of core labor standards was relevant for trade policy reviews. In 2004, Australia used the WTO's review of the EU to express its concern about the EU's efforts to use regional, bilateral, and bi-regional trade agreements to pursue social and environmental objectives, but it did not pursue the matter.

In the Uruguay Round, members agreed to require that export processing zones be phased out, on the grounds that they represented an unfair government subsidy to exports. Since firms in many of these zones have been exempted from national labor laws, and since workers in them are generally paid lower wages, this agreement can, indirectly, be viewed as an effort on the part of the WTO to raise labor standards. But developing countries below a certain income level were permitted to delay their compliance with this requirement and they subsequently requested a further extension.

### 2.5.2 Analysis

The WTO remains reluctant to accommodate either environmental or labor trade linkages. But there are important distinctions in both its formal and informal linkages between the two. While the WTO has sought some accommodation with MEAs and environmental NGOs, it has been much more resistant to linking trade rules to labor practices. Thus the WTO has established a Committee on Trade and Environment, but not one on trade and labor. Similarly, it has issued several reports on the former issues but none on the latter.

The WTO has agreed to accord the secretariats of several MEAs observer status and there is regular interaction between the staffs of MEAs and the WTO. But the extent of interaction between the ILO and the WTO is much more limited and the former does not have observer status. Likewise, while the WTO has reached out to NGOs, it has not undertaken a similar outreach effort to labor unions or labor confederations. Most importantly, while the WTO has placed the relationship between trade rules and environmental protection on its negotiating agenda—even if it has been unable to reach any agreement—it has been strongly resistant to doing so with respect to any possible labor linkages.

One reason for this difference is that linkages between trade and labor are potentially much more disruptive to the core mission of the WTO—which is to lower international trade barriers—than linkages between trade and the environment. A second is that while developing countries have resisted both types of linkages, their opposition to labor ones has been much stronger: they regard the possibility of any trade restrictions based on wages or working conditions as a core threat to their international competitiveness. Third, while some environmental problems or practices cross national boundaries, this is not the case with labor issues, whose impact is primarily domestic. Finally, the fact that several MEAs contain trade restrictions, and future ones may do so as well, brings them into potential conflict with WTO rules. This is not the case for the ILO, which does not use trade measures as a means of enforcing its standards.

## 2.6 Trade and Human Rights

There are linkages between international trade agreements and human rights. The GATT/WTO contains two provisions that address human rights linkages, one directly and another indirectly. First, GATT Article XXI(b) permits trade restrictions “relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment.”<sup>37</sup> Both the GATT and the

---

<sup>37</sup> Quoted in Pauwelyn (2003), 1185–1186.

WTO also permit signatories to waive their WTO obligations to address *international* human rights concerns in cases when trade may exacerbate human rights abuses, provided that such waivers are approved by three-quarters of the member states. In addition, according to Article 103 of the UN Charter, trade restrictions imposed by the UN Security Council supersede all international agreements, including the WTO, thus making the UN the only international body to which the WTO is obligated to defer under international law.

While labor practices and human rights are often linked, trade restrictions that explicitly focus on only the latter have proven relatively non-contentious and several have been invoked. Article XXI was invoked to support trade sanctions by several countries against South Africa and Somalia on the grounds that they violated the human rights of their own people, suggesting a somewhat broader interpretation of this provision than when it was originally incorporated into the GATT. WTO members have also restricted trade from other members on human rights grounds without even invoking Article XXI. For example, the United States banned new investment in Burma on human rights grounds and both the US and the EU have imposed trade restrictions on that country. But Burma has not attempted to challenge these restrictions, presumably because it does not want its human rights practices to be subject to global scrutiny in a dispute settlement proceeding.

The WTO has never adjudicated a trade dispute that focused on a trade restriction based on a member states' human rights practices, and it is unclear if the WTO has either the competence or the legal jurisdiction to conclude that a human rights norm has been violated, especially as they fall outside the terms on which a country joined the WTO.<sup>38</sup> In 2005, the UN High Commissioner for Human Rights stated that member states obligations toward their own populations could fall within the compass of the "public morals," "public order" and "human life," exemptions of Article XX.<sup>39</sup> But no signatory state has ever attempted to justify trade restrictions by reference to any of these clauses, and it is thus unclear how a dispute panel would assess such an effort.<sup>40</sup>

While the WTO and the UN Commission on Human Rights are both based in Geneva, they are unable to meet to coordinate policies, because unlike in the case of the secretariats of MEAs, the WTO has not granted a mandate for them to do so. Nonetheless, there have been communications and some meetings between their respective staffs. For its part, the UN High Commission has issued several reports that examined the impact of trade agreements on a broad array of human rights practices.

---

<sup>38</sup> See Marceau (2002), 753–814.

<sup>39</sup> Quoted in Aaronson (2007b), 19.

<sup>40</sup> For an analysis of the limitations of the WTO in enforcing human rights provisions, see Marceau (2002), 753–814.

### 2.6.1 *Other Trade and Human Rights Linkages*

As in the case of labor standards, human rights linkages have indirectly emerged in the context of the accession of several states with problematic human rights practices. WTO members have generally not used accession deliberations to pressure applicants to change their human rights practices, and no country has ever been denied WTO membership because it inadequately protects human rights. However, WTO members have successfully demanded that Cambodia, Saudi Arabia, and China strengthen their adherence to the rule of law, which has implications not only for business regulations, but for the legal rights of citizens, as well as the treatment of workers (Aaronson 2007b, 12–14).

### 2.6.2 *The Kimberly Process Exemption*

As noted above, both the GATT and the WTO permit signatories to waive their WTO obligations to address *international* human rights concerns when trade may exacerbate human rights abuses, provided that such waivers are approved by three-quarters of the member states. In 2003, following the UN’s call for a ban on trade in “conflict” or “blood” diamonds—funds from whose sales had been used to promote civil unrest in African countries—WTO member states approved a waiver that permitted countries to ban trade in diamonds that had not been certified by the Kimberly Process (KP).<sup>41</sup>

The KP is an international certification scheme established by 39 countries, all but two of which are WTO members, and which collectively account for about 98 % of production and trade in rough diamonds. It was established in 2002, with the cooperation of the diamond industry following pressure by activists, to break the link between trade in diamonds and armed conflict, especially in Angola, Sierra Leone, and Liberia. More than 50 member states have applied for such a waiver, and they have accordingly banned imports of diamonds from countries which had not signed the KP.

This represents the first and only time that the WTO has approved a waiver to protect human rights. It also marks the first, and to date, the only time, that the WTO has accorded legal recognition to an international business code to promote corporate social responsibility. However, what distinguishes the KP from all other CSR codes is that governments, as well as firms, enforce its trade restrictions. The former clearly brings the KP within the scope of the WTO.

However, it is not clear that a WTO waiver was in fact necessary. As the UN Security Council had previously imposed embargos on conflict diamonds from Angola, Sierra Leone, and Liberia, the Kimberly Process trade restrictions would have been justified under international law as these embargoes were legally

---

<sup>41</sup> For a more detailed discussion of the KP, see Vogel (2009), 172–173.

binding on all UN members. Moreover, as sales from the diamonds were used to supply military establishments—albeit non-state ones—restricting their imports could have also been justified under Article XXI. Thus while the WTO waiver has been applauded by human rights advocates as a sign of the WTO’s increased willingness to accommodate human rights concerns, it can also be interpreted as an example of the WTO’s ongoing effort to maintain its hierarchical relationship with all other international organizations.<sup>42</sup> Moreover, the waiver does not extend to any trade restriction for rough diamonds from countries that *have* signed the KP, even though there have been numerous violations of its provisions by the latter.

## 2.7 Corporate Social Responsibility

The lack of binding international agreements that adequately govern environmental practices, labor conditions, and human rights has led activists to pressure global firms to adopt voluntary agreements that fill this global governance gap.<sup>43</sup> There are now more than 300 industry codes, most of which address labor and environmental standards. Virtually all global firms based in the US or the EU have agreed to be bound by one or more of them and several have developed their own codes of conduct for their agricultural, natural resources, and manufacturing suppliers in developing countries.

While several governments as well as international governmental organizations such as the UN and the OECD have played an important role in developing many of these codes, and many governments have actively encouraged global firms to sign on to them, they are not considered to fall within the scope of the WTO because they are typically not enforced by governments. Indeed, that is precisely why many have been adopted: they incorporate precisely the kind of trade non-trade linkages that the WTO has been reluctant to permit states to enforce.

However, many “civil regulations” blur the boundaries between voluntary and mandatory regulations, hard and soft law, and public and private rule setting. For example, some public sector procurement policies give preference to products that meet the standards of various CSR codes, while in other cases government-sponsored social labels have been based on a product’s conformity with CSR standards.

### 2.7.1 *Eco-Labels and Product Certifications*

The increasing importance of product certification standards reveals the blurred boundaries between many “private” and “public” regulatory policies. The use of

---

<sup>42</sup> This criticism of the WTO is detailed in Pauwelyn (2003), 1177–1207.

<sup>43</sup> See Vogel (2009), 155–188 and Vogel (2005).



such labels by governments or quasi-governmental organizations has proliferated as a way to encourage more environmentally responsible production and consumption.<sup>44</sup> Eco-labeling programs have been established by several countries, including Germany, Canada, Japan, the US, Sweden, the Nordic countries, Austria, Australia, New Zealand, Korea, France, the Netherlands, Singapore, and India, as well as by the EU. At the same time, there has been a dramatic increase in private certifications, most notably for wood and agricultural products.<sup>45</sup>

Technically, both public eco-labels and private product certifications fall under the scope of the Technical Barriers to Trade Agreement (TBT). “Voluntary standards implemented either by central government, local governments, *non-governmental bodies* or regional bodies are in fact covered by... Annex 2 of the TBT Agreement” (emphasis added) (Vossenaar 1997, 32–33). Such labels or product certifications have considerable potential to distort trade by either intentionally or inadvertently favoring domestic products. For example, some eco-labels require foreign producers to meet environmental standards which are not relevant in the exporting country, or mandate the use of production technologies that are more readily available in the importing country. Moreover, many eco-labels and product certifications incorporate process and production methods (PPMs) over a product’s life cycle. This means that countries could run afoul of WTO rules that require like products to be treated equally.

One eco-label has been subject to an informal trade dispute.<sup>46</sup> In 1992, Austria required that all wood products contain a label indicating whether or not they contained tropical timber. It also announced plans to establish a quality mark to designate timber and timber products made from sustainable forests in order to deter people from buying tropical timber. The Austrian action was strongly attacked at a meeting of the GATT Council by ASEAN, two of whose members, Malaysia and Indonesia, accounted for 80 % of tropical timber exports. They argued that it was discriminatory since the labeling requirement only applied to products made from imported (i.e. tropical) wood, and thus was primarily designed to encourage consumers to switch to wood products produced from forests in Austria. While no formal complaint was filed with the GATT, Austrian officials believed that if one were filed, they would lose. Accordingly, under pressure from the GATT, they agreed to drop the mandatory labeling requirement. Instead, they made all timber producers eligible for a quality mark that certified that their wood was harvested sustainably, thus complying with the WTO requirement that domestic and imported products be treated equally.

For its part, the EU, which makes extensive use of eco-labels, has argued that they do not fall under the terms of the TBT Agreement because consumers are still free to determine whether or not they wish to purchase them. Moreover, unlike the

---

<sup>44</sup> For a detailed discussion of these labels and their policy impact, see Zarrilli (1997) and OECD (1997).

<sup>45</sup> See Conroy (2007).

<sup>46</sup> For this trade dispute, see Vogel (1995), 130.

Austrian regulations, other eco-labels are voluntary: firms can decide whether or not they wish to have their products certified. Many developing countries do not find these claims persuasive; they regard their growing use as a way of giving a competitive advantage to domestic producers, who often play a critical role in defining the criteria on which they are based and awarded. In response, a growing number of developing countries have worked with domestic producers to develop their own certification standards.

In 1998, Colombia asked both the WTO Committee on Trade and Environment and the Committee on Technical Barriers to ensure that eco-labeling schemes do not distort trade. WTO documents prepared in advance of the Doha ministerial meetings emphasized that “eco-labeling efforts should not become disguised trade restrictions or impede market access to developing country producers.”<sup>47</sup> The Doha Ministerial Declaration, which was prepared by the CTE, stated:

Most Members agreed that voluntary, participatory, market-based and transparent environmental labeling schemes were potentially efficient economic instruments in order to inform consumers about environmental friendly products.... Moreover, they tended, generally, to be less trade restrictive than other instruments.<sup>48</sup>

While the WTO clearly regards eco-labels as “standards” that fall within the scope of the TBT, no WTO Committee or official statement has addressed the conformity of private product certifications with WTO rules, nor have any other eco-labels been formally challenged as trade barriers. Thus, *de facto*, the WTO has provided both with considerable policy space.

## 2.8 Conclusion

This chapter has explored several of the important linkages between trade and human security that have been addressed or come to the attention of the GATT/WTO. These linkages have emerged through several mechanisms: the criteria for membership in these organizations, the terms of the trade agreements themselves, the terms of new trade negotiations, the deliberations of WTO bodies such as the CTE, policy positions taken by the WTO, and the decisions of trade-dispute panels.

The linkages between trade and national security have been the strongest: the GATT, dominated by the United States and its European allies, effectively used membership criteria as an instrument of the Cold War. As noted in several of the chapters in this volume, such linkages have been equally important in trade agreements and negotiations within Asia. Linkages between trade and human security have been weakest in the case of labor. This has been primarily due to strong opposition by developing countries, whose growing influence in the WTO

---

<sup>47</sup> Quoted in Aaronson (2007a), 650.

<sup>48</sup> Quoted in Melsner and Robertson (2005), 52.

has enabled them to effectively challenge the policy preferences of the US and the EU.

Environmental and human rights linkages fall in between. The former have been highly controversial, and the WTO has been reasonably successful in striking a rough balance between the highly diverse preferences of its membership. Human rights linkages have proven less contentious. The WTO has been able to give into limited demands to grant them sufficient policy space, while those few countries whose trade has been restricted on human rights grounds have understandingly been hesitant to challenge them. The growth of private global business codes, CSR product certifications, and government sponsored eco-labels can be usefully understood as an effort to strengthen labor and environmental trade linkages without running afoul of GATT/WTO rules—an effort that has been relatively effective to date.

But the lack of adequate environmental linkages, the absence of labor linkages, and the relative weakness of human rights linkages in the WTO, along with the inability of the WTO to successfully conclude the current Doha trade round, have led the US and the EU to enter into a growing number of bilateral and regional trade agreements that *do* incorporate them. As documented in the chapters in this volume by Ahnlid and Aggarwal, many of these trade agreements, along with preferential trade policies by both the EU and the United States that “reward” good labor or human rights practices by their trading partners, not only require the enactment and enforcement of public policies that protect human security, but also include provisions requiring that firms adhere to voluntary business standards, such as those adopted by the OECD.<sup>49</sup> Because these agreements are primarily bilateral, the US and the EU have been able to shape their terms—something they have been unable to do in the context of WTO negotiations. These trade agreements, along with voluntary business codes, represent a form of forum shifting or an end run around the WTO by advocates of linkages between trade and human security. They have emerged, in part, as a substitute for these linkages within the WTO. As a result, the WTO has not only become less relevant to those who wish to strengthen such linkages, but also to the promotion of trade liberalization in general.

## References

- Aaronson, Susan. 2007a. A match made in the corporate and public interest: Marrying voluntary CSR initiatives and the WTO. *Journal of World Trade*, 41(3).
- Aaronson, Susan. 2007b. Seeping in slowly: How human rights concerns are penetrating the WTO. *World Trade Review* 6(3).

---

<sup>49</sup> For an extended discussion of these trade agreements and why they were adopted, see Hafner-Burton (2009). For the use of CSR standards in several trade agreements, see Aaronson (2007a), 638–639.

- Brack, Duncan, ed. 1998. *Trade and environment: Conflict or compatibility?*. London: Earthscan.
- Cameron, James, and Karen Campbell. 2002. A reluctant global policymaker. In *The greening of trade law: International trade organizations and environmental issues*, ed. Richard H. Steinberg, 23–50. Lanham: Rowman & Littlefield Publishers.
- Charnovitz, Steve. 2002. *Trade law and global governance*. London: Cameron.
- Charnovitz, Steve. 2003. Trade and climate: Potential conflicts and synergies. *Pew Center for Global Climate Change*.
- Conca, Ken. 2000. The WTO and the undermining of global economic governance. *Review of International Political Economy* 7(3) (Autumn).
- Conroy, Michael. 2007. *Branded! How the 'certification revolution' is transforming global corporations*. British Columbia: New Society Publishers.
- Cottier, Thomas. 2002. Implications for trade law and policy: Towards convergence and integration. In *The Cartagena protocol on biosafety: Reconciling trade in biotechnology with environment and development?*, ed. Christopher Bail, Robert Falkner and Helene Marquard. London: Royal Institute for International Affairs/Earthscan.
- DeSombre, Elizabeth, and J. Samuel Barkin. 2002. Turtles and trade: The WTO's acceptance of environmental trade restrictions. *Global Environmental Politics* 2(1).
- Drache, Daniel. 2000. The short but significant life of the International Trade Organization: Lessons for our time. Centre for the Study of Globalization and Regionalisation, University of Warwick, CSRG working paper 62/00.
- Eckersley, Robyn. 2004. The Big Chill: The WTO and multilateral environmental agreements. *Global Environmental Politics* 4(2).
- Esty, Daniel. 1994. *Greening the GATT: Trade, environment, and the future*. Washington: Institute for International Economics.
- Esty, Daniel. 2002. The World Trade Organization's legitimacy crisis. *World Trade Review* 1(1).
- Gabler, Melissa. 2010. Norms, institutions and social learning: An explanation for weak policy integration in the WTO's committee on trade and environment. *Global Environmental Politics* 10(2).
- Hafner, Emilie-Burton. 2009. *Forced to be good: Why trade agreements boost human rights*. Ithaca: Cornell University Press.
- Haus, Leah. 1992. *Globalizing the GATT: The Soviet Union's successor states, Eastern Europe, and the international trading system*. Washington: The Brookings Institution.
- Howse, Robert. 1999. The World Trade Organization and the protection of workers' rights. *The Journal of Small & Emerging Business Law* 3(1).
- Howse, Robert, and Joshua Meltzer. 2002. The significance of the WTO for dispute settlement. In *The Cartagena protocol on biosafety: Reconciling trade in biotechnology with environment and development?*, ed. Christopher Bail, Robert Falkner and Helene Marquard. London: Royal Institute for International Affairs/Earthscan.
- Jinnah, Sikina. 2010. Overlap management in World Trade Organization: Secretariat influence on trade-environment politics. *Global Environmental Politics* 10(2).
- Kelly, Trish. 2007. *The impact of the WTO: The environment, public health and sovereignty*. Cheltenham: Edward Elgar.
- Kuijper, Pieter. 2010. Conflicting rules and clashing courts: The case of environmental agreements, free trade agreements, and the WTO. *International Centre for Trade and Sustainable Development*, Issue Paper no. 10.
- Low, Patrick, Gabriella Marceau, and Julia Reinaud. 2011. The interface between the trade and climate change regimes: Scoping the issues. World Trade Organization, staff working paper ERD-2011-1, Jan 12.
- Marceau, Gabrielle. 2002. WTO dispute settlement and human rights. *EGIL* 13(4).
- McKenzie, Francine. 2008. GATT in the cold war: Accession debates, institutional development, and the western alliance, 1947–1959. *Journal of Cold War Studies* 10(3), Summer.
- Melser, Daniel, and Peter Robertson. 2005. Eco-labelling and the trade-environment debate. *The World Economy* 28(1).

- Miller, James. 2000. Origins of the GATT: British resistance to American multilateralism. Jerome Levy Economics Institute working paper no. 318.
- OECD. 1997. *Eco-labelling: Actual effects of selected programs*, OCDE/GD(97)105. Paris: OECD.
- Pauwelyn, Joost. 2003. WTO compassion or superiority complex?: What to make of the WTO waiver for 'conflict diamonds'. *Michigan Journal of International Law* 24: 1177–1207.
- Pauwelyn, Joost. 2007. A carbon levy on imports to fight climate change? *Telos* Sept 11.
- Pauwelyn, Joost, ed. 2010. *Global challenges at the intersection of trade, energy and environment*. Geneva: Centre for Trade and Economic Integration.
- Runge, Ford. 1994. *Freer trade, protected environment: Balancing trade liberalization and environmental interests*. New York: Council on Foreign Relations.
- Shaffer, Gregory. 2002. The nexus of law and politics. In *The greening of trade law: International trade organizations and environmental issues*, ed. Richard Steinberg. Latham: Rowman & Littlefield.
- Steinberg, Richard, ed. 2002. *The greening of trade law: International trade organizations and environmental issues*. Latham: Rowman & Littlefield.
- Turnell, Sean. 2001. Core labor standards and the WTO, no. 0103, research papers, Macquarie University, Department of Economics.
- Vogel, David. 1995. *Trading up: Consumer and environmental regulation in a global economy*. Cambridge: Harvard University Press.
- Vogel, David. 2005. *The market for virtue: The potential and limits of corporate social responsibility*. Washington: Brookings Institution.
- Vogel, David. 2006. International trade and environmental regulation. In *Environmental policy: New directions for the twenty-first century*, ed. Norman Vig and Michael Kraft. Washington: Congressional Quarterly Press.
- Vogel, David. 2009. The private regulation of corporate social conduct. In *The politics of global regulation*, ed. Walter Mattli and Ngaire Woods. Princeton: Princeton University Press.
- Weinstein, Michael, and Steve Charnovitz (2001) The greening of the WTO. *Foreign Affairs* 80(6): 147–156.
- Wofford, Carrie. 2000. A greener future at the WTO: The refinement of WTO jurisprudence on environmental exceptions to GATT. *Harvard Environmental Law Review* 24.
- World Trade Organization. 2009. *Trade and climate change: WTO-UNEP report*.
- Zaelke, Durwood, Paul Orbuch, and Robert Housman, eds. 1993. *Trade and the environment: Law, economics, and policy*. Washington: Island Press.
- Zarrilli, Simonetta, Veena Jha, and Rene Vossenaar, eds. 1997. *Eco-labelling and international trade*. New York: St. Martin's Press.
- Zhang, ZhongXiang, and Lucas Assuncao. 2002. Domestic climate policies and the WTO. East-West Center working paper, environment series, no. 51, Feb.

# Chapter 3

## APEC and Security

John Ravenhill

### 3.1 Introduction

The fundamental link between economics and security in APEC rests on the logic of 19th century liberal economics, sometimes overlaid with the terminology of more contemporary international relations theorizing. In essence, the expectation is that expanded commerce between states will provide an incentive structure that makes inter-state conflict less likely (and also, indeed, intra-state conflict, the paramount security concern in many Asian states). Grafted onto this 19th century notion that commerce would establish an incentive structure that discouraged international conflict are more contemporary notions of confidence-building, of the socialization of elites into preferred policy-making behaviours, and, among the more optimistic, constructivist visions of community-building.

Those who provided the intellectual rationale for APEC nonetheless recognized that even if enhanced economic interdependence creates a harmony of interests in the medium to long term, the short term would not be frictionless (Drysdale and Patrick 1981). Inter-governmental collaboration was needed to ensure that the domestic and international political tensions generated by adjustment to the evolving international division of labor would not disrupt the growing economic integration of the Asia–Pacific region. APEC’s security role, however, was to be limited to smoothing the way for enhanced commercial interaction. An extension of APEC’s agenda to cover “security” as conventionally defined was viewed not only as unnecessary but positively counter-productive. For the late Noordin Sopiee, longtime chair of Malaysia’s Institute of Strategic and International

---

J. Ravenhill (✉)  
Australian National University, Canberra, Australia  
e-mail: john.ravenhill@anu.edu.au

Studies, “there are few things more likely to damage and even destroy APEC than to put security on its agenda” (Sopiee 1997, 209). Similarly, C. Fred Bergsten, CEO of the Petersen Institute of International Economics and former Chair of the APEC Eminent Persons Group, declared bluntly that “APEC does not—and should not—discuss security issues” (cited in MacDuff 2002).<sup>1</sup>

Neither was APEC expected to address a non-traditional security agenda. Former US Undersecretary of State for Economic, Business, and Agricultural Affairs Joan Spero reminded her audience that APEC, after all, “. . . is for business. Through APEC, we aim to get governments out of the way, opening the way for business to do business” (Spero 1995). APEC was not interested in promoting agendas such as human security if these might complicate the operations of businesses across the region. And many aspects of non-traditional security would have trespassed into what was regarded as forbidden territory: the domestic social and political policies of APEC member economies (Aggarwal and Morrison 1998; Ravenhill 2001).

In this chapter, I look first at how security has been conceptualized in APEC, a conceptualization that has evolved over the close to a quarter of a century that the institution has been in existence. I then turn to the treatment of “traditional” security in APEC, and how these issues were supplemented by a focus on non-traditional security in the middle of the first decade of the 21st century. Non-traditional security has received shallow treatment in APEC, however, for reasons detailed in the penultimate section of the chapter. I conclude by considering how APEC’s contributions to security might be evaluated.

### 3.2 Conceptualizing Security

The straightforward denial that APEC should play a role in security immediately encounters two problems. The first is the vexatious issue of what constitutes a security agenda; the second involves the characteristics of APEC as an institution.

The statements by Sopiee and Bergsten cited above seem to suggest that separating “security” from other dimensions of inter-state relations is unproblematic. The argument was for a division of labor between regional institutions: APEC should deal with the economic agenda of interest to business, while other institutions (notably the ASEAN Regional Forum, which came into existence five years after APEC’s establishment) should tackle inter-state security issues. But such conceptions of security are not only extremely narrow (presumably referring to “guns and bombs” issues) but also at odds with how security has frequently been defined by governments in the Asia–Pacific region. The concept of comprehensive security was first put forward in a report by a task force appointed by Japanese

---

<sup>1</sup> For further discussion see Ravenhill 2007.

Prime Minister Masayoshi Ohira in 1980. Although the concept extended beyond concerns directly related to international economic relations, the report reflected the Japanese government's heightened perceptions of its vulnerability to a cut-off of supplies of critically important raw materials, especially energy, that followed the Arab–Israeli War of 1973–1974 and the second round of oil price rises that OPEC engineered in 1979.

That the concept of comprehensive security originated in response to the price rises of raw materials, particularly petroleum, of the 1970s illustrates how security is essentially a social construction. For the Copenhagen School, the essence of this “securitization” is speech acts that define particular developments as existential threats, and which resonate with relevant national audiences (Buzan Wæver and Wilde 1998; Wæver 1995). Although this focus on speech acts has frequently been criticized for an overly narrow definition of securitization,<sup>2</sup> it was important in pioneering the idea that “security” is not just something that is “out there” but is very much a reflection of how political elites and other opinion makers construe external events. Thus while few observers would claim that the international oil market ever operated free from government interference and strategic calculations, before the rise of OPEC, oil supplies were generally treated from the vantage point of industrialized country governments as a matter of market forces reconciling uncoerced buyers and sellers (Moran et al. 2009). The Arab oil boycott of 1973 and OPEC's subsequent success in raising oil prices entirely changed such perceptions and how energy resources were portrayed: it was no longer a matter of efficient markets operating to the benefit of importers and exporters but of countries' national security being imperiled by interruptions to the supply of an essential raw material. Similarly, in recent years, we have seen the securitization of the discourse on international migration, with politicians in many industrialized countries portraying migrants as threats or potential threats to national security (Nesadurai 2011).

How and why certain phenomena become defined as security issues at a particular time is beyond the scope of this paper. So is the important question of the relationship between the act of defining phenomena as constituting a security issue and the implication of such declarations for the “traditional” security agenda of inter-state conflict (and its more contemporary extension into non-state sources of military threat). For our purposes, the key point is that before the foundation of APEC more than two decades ago, some governments in the region had already adopted a conceptualization of security that went well beyond conventional notions of military conflict. They had acted in concert at the global level to address some of these “new” security threats through, for example, the establishment of the International Energy Agency (IEA). And they seized upon APEC as a (trans-)regional forum through which they could pursue the same agendas.

---

<sup>2</sup> See for example, McSweeney 1999.



### 3.3 APEC as a Bifocal Institution

Much of APEC's day-to-day work is done by low- and middle-ranking officials in the twelve working groups and four task forces of the Senior Officials Meeting Steering Committee on Economic and Technical Cooperation.<sup>3</sup> Issues arising from these groups sometimes percolate upwards in the institution to senior officials meetings, and even to ministerial meetings. For the most part, however, the work of the groups, although regarded as valuable by governments, is routine and not of a character that gives rise to significant politicization. Much of this work, originally conceived as part of APEC's second pillar of "trade facilitation," subsequently renamed "business facilitation," is entirely consistent with the arguments expressed in the first part of this chapter about a role for APEC that focuses on the removal of barriers to international commerce, seemingly far divorced from the "high politics" of inter-state security.

Yet, this has never been the sole focus of APEC's activities, especially since the introduction of annual leaders' meetings in 1993. Work on seemingly routine issues of customs harmonization, etc., has coexisted alongside an altogether different (and usually unscripted) agenda pursued by APEC's leaders. Former Australian Prime Minister Paul Keating noted that it is when political leaders meet that they determine for themselves the agenda that they wish to discuss—even more so in the APEC context where senior officials are not permitted to attend leaders' gatherings (Keating 2000). Keating convinced the host of the 1993 APEC meetings, Bill Clinton, to initiate meetings of leaders to supplement those at the ministerial and senior officials' levels, and APEC subsequently has been "bifocal" in its approach. The "low politics" of technical negotiations in the working groups are now supplemented by the "high politics" of leaders' meetings.

Moreover, it is important to distinguish between official agendas and what leaders actually discussed, not only at the meeting of all leaders but in the many bilaterals that the summits facilitate. Keating and Clinton did suggest that regional security issues be added to APEC's agenda, but failed to gain a positive response from Asian governments. These governments also quickly rebuffed a suggestion

---

<sup>3</sup> The twelve working groups cover: agricultural technical cooperation; emergency preparedness; energy; fisheries; health; human resources development; industrial science and technology; marine resource conservation; small and medium enterprises; telecommunications and information; tourism; and transportation. The four task forces cover: anti-corruption and transparency; counter-terrorism; gender; and mining. In addition, APEC's Committee on Trade and Investment has eleven subcommittees covering: automotives; business mobility; chemicals; electronic commerce; services; intellectual property rights; investment; market access; rules of origin; customs procedures; and standards and conformance. The Economic Committee has a sub-group on Competition Policy and Law. There are an additional seven unattached groups that cover: agricultural biotechnology; the APEC food system; APEC Study Centres Consortium; Finance Ministers Process; Free Trade and Regional Trade Agreements; Life Sciences Innovation Forum; and Sustainable Development.

from US Defense Secretary William Perry, made just before APEC's 1995 Osaka Leaders' Meeting, that APEC might be an ideal venue for the discussion of regional security issues; Japanese Foreign Minister Yohei Kono was particularly outspoken in his opposition.<sup>4</sup> Yet, even if "security" issues were not on the official APEC agenda, they actually were discussed at APEC meetings. Mazarr (1995) records that strategies for dealing with North Korea were debated by foreign ministers at the 1991 APEC meeting, and the issue of North Korea's nuclear program figured in discussions at the first APEC Leaders' Meeting in Seattle in 1993.

The best-known example of a traditional security issue being addressed on the sidelines of an APEC meeting, although not actually figuring on the official agenda, occurred in 1999 when the APEC ministerial meetings in Auckland coincided with the crisis surrounding East Timor's independence. At the beginning of the meeting, the New Zealand Prime Minister, in an initiative negotiated with her Canadian counterpart, announced her intention to convene an East Timor crisis conference two days later. Although ASEAN countries initially declined to attend the meeting,<sup>5</sup> in the end, all APEC members except Taiwan and Hong Kong participated. Seven member economies did not send ministers to the meeting, but the foreign ministers of some key ASEAN states, notably the Philippines, Singapore and Thailand, as well as those of Australia, Canada, Japan, Korea, New Zealand, and the United States were in attendance.<sup>6</sup> The meeting played an important role in securing ASEAN acquiescence to the dispatch of a UN peace-keeping force to East Timor. Moreover, it enabled other APEC members to maintain pressure on the US to use its substantial bilateral leverage over Indonesia to push Jakarta towards concessions on the Timor crisis (pressure that was maintained at the Leaders' Meeting). The special ministerial meeting did not, however, issue a declaration; its deliberations are not recorded in APEC's official documentation.

---

<sup>4</sup> "Perry Wants APEC to Act as Regional Forum, Kono Nixes Idea," *Japan Digest*, 15 November 1995, cited in Steve Barth, "Paradigms Lost: Rethinking the Context of US-Japan Relations." Available from <http://www.global-insight.com/Archives.htm>. Accessed 14 October 2003.

<sup>5</sup> The Malaysian Deputy Prime Minister Abdullah Badawi, speaking for his country at the Auckland meeting following Prime Minister Mahathir's decision not to participate, declared: "To discuss East Timor formally at APEC would be a departure from tradition. APEC is about trade and economic cooperation. We cannot set such precedents." Quoted in Reyes (2009).

<sup>6</sup> Some (most notably Indonesia and Malaysia), however, only sent officials as "observers." In another unprecedented move for APEC, the New Zealand government invited the British foreign secretary to represent the EU at the meeting.

### 3.4 Security Issues on the Official APEC Agenda

Ideas of comprehensive security were reflected on APEC's official agenda from its foundation. The most notable dimension was concern with energy security, which had been the sector that prompted the original Japanese formulation of the comprehensive security concept.<sup>7</sup> With other Northeast Asian economies highly dependent on imports for their energy supplies, and the regional grouping also containing some of the world's principal exporters of energy, APEC seemed well placed for a dialogue that would build on a common interest in ensuring security of supply.

APEC's Energy Working Group (EWG) was one of the first of such groups to be established, holding its initial meeting in 1990. The EWG is assisted by four Expert Groups (Clean Fossil Energy, Efficiency & Conservation, Energy Data & Analysis, and New & Renewable Energy Technologies) and a Task Force on Biofuels. The EWG also established a dialogue mechanism with the private sector, the EWG Business Network.

The EWG has been among the most active of APEC's Working Groups, having already held 41 meetings of officials by 2011. In addition, APEC energy ministers had met nine times by that year. Sub-committees have also been active, with the 37th meeting of the APEC Expert Group on New and Renewable Energy Technologies being held in August 2011. The issue of energy security featured prominently in the statement issued at the first ministerial working group in 1996, which also adopted 14 non-binding energy policy principles. Although ministers noted that the objective of energy security would best be served by the actions of individual member economies, they also asserted that consideration of the regional capabilities required to respond effectively to potential supply disruptions might also be needed. The ministers expressed their support for the proposal of the EWG to establish an Asia Pacific Energy Research Centre, which would be charged with the task of monitoring energy supply and demand trends and reporting on the regional energy outlook. At its 22nd meeting in September 2001, the EWG adopted an Energy Security Initiative, subsequently endorsed by APEC leaders, that focuses on the development of plans to respond to temporary supply disruptions.

In 2001, the EWG launched a Joint Oil Data Initiative, a collaborative oil information collection program undertaken by APEC, the Organization of the Petroleum Exporting Countries (OPEC), the IEA, the International Energy Forum and the United Nations Environment Programme. Noting that cooperation and partnership are essential to addressing energy security and environmental challenges, the EWG has collaborated with other international energy fora on a broad range of issues, including maritime energy transport security, emergency preparedness, energy efficiency, and clean energy technology. Reflecting the perceived importance of collaboration with global agencies, the IEA, the Renewable

---

<sup>7</sup> One could conceivably imagine circumstances where some of APEC's other designated areas for cooperation, e.g., fisheries, and marine resource conservation, could at some point be "securitized" under the umbrella of a comprehensive approach to security.

Energy & Energy Efficiency Partnership (REEEP) and the Energy Charter Secretariat have been granted guest status in the EWG.

Australia, one of the region's principal energy exporters, made energy security a key theme of the APEC meetings that it hosted in 2007. In that year's APEC Leaders' Declaration on Climate Change, APEC leaders resolved to work towards an APEC-wide aspirational goal of reducing energy intensity by at least 25 % by 2030. They also established an Asia-Pacific Network for Energy Technology (APNet) to strengthen collaboration on energy research in the region, particularly in the areas of clean fossil energy and renewable energy sources. At the 8th APEC Energy Ministerial Meeting held in the same year, ministers directed officials to improve energy efficiency by:

- Setting individual goals and action plans;
- Collaborating with the IEA to develop energy efficiency indicators;
- Sharing information on energy policies and measures;
- Encouraging APEC members to contribute to and utilize the APEC Energy Standards Information System; and
- Establishing a Peer Review Mechanism on Energy Efficiency.

By 2011, seven reports had been completed—on Chile, Malaysia, New Zealand, Peru, Taiwan, Thailand, and Vietnam, which are posted on the APEC website.

In 2008, the EWG established an Energy Trade and Investment Task Force (ETITF) to facilitate cooperation within the group. The ETITF seeks to promote regional energy trade and investment liberalization, and in particular to consider climate change policies and approaches to reducing greenhouse gas emissions. It has the goal of establishing a carbon pricing mechanism across the region.<sup>8</sup>

In the field of energy, APEC has brought its full panoply of instruments of cooperation to bear: information-sharing; setting indicative targets; and the introduction of a peer review mechanism, the only area beyond trade where the latter exists. Although most observers consider its information-sharing efforts and dialogue promotion to have been useful, the grouping has not been able to promote genuinely joint action: individual country measures in, for example, building up stockpiles, remain far more significant than action at the regional level.

### 3.5 APEC and the War on Terror

The attacks on the United States on September 11, 2001 put security issues squarely on APEC's official agenda. APEC's 2001 Leaders' Meeting, perhaps fortuitously held in Shanghai on October 21, 2001, was the first major international

---

<sup>8</sup> Asia-Pacific Economic Cooperation, SOM Steering Committee on Economic and Technical Cooperation, Working Groups, Energy. Available from <http://www.apec.org/en/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Energy.aspx>. Accessed 12 December 2010.

gathering to be held after the September 11 terrorist attacks, and was used by the Bush administration to make a strong statement on the war on terror. For the first time, the Leaders' Meeting issued a "Supplementary Statement"—previous meetings had issued a single declaration, sometimes with appended agreements—on the topic of counter-terrorism. This statement marked the first occasion on which APEC leaders or ministers had formally issued a proclamation on security matters other than on energy security. Security issues dominated the agenda of APEC's Leaders' Meetings over the next three years. In their meetings in 2002 and 2003, APEC leaders broadened their pronouncements on political and security issues beyond terrorism, narrowly defined.<sup>9</sup>

That APEC's agenda changed so dramatically reflects several factors. One was the increasing realization, post-September 11, of the damage that terrorist activities can do to economic growth. The terrorist attacks on the United States destroyed any lingering ideas that economics and security could be divorced. A second was that the anti-terrorist agenda, which various states could use for their own domestic purposes, fostered a commonality of interests that was obviously lacking on other issues being discussed in APEC at that time, especially trade liberalization, which dominated APEC's agenda in the 1990s. As *The Economist* pithily put it: "APEC's members are less willing to co-operate on economics than they were in the group's heyday in the early 1990s."<sup>10</sup> Cooperation in the fight against terrorism at least temporarily revitalized APEC at a time when the negotiation of preferential trade agreements, both bilaterally and on an ASEAN Plus Three basis, threatened to marginalize its influence on Asia-Pacific trade liberalization. Moreover, a united front against terrorism papered over divisions on other foreign policy issues, and led, at least temporarily, to a significant improvement in relations between China and the US, and Malaysia and the US. APEC's focus on terrorism also reflected a new American dominance of the organization's agenda—almost by default, because the governments that had largely driven APEC's initiatives in the early years (notably Australia and Japan) had substantially lowered their expectations of the contribution that APEC could make to achieving their foreign economic policy objectives.

APEC's new security agenda recognized that terrorist activities can impose economic costs primarily in two ways: first, through the direct and indirect costs of terrorist acts themselves; second, through the costs to governments and businesses of attempting to reduce the vulnerability of international economic transactions to terrorist threats.

The International Monetary Fund estimated that the cost to the US of the September 11 attacks may have been as much as 0.75 % of its GDP (or \$75 billion). To put this figure in context, the estimated benefits to the US from the

---

<sup>9</sup> In 2004, the Leaders reverted to previous practice in issuing only one declaration, which was concerned primarily with the traditional agenda of trade liberalization but also contained sections on good governance and on human security. APEC, "12th APEC Economic Leaders' Meeting, Santiago Declaration, 'One Community, Our Future.'" Available from <[http://apec.org/Meeting-Papers/Leaders-Declarations/2004/2004\\_aelm.aspx](http://apec.org/Meeting-Papers/Leaders-Declarations/2004/2004_aelm.aspx)>. Accessed 9 April 2012.

<sup>10</sup> *The Economist*, "Not so Pacific," 23 October 2003.

trade liberalization measures negotiated in the GATT's Uruguay Round agreements were between 0.4 and 0.6 % of its GDP. Given that benefits from trade liberalization agreed within APEC are inevitably smaller than those negotiated at the global level, a single terrorist strike can quickly undo the benefits of years of APEC's frequently tortuous negotiations on trade issues. Terrorism, moreover, had the potential to have a devastating impact on tourism in the Asia-Pacific region. These costs were most evident in Indonesia following the Bali bombing on October 12, 2002, which were estimated to have cost Indonesia as much as one percent of its total GDP. The uncertainty generated by terrorist acts or the threat thereof similarly has a significant negative economic impact by depressing business and consumer confidence, leading to lower levels of investment than might otherwise have been expected (Department of Foreign Affairs and Trade 2003).

The cost of countering the terrorist threat similarly takes multiple forms. One is the need for businesses to carry larger inventories for fear of their supply chains being interrupted. In a region where transnational production networks have been central to the growth of the electronics and auto industries, and where just-in-time methods have helped reduce manufacturing costs significantly, the potential disruption to supply chains not only increases manufacturing costs but even threatens the very participation of some countries in these networks. Another is the cost of re-fitting ships, containers, etc., and installing new inspection equipment at ports to ensure they are compliant with the new security regulations that governments impose. A third comes from the potential delay in the movement of goods and people that more stringent standards of border inspection can impose. A fourth is through higher insurance premiums and the refusal of insurance companies to cover some terrorist risks. In short, the additional costs that counter-terrorism measures inflict on business all directly undermine the business facilitation agenda that is the second "pillar" of APEC's activities.

Countering the potential terrorist threat to economic activities within the Asia-Pacific region added a significant new dimension to APEC activities. The remit of some working groups was expanded. New working parties were created. In the first category, the Energy Working Group broadened the scope of its APEC Energy Security Initiative, in particular, to examine the problems of sea lane security. In April 2002, the Asia-Pacific Energy Research Centre held a "sea lane disruption simulation exercise"; the recommendations that came from the workshop included the establishment of a real-time emergency information sharing system, the upgrading of navigational aids in the Straits of Sunda and Lombok, and proposals for a feasibility study of the establishment of joint oil stockpiles by net oil importing member economies. In addition, the EWG recommended that studies be undertaken of the feasibility of cross-border interconnection of power networks across the region.

APEC's Transportation Working Group also participated in the sea lane disruption simulation exercise. This working group's mandate was also broadened substantially after 2001. It cooperated with the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) to implement initiatives to enhance airport, aircraft, ship and port safety and security.

The working group has a central role in the implementation of APEC's Secure Trade in the APEC Region (STAR) initiative, APEC's primary initiative for addressing the securitization of trade.

The first STAR conference took place in Bangkok in February 2003, co-hosted by the Thai and US governments, and addressed issues relating to maritime security, aviation security, passenger processing, technology for security enhancement, capacity building, project planning and financing and supply chain security. A follow-up conference took place in Chile in March 2004. Participants agreed to the goal of developing port and ship security plans by July 2004 to comply with the IMO's new requirements in the International Ship and Port Facility Security Code. They exchanged ideas on how to implement the leaders' commitment to introducing measures by 2005 for effective baggage screening facilities at all APEC international airports, and to ensure the integrity of passenger transportation systems through the provision of advance passenger information and use of biometrics in entry and exit procedures and in travel documents. Participants from the World Bank and the US Export-Import Bank spoke of the availability of finance from their organizations to support STAR projects.

APEC's STAR initiative was one dimension of the Statement on Fighting Terrorism and Promoting Growth that APEC leaders adopted at their meeting in Los Cabos, Mexico in October 2002. Besides issuing an endorsement of the Energy Security Initiative, discussed above, the Statement also contains commitments to develop an APEC Action Plan on Combating and Financing Terrorism, which aims to deny terrorists access to the world's financial system, an APEC Cybersecurity Strategy to protect communications and information systems, and measures to protect tourism. Cognizant of the criticisms that lack of finance had stymied previous APEC initiatives, the leaders agreed at their next meeting in Bangkok in 2003 to establish a Regional Trade and Financial Security fund within the Asian Development Bank to support projects that enhance port security, combat terrorist finance, and achieve other counter-terrorism objectives. In 2004, the leaders endorsed the CAIRNS initiative—the "Comprehensive Action Initiative—Energy Security, Sustainable Development and Common Prosperity." This included a commitment to monitor sea lane security within the APEC region and "to respond and communicate with relevant bodies as appropriate."<sup>11</sup>

The most significant organizational development within APEC in response to its changing agenda was the creation of a Counter-Terrorism Task Force. This committee, whose activities are less dramatic than its title suggests, was established in response to the recognition that measures to combat terrorism cut across

---

<sup>11</sup> APEC, "Comprehensive Action Initiative Recognizing the Need for Strengthening the APEC Energy Security Initiative—Energy Security, Sustainable Development and Common Prosperity" (CAIRNS). Available from <[http://www.apec.org/Meeting-Papers/Leaders-Declarations/2004/~media/Files/MinisterialStatements/Annual/2004/04\\_amm\\_030rev1.ashx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2004/~media/Files/MinisterialStatements/Annual/2004/04_amm_030rev1.ashx)>. Accessed 9 April 2012.

various areas of APEC activities, and that the grouping lacked a body to coordinate this work. The Task Force was charged with the responsibility to:

- Coordinate the implementation of the Leaders' Statement on "Fighting Terrorism and Promoting Growth" using the APEC Counter-Terrorism Action Plan agreed at the First Senior Officials' Meeting in Chiang Mai, Thailand in February 2003 as the foundation for this work.
- Assist economies to identify and assess counter-terrorism needs.
- Coordinate capacity building and technical assistance programs, including consultations with international financial institutions.
- Cooperate with international organizations to implement the Leaders' Statement.
- Facilitate cooperation between APEC fora on counter-terrorism issues and assist in making recommendations on proposals/projects to Senior Officials.
- Scrutinize the Counter-Terrorism Action Plans that APEC members have committed to drawing up.

The STAR initiative remains the principal vehicle through which counter-terrorism activities are promoted. The principal focus has been on enhancing the security of supply chains while attempting to minimize the costs of doing so. It is notable, however, that the most recent of the STAR conferences, the sixth, was held in 2008. STAR did not figure in the reported discussions at the two most recent APEC meetings, those held in Singapore (2009) and Japan (2010). The Leaders' Declaration from the 18th meeting, held in Yokohama in November 2010, fails to make any reference to STAR; indeed, its section titled "A Secure Community: A Community that Provides a More Secure Economic Environment" makes reference exclusively to *human* security.<sup>12</sup> APEC's security agenda has moved on.

Although these initiatives on counter-terrorism added a new dimension to APEC's activities, they were all arguably consistent with its longstanding agenda of trade facilitation. The 2002 Leaders' Meeting, however, marked a more dramatic departure from previous APEC practices by issuing an explicit commentary on a conventional security issue through its "Statement on North Korea." This called upon the "DPRK to visibly honor its commitment to give up nuclear weapons programs" and noted that the potential for North Korea to benefit economically from greater participation in the Asia Pacific community would depend on a "nuclear weapons-free status on the Korean Peninsula."

The 2003 Leaders' Meeting further broadened APEC's interests in security issues by pledging to "confront the threat posed by terrorists' acquisition and use of Man-Portable Air Defense Systems (MANPADS) against international aviation." They committed themselves "to adopt strict domestic export controls on

---

<sup>12</sup> APEC, "2010 Leaders' Declaration: Yokohama Declaration—The Yokohama Vision—Bogor and Beyond." Available from <[http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010\\_aelm.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm.aspx)>. Accessed 12 December 2010.



MANPADS, secure stockpiles, take domestic action to regulate production, transfer and brokering, ban transfers to non-state end-users and exchange information in support of these efforts.”<sup>13</sup>

The inclusion of these statements on “traditional” security issues proved controversial, however. They generated disquiet among many of APEC’s Asian members (the notable exception being Japan, which continued to press for statements on North Korea to be part of Leaders’ Declarations). This disquiet was reinforced by perceptions that the United States was attempting to manipulate APEC’s anti-terrorism agenda for its own purposes in its “war on terror.” No further statements on traditional security issues were made after the 2003 Leaders’ Meeting. The last Declaration in which counter-terrorism issues received detailed discussion was in 2008. Instead, references in the Declarations to “security” focused on energy, food and human security.

### 3.6 The Human Security Agenda

The morphing of APEC’s concerns with security into a human security agenda can be seen in the changing content of Leaders’ Declarations from 2003 to 2005. When “human security” originally appeared in APEC Leaders’ Declarations in the 2003 statement, the context was entirely that of counter-terrorism. The relevant paragraph on “Enhancing Human Security” reads:

We agreed that transnational terrorism and the proliferation of weapons of mass destruction pose direct and profound challenges to APEC’s vision of free, open and prosperous economies. We agreed to dedicate APEC not only to advancing the prosperity of our economies, but also to the complementary mission of ensuring the security of our people.<sup>14</sup>

A section on “Using APEC to Help People and Societies Benefit from Globalization” was all about how to better enable people to integrate into the global economy, and the acceleration of structural reform in member economies. The leaders did also issue a separate “Statement on Health Security” at the 2003 Bangkok meeting, in response to the SARS outbreak in the previous 12 months. Again, however, the primary focus was on the potential damage that such pandemics could do to economic activities in the region. Human security was referenced indirectly through the costs of slower economic growth.

---

<sup>13</sup> APEC, “2003 Leaders’ Declaration: Bangkok Declaration A World of Differences: Partnership for the Future.” Available from <[http://apec.org/Meeting-Papers/Leaders-Declarations/2003/2003\\_aelm.aspx](http://apec.org/Meeting-Papers/Leaders-Declarations/2003/2003_aelm.aspx)>. Accessed 9 April 2012.

<sup>14</sup> APEC, “2003 Leaders’ Declaration—Bangkok Declaration—‘A World of Differences: Partnership for the Future’.” Available from <[http://www.apec.org/Meeting-Papers/Leaders-Declarations/2003/2003\\_aelm.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2003/2003_aelm.aspx)>. Accessed 12 December 2010.

In the 2004 Leaders' Declaration, however, the scope of the section on human security was expanded. The bulk of the section continued to be devoted to anti-terrorist activities but it also contained discussion of efforts to address the threats posed by infectious diseases not only including SARS but also HIV/AIDS. The 2005 Declaration lacked a separate heading for human security although reference was made to countering pandemics. The section was re-instated in the 2006 Declaration: although most space was again devoted to counter-terrorism, specific reference was made for the first time to emergency preparedness and disaster response. Terrorism continued to figure in the 2007 Declaration, which included a reference to food security for the first time. In the 2008 Declaration, food security was given its own heading, and climate change figured for the first time. The 2009 Declaration began with a statement expressing regret for the loss of life caused by typhoons, earthquakes and terrorist attacks across the region but continued to view human security primarily from the perspective of economic growth: "We reaffirm the importance of enhancing human security and reducing the threat of disruptions to business and trade in sustaining economic growth and prosperity in the Asia-Pacific region."<sup>15</sup>

This emphasis was re-stated in the 2010 Declaration in which, for the first time since 2005, no separate section on human security appeared, these issues being subsumed under the heading, "Path toward a Secure Community." In the 2011 Declaration, the word "security" was mentioned only in the context of energy and food security (which also applied to the Ministerial Declaration).<sup>16</sup>

The increasing, although circumscribed, attention that APEC has given to human security reflected both the increasing disquiet among most Asian members of the grouping at the emphasis on counter-terrorist activities, the realization of the damage that pandemics could cause to regional economic activities, and the growth of pressure from NGOs (including the network of APEC Studies Centres, APIAN) for APEC to expand its agenda. To some extent, it could be perceived as an effort by APEC to retain some relevance as members increasingly chose to pursue their trade liberalization agenda through bilateral and minilateral agreements.<sup>17</sup> It was also a reflection of efforts by APEC to address a "legitimacy" deficit: the perception that the grouping was not responding to domestic constituencies other than business interests.

Human security has never been a natural fit for APEC, however. Many dimensions of this concept do not sit easily with the dominant agenda of APEC, which, as noted above, has been primarily about removing the impediments to business activities around the region rather than putting into place regulations that

---

<sup>15</sup> APEC, "2009 Leaders' Declaration—Singapore Declaration—Sustaining Growth, Connecting the Region." Available from <[http://www.apec.org/Meeting-Papers/Leaders-Declarations/2009/2009\\_aelm.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2009/2009_aelm.aspx)>. Accessed 2 March 2012.

<sup>16</sup> APEC, "2011 APEC Ministerial Meeting." Available from <[http://www.apec.org/Meeting-Papers/Ministerial-Statements/Annual/2011/2011\\_amm.aspx](http://www.apec.org/Meeting-Papers/Ministerial-Statements/Annual/2011/2011_amm.aspx)>. Accessed 9 April 2012.

<sup>17</sup> See the introduction to this volume by Aggarwal and Govella.

might inhibit its behavior. Consequently, APEC has shown no interest in topics such as workers' rights or labor standards. Migration, a politically sensitive topic in most member economies, has been addressed only at the elite level, with the development of the APEC Business Travel Card Scheme. Moreover, a comprehensive human security agenda, with an emphasis on protecting individuals from threats to their well-being, including those that emanate from their own governments, runs entirely contrary to the ASEAN-based norms of non-interference in the domestic affairs of member economies on which APEC operates. Accordingly, APEC's own statement on human security notes that "APEC's human security agenda deals with *trans-boundary* [author's emphasis] threats to people and economies from terrorism, pandemics, natural disasters and contamination of food supplies."<sup>18</sup> In many ways, APEC remains true to its roots in neo-classical economic orthodoxy: the concern with human security is primarily with developments that might disrupt economic growth, the benefits of which are expected to trickle down to improve the lot of the poorest members of society.

NGOs have been at the forefront of many dimensions of the international promotion of human security. APEC's relations with NGOs, however, have primarily been adversarial. APEC has severely restricted the involvement of non-governmental organizations in its activities. Of the three institutions that enjoy observer status, two—the ASEAN Secretariat and the Pacific Forum—represent regional inter-governmental groupings. The only non-governmental institutions to enjoy this status are the APEC Business Advisory Council and the Pacific Economic Cooperation Council, a tripartite grouping of individuals from academia, business, and governments, acting in their private capacity.

Rather than being constructive critics from within the regime, most NGOs have been opposed in principle to the APEC agenda. They have viewed APEC's unconditional promotion of free trade as antithetical to their own agendas of promoting human rights and environmental objectives. The frequent statements of governments that "APEC is all about business" have done little to assuage the fears of NGOs, nor has business sponsorship of APEC Leaders' Meetings (first used by APEC for its own Seattle meetings in 1993, and subsequently similarly utilized by the WTO).<sup>19</sup> Given their exclusion from the official meetings, some NGOs have attempted to stage 'alternative' summits on several occasions (Wilkinson 1996). Protests at APEC Leaders' Meetings, most notably those surrounding the meeting in Vancouver 1997, were dress rehearsals for the demonstrations that disrupted the Seattle ministerial meeting of the WTO in December 1999 (Delahunty 1999; Ericson and Doyle 1999).

---

<sup>18</sup> APEC, "Human Security." Available from <<http://www.apec.org/About-Us/About-APEC/Fact-Sheets/Human-Security.aspx>>. Accessed 9 April 2012.

<sup>19</sup> The 2003 APEC meetings in Thailand were sponsored by BMW, Hewlett-Packard, Thai Airways, Toyota, Singha Breweries, Telecom Asia, TOT Corporation (a Thai telecommunications provider), CAT Telecom, UBC TV, Bangkok Mass Transit System, and Yontrakit (a Thai car distributor and parts manufacturer).

APEC's modes of addressing human security issues are no different from those the grouping has utilized in other areas: primarily a mix of information exchange and attempts to develop indicative best practice to be advocated through various "action plans." Some elements of the agenda have been slow to take off. The first ministerial meeting on food security was not held until October 2010, when an APEC Action Plan on Food Security was adopted. As early as 1998, however, the APEC Business Advisory Council had called for APEC leaders to commit to building an APEC Food System, an objective endorsed by the following year's Leaders' Meeting in Auckland. The emphasis has been on the widening of markets for foodstuffs into a single regional market, but even this pro-market emphasis has taken a long time to develop given the conflict between the interests of food-exporting and food-importing countries.

In the health field, APEC established a Health Task Force (HTF) in 2003, following the SARS outbreak; it was upgraded to a Health Working Group (HWG) in 2007. A new set of terms of reference for the HWG issued by APEC Senior Officials in 2010 mandated it to provide policy guidance on the Economic and Technical Cooperation (ECOTECH) agenda but it was also required to review its own activities "with a view to making recommendations to Senior Officials on establishing merging, disbanding or reorienting this body," which hardly reads like a resounding endorsement of its performance.

In 2010, a new *Framework to Guide ECOTECH Activities* was put in place. "Human Security" was identified as one of the medium-term priorities for all APEC economies to work towards. The medium-term priorities will be reviewed again by 2015. In most areas of human security, however, it is difficult to go beyond the impression that APEC is merely making a token gesture.

### 3.7 Conclusion

Evaluating the contribution that any international institution makes to enhancing security is a task fraught with complications. In APEC's case, unlike that of many of the trade agreements that have recently been negotiated around the Asia-Pacific region, analysts at least have the advantage of observing more than 20 years of activities. Nonetheless, it remains extremely difficult to disentangle APEC's contributions from other developments in the international environment, and to distinguish cause and effect even when some correlation appears to be present.

As with ASEAN, the broader Asia-Pacific region has been remarkably free of inter-state conflict over the last quarter of a century. But can this be attributed to the impact of institutions or to arguments from a more traditional realist interpretation that place emphasis on deterrence and balance of power (Ravenhill 2009a)? And, if economics has something to do with the record of peace, can this be attributed to regional economic institutions or to a more classical liberal argument on the increased dependence of countries in the region on external trade, a phenomenon driven primarily by the evolution of production networks that are

little affected by regional economic institutions or by the mushrooming preferential trade agreements (Ravenhill 2009b)? APEC may have played a facilitating role in promoting regionalization, but overall this has been a relatively minor one—not least because it has no mechanisms for adjudicating disputes among its members.

Distinguishing APEC's contribution is even more difficult because of the soft-law character of its agreements, beyond which APEC's Asian members have been unwilling to move (Kahler and Miles 2000). Action plans that put emphasis on socialization and peer pressure, on indicative indicators, and on voluntary compliance make it very difficult to argue that any specific provisions of APEC have changed the behavior of its member economies.

Nonetheless, the discussion in this chapter has indicated a number of areas where APEC can reasonably claim credit for contributing to improved security in the Asia–Pacific region. The most notable is through its work in promoting the securitization of trade in the post-September 11 period. The magnitude of the damage caused by the terrorist attacks on the United States, and then those in the following year on a tourist resort in Bali, was sufficient not only to forge a rare (if temporary) deep-seated agreement among its members, but also to galvanize them into providing sufficient resources of their own and mobilizing those available from regional and global agencies to undertake some meaningful action.

Less easy to establish is APEC's contribution to confidence-building among its members. It does seem that APEC's Leaders' Meetings were important on occasion in providing a venue for political leaders to meet at times when relations between their countries were strained—most notably between the United States and China following the US bombing of the Chinese mission in Belgrade. With the expansion of the East Asia Summit (EAS) to include the United States and Russia, however, APEC will lose its role as the only Asia–Pacific regional institution that has an annual meeting at the highest political level, and thus may struggle to maintain its relevance in discussions of matters of “high politics.”

The 2011 APEC and EAS annual meetings appear to provide an initial indication that a new division of labor among regional institutions may be evolving. The EAS was the institution at which issues of “traditional” security were raised—most notably concerns about competing territorial claims in the South China Sea in 2011. APEC remained the principal regional forum for discussing issues pertaining to regional economic integration. These were by no means divorced from security linkages. APEC discussions in 2011 were dominated by the US promotion of the Trans-Pacific Partnership, participation in which, it was proposed, would be limited to countries that accepted the US template for regional economic cooperation, one which makes China's membership particularly difficult.<sup>20</sup> But explicit discussion of security in APEC in the future may reflect the

---

<sup>20</sup> For further discussion of security linkages in US trade agreements see Aggarwal et al. 2011; Higgott 2004 and Kelton 2008. On the TPP see Capling and Ravenhill 2011 and Capling and Ravenhill forthcoming.

experience at the 2011 annual meetings when this was confined to issues of energy and food security.

## References

- Aggarwal, Vinod K., and Anders Ahnid. 2011. Comparing EU and US linkage strategies in FTAs. Paper presented at the ANU MacArthur Foundation Asia Security Initiative final conference, May, Beijing, China.
- Aggarwal, Vinod K., and Charles E. Morrison, eds. 1998. *Asia-Pacific crossroads: Regime creation and the future of APEC*. New York: St. Martin's Press.
- Buzan, Barry, Ole Wæver, and Jaap de Wilde. 1998. *Security: A new framework for analysis*. Boulder: Lynne Rienner.
- Capling, Ann, and John Ravenhill. 2011. Multilateralising regionalism: What role for the TPP? *The Pacific Review* 34(5): 553–575.
- Capling, Ann, and John Ravenhill. Forthcoming. The TPP: Multilateralizing regionalism or securitizing trade? In *The trans-Pacific partnership*, ed. Deborah K. Elms, Chin Lim and Patrick Low. Cambridge: Cambridge University Press.
- Delahunty, Jim. 1999. APEC at auckland. *Monthly Review* 51(7): 15–23.
- Department of Foreign Affairs and Trade, Commonwealth of Australia. 2003. The costs of terrorism and the benefits of cooperating to combat terrorism. Paper presented by Dr Geoff Raby, Deputy Secretary, Department of Foreign Affairs and Trade at the APEC Senior Officials Meeting, 21 Feb 2003, Chiang Rai and submitted by Australia to the Secure Trade in the APEC Region (STAR) conference, 24 Feb 2003. [http://www.dfat.gov.au/media/speeches/department/030224\\_costsofterrorism\\_graby.html](http://www.dfat.gov.au/media/speeches/department/030224_costsofterrorism_graby.html). Accessed 20 Oct 2003.
- Drysdale, Peter, and Hugh Patrick. 1981. An Asian-Pacific regional economic organisation: An exploratory concept paper. In *Pacific economic co-operation: Suggestions for action*, ed. Sir John Crawford and Greg Seow, 63–82. Selangor: Heinemann Asia.
- Ericson, Richard, and Aaron Doyle. 1999. Globalization and the policing of protest: The case of APEC 1997. *British Journal of Sociology* 50(4): 589–608.
- Higgott, Richard. 2004. US foreign policy and the 'securitization' of economic globalization. *International Politics* 41(2): 147–175.
- Kahler, Miles. 2000. Legalization as strategy: The Asia-Pacific case. *International Organization* 54(3): 549–571.
- Keating, Paul. 2000. *Engagement: Australia faces the Asia-Pacific*. Sydney: Pan Macmillan Australia.
- Kelton, Maryanne. 2008. US economic statecraft in East Asia. *International Relations of Asia and the Pacific* 8(2): 149–174.
- MacDuff, David. 2002. APEC after Shanghai. *International Journal* 57(3): 439–457.
- Mazarr, Michael J. 1995. *North Korea and the bomb: A case study in nonproliferation*, 1st ed. New York: St. Martin's Press.
- McSweeney, Bill. 1999. *Security, identity, and interests*. Cambridge: Cambridge University Press.
- Moran, Daniel, and James A. Russell. 2009. Introduction: The militarization of energy security. In *Energy security and global politics*, ed. Daniel Moran and James A. Russell, 1–18. London: Routledge.
- Nesadurai, Helen E.S. 2011. Labour migration, security and interdependence in Southeast Asia: Insights from Malaysia's conflict with Indonesia and the Philippines. Paper presented at the ANU MacArthur Foundation Asia Security Initiative final conference, May, Beijing, China.
- Ravenhill, John. 2001. *APEC and the construction of Asia-Pacific regionalism*. Cambridge: Cambridge University Press.

- Ravenhill, John. 2007. Mission creep or mission impossible? APEC and security. In *Reassessing security cooperation in the Asia-Pacific: Competition, congruence, and transformation*, ed. Amitav Acharya and Evelyn Goh, 135–154. Cambridge: MIT Press.
- Ravenhill, John. 2009a. East Asian regionalism: much ado about nothing? *Review of International Studies* 35(Special Issue): 215–235.
- Ravenhill, John. 2009b. The economics-security nexus in the Asia-Pacific region. In *Re-envisioning Asia-Pacific security: A regional-global nexus?*, ed. William Tow. Cambridge: Cambridge University Press.
- Reyes, Alejandro. 1999. Days of diplomacy. *Asia Week* 25(38).
- Sopiee, Dato Dr. Noordin. 1997. Should APEC address security issues? In *Whither APEC? The progress to date and agenda for the future*, ed. C. Fred Bergsten, 207–210. Washington: Institute for International Economics.
- Spero, Joan. 1995. *The future of Asia-Pacific economic cooperation*. Washington: US Congress House of Representatives, Committee on International Relations, Subcommittee on Asia and Pacific Affairs and International Economic Policy and Trade, Testimony (18 July).
- Waeber, Ole. 1995. Securitization and desecuritization. In *On security*, ed. Ronnie D. Lipschutz, 46–86. New York: Columbia University Press.
- Wilkinson, Jens. 1996. Dealing with a fiction: The NGO conference on APEC. *AMPO Japan-Asia Quarterly Review* 26(4): 6–9.

# Chapter 4

## Trade and Human Security in ASEAN: Toward Deeper Linkage?

Jonathan T. Chow

### 4.1 Introduction

Since the end of the Cold War, the mission of the Association of Southeast Asian Nations (ASEAN) has broadened dramatically to encompass a wide range of regional economic, security, and socio-cultural matters while its membership now includes virtually all of continental and maritime Southeast Asia. In 2003, the ASEAN states issued the Bali Concord II, which called for the creation of an ASEAN Community by the year 2015 with a single market and production base comprising free flow of goods, services, investment, and skilled labor, as well as a freer flow of capital. In addition, the ASEAN Community would be increasingly governed by rules rather than informal norms, a potentially significant step underscored by the full ratification of the ASEAN Charter in 2008, which formally established the Association's legal personality.

The idea of an ASEAN Community suggests a highly integrated set of issues linking trade, security, and other social matters. In [Chap. 10](#), Anders Ahnliid demonstrates how the European Union used the Copenhagen criteria as a condition for EU membership and then transposed those values on to its external trade relations through the use of political clauses in trade agreements. The Copenhagen criteria grew out of a common set of values held by the Western European

---

For their helpful comments on previous drafts, I wish to thank Vinod K. Aggarwal, Kristi Govella, Nina Kelsey, Alisa Modica, Sherry Stephenson, and the participants of the two conferences on "Linking Trade, Traditional Security, and Human Security: Lessons from Europe and the Americas and Implications for Asia." All errors are solely my responsibility. I also wish to thank Sara Newland, the Berkeley APEC Study Center, the East-West Center in Honolulu, and the Asan Institute for Policy Studies.

---

J. T. Chow (✉)  
Reed College, Oregon, Portland, USA  
e-mail: jchow@reed.edu



countries, including democracy, the rule of law, human rights and a commitment to market economies. But the story is very different in ASEAN, which exhibits much greater social, political, and economic diversity than the EU. For instance, in 2010 the spread in per capita GDP (in constant 2000 dollars) in the EU ranged a low of \$2555 in Bulgaria to a high of \$52,306 in Luxembourg, about 20 times greater. In contrast, per capita GDP (in constant 2000 US dollars) in ASEAN ranged from a low of \$558 in Cambodia to a high of \$32,641 in Singapore, about 58 times greater (World Bank 2011). In terms of political systems, ASEAN includes democracies such as Indonesia (since 1998) and the Philippines (since 1986), a one-party parliamentary republic in Singapore, constitutional monarchies in Brunei, Cambodia, Malaysia, and Thailand, socialist governments in Vietnam and Laos, and a military junta in Myanmar.

This diversity, as well as ASEAN's history as an organization intended to protect the sovereignty of its member states, has led to the development of a very different set of institutional norms from those of the EU. Liberal democratic values and respect for human rights, often taken for granted in Western Europe, have been subjects of lively and even acrimonious debate within ASEAN. Moreover, while the ASEAN states currently purport to embrace the creation of a single ASEAN market and production base, intra-regional trade has not always been governed by market liberalism. Perhaps most well-known, though, is the ASEAN norm of non-interference in member states' sovereign affairs, which discourages political and economic convergence. Complementing this is the oft-repeated mantra that ASEAN integration will proceed at a pace comfortable to all members, as well as the permissance of "multispeed liberalization," which allows for some member states to liberalize trade earlier than others. The result is that ASEAN remains a far more loosely coupled grouping than the EU. This is reflected in ASEAN's patterns of trade and issue linkage.

In this chapter, I discuss how the ASEAN member states have regarded the relationship between trade and security. I begin by explaining how traditional security factors were the primary driver for ASEAN trade agreements during the Cold War. Next, I discuss how the end of the Cold War, the resolution of the Cambodian crisis, and the onset of the 1997 Asian financial crisis stimulated a new round of institutional development driven by economic factors and relatively more concerned with human security, leading to the formulation of the ASEAN Community. Yet, in terms of intra-ASEAN relations, the growing economic integration among the member states has been largely isolated from discussions of the human security effects of trade. This "issue de-linkage" has been facilitated by the member states' insistence that trade should not be used to extract concessions in non-trade areas, as well as ASEAN's procedural norms of elite consensus, which have helped to partially insulate it from domestic pressures. In the conclusion, I discuss how ASEAN's growing formalization as expressed in the ASEAN Charter and the ASEAN Community, along with the controversy over Myanmar's human rights violations, suggest the *potential* for future issue linkages between trade and human security matters. However, despite the increasing prominence of human security on ASEAN's agenda, member states remain reluctant to use trade to influence such issues.

## 4.2 Traditional Security as the Primary Driver of ASEAN Economic Cooperation During the Cold War

When ASEAN was established in 1967, it was specifically designed to deal with traditional security threats. *Konfrontasi*, an undeclared guerilla war between 1962 and 1966 conducted by Sukarno-led Indonesia against the newly formed Malaysian Federation, was the immediate catalyst for ASEAN's formation; it ended after Sukarno was deposed in a military coup. The lesson of *Konfrontasi* for ASEAN member states was that state sovereignty was vulnerable and needed to be safeguarded above all else. This was reflected in ASEAN's emphasis on non-interference in the sovereign affairs of its members and its procedural norms of decision-making by mutual consultation and consensus. The preservation of stability above all else was explicitly laid out in the 1976 Declaration of ASEAN Concord (the "Bali Concord"), which committed member states to "eliminate threats posed by subversion to [their] stability, thus strengthening national and ASEAN resilience" (ASEAN 1976).

In this context, economic cooperation was focused on improving member states' self-sufficiency rather than on fostering interdependence. Intra-ASEAN trade, according to the Bali Concord, was intended not only to promote development but also to augment foreign exchange reserves, increase access to extra-regional markets, and foster cooperation in basic commodities, especially food and energy supplies. Indeed, as Alice Ba has argued, ASEAN economic integration did not arise out of member states' natural economic complementarities so much as it did from the imperative to *create* those complementarities (Ba 2009, Severino 2006). This was evident from the high degree to which the ASEAN economies competed with one another in the production of the same goods, member states' attempts to minimize the effects of trade liberalization, and early attempts at creating regional joint industrial ventures.

The 1977 ASEAN Preferential Trade Agreement (PTA), for instance, sought to reduce intra-ASEAN tariffs on goods but used a positive list under which individual categories of goods were negotiated for tariff reductions. This allowed member states to meet their liberalization quota by ensuring that goods included in the list were not heavily traded, already at zero tariff levels, or merely variants of the same product. The Philippines' inclusion of snowplows in the PTA and Indonesia's inclusion of nuclear power plants are two notorious examples (Ba 2009, Ravenhill 1995, Severino 2006). In 1986, at the ASEAN Economic Ministers' Meeting, the Philippines proposed a common external tariff and a graduated reduction of intra-ASEAN tariffs. However, the proposal was quickly rejected for reasons that reflected member states' economic diversity as well as nationalist tensions. Singapore, with its already low tariff rates, did not wish to raise them to have a common external tariff. Indonesia worried about exacerbating its trade deficit with Singapore and augmenting the influence of the economically powerful ethnic Chinese minority (Ba 2009, Bowles 1997). By the end of the 1980s, trade in products under the PTA constituted less than 1 % of total intra-ASEAN trade (Tan et al. 1992. Cited in Ravenhill 1995).

ASEAN's early industrial cooperation initiatives met with mixed success as well. The 1980 ASEAN Industrial Projects (AIP) and its successor, the 1985 ASEAN Industrial Joint Ventures (AIJV), sought to establish region-wide state-owned heavy industries and privately owned joint ventures, respectively, whose products would enjoy preferential tariff treatment within ASEAN. Meanwhile, the 1981 ASEAN Industrial Complementation (AIC) and the 1988 Brand-to-Brand Complementation (BBC) schemes attempted to exploit regional economies of scale by assigning different stages of manufacturing to different member states. The products (in this case, automobiles) would then be eligible for preferential tariff treatment within ASEAN. Such schemes had, at best, a limited effect on improving intra-regional trade. As in the PTA, the industrial cooperation schemes were intended less to harness existing economic complementarities than to create them and consequently generate greater political cohesion. Nevertheless, the relatively limited degree of integration, combined with the much stronger traditional security threats posed by the Soviet Union and China, meant that economic cooperation had little effect on political cohesion, though it did provide a precedent for deeper post-Cold War economic integration.

In terms of Aggarwal and Govella's schema in [Chap. 1](#), we can characterize the early period of ASEAN economic cooperation as driven by the need to protect state sovereignty and autonomy as a matter of substantive linkage. There appears to have been a consensus among the ASEAN states that economic cooperation did affect security, but that it negatively affected state sovereignty and autonomy, particularly in light of the communist threat. This meant that member states were unwilling to commit significant resources to trade liberalization and industrial cooperation.

When human security issues surfaced, the ASEAN members focused on how they threatened the state, not individuals. For example, following Soviet-aligned Vietnam's invasion of Cambodia in December 1978 and China's subsequent invasion of Vietnam, the ASEAN states expressed concern about how Cambodian refugees could undermine state stability. Thailand feared that the refugees harbored resistance fighters who might draw Vietnamese troops across the border, while Malaysia and Singapore worried that the sudden influx of refugees would upset the ethnic balance. Singapore, in particular, accused Vietnam of deliberately expelling ethnic Chinese into Singapore as retaliation for China's invasion of Vietnam, leading Foreign Minister S. Rajaratnam to vividly label Chinese refugees as "human bombs" (Haacke 2003). The fact that the Vietnamese invasion also halted the genocide of the Khmer Rouge did not rouse the ASEAN states, which actively supported that regime in order to uphold the principle of sovereign non-interference.

Similarly, the Declaration of ASEAN Concord laid out broad goals for cooperation in development but emphasized the benefits of doing so for *states*. Relief services were to be provided in case of natural disasters, for instance, because such disasters could "retard the pace of development of member states," not because they would save lives. The elimination of poverty, hunger, disease, and illiteracy was defined as a "primary concern of member states" and a reason for cooperation

in economic and social development, “with a particular emphasis on the promotion of social justice” and improved living standards. However, all of this was to be done “in the pursuit of political stability,” not for the security of the individual alone (ASEAN 1976). This was not a case of failed linkage (either substantive or tactical); the notion of human security was simply a non-issue.

### **4.3 Evolving Geopolitics and New Economic Incentives for Trade Liberalization**

The 1980s witnessed momentous geopolitical changes that culminated in the collapse of the Soviet Union in 1991. These changes dramatically reshaped Southeast Asia’s traditional security environment, increased the relative weight of economic factors in discussions about regional trade, and stimulated interest in pursuing an ASEAN Free Trade Area (AFTA). Perhaps the most significant geopolitical development for ASEAN was the withdrawal of Vietnam from Cambodia. When Soviet-aligned Vietnam invaded Chinese-aligned Cambodia in 1978 and established a sympathetic regime under Hun Sen, it crystallized the threat that the ASEAN states perceived from extra-regional meddling. But under Mikhail Gorbachev, whose reforms included a “new thinking” on costly regional conflicts, the Soviet Union gradually reduced its aid to Vietnam and pressured it to withdraw from Cambodia. In response, China began to reduce its support for the Khmer Rouge. Without Soviet aid, Vietnam began in 1986 to implement a series of economic reforms known as *Đổi Mới*, including allowing 100 % foreign ownership and full repatriation of profits, making it the region’s most generous foreign investment regime (Gangadharan 1990). In 1988, it took the unprecedented step of announcing a new “multidirectional foreign policy” no longer centered on the Soviet Union. Perhaps even more importantly, in May 1989, the Soviet Union and China officially normalized their diplomatic relations, thereby ending the Sino-Soviet split. This paved the way for a comprehensive settlement of the Cambodian issue that was sponsored by the five permanent members of the UN Security Council and ratified by the Paris International Conference on Cambodia in October 1991.

ASEAN’s approach to Vietnam also changed, particularly following the 1988 election in Thailand of Prime Minister Chatichai Choonhavan, the country’s first civilian leader since the 1976 military coup. Chatichai embraced engagement with Vietnam and Indochina more broadly. He organized a trade visit to Laos, proposed a visit to Hanoi and—controversially—invited Hun Sen on an official visit to Bangkok in January 1989, signaling Thailand’s recognition of the new Cambodian regime’s legitimacy. This sudden turn in Thailand’s Indochinese policy caught other ASEAN member states off-guard and generated anger that Thailand had broken ASEAN’s consensus, undermined its credibility as an organization, and was harboring unilateral ambitions of its own in Indochina. Nevertheless, if security concerns prompted ASEAN members to criticize Thailand’s new policy

stance, both security and economic concerns prompted them to intensify their economic engagement with Vietnam. A Vietnam shorn of Soviet support could now bolster ASEAN's claims in the South China Sea and help to counterbalance growing Chinese influence. Likewise, Vietnam's economic reforms were now attracting significant amounts of foreign investment—Japan and Australia together invested \$70 million in Vietnam between 1988 and 1990—and generating strong incentives for the ASEAN states to do the same in order to maintain their influence in the region (Ba 2009). In 1995, Vietnam became ASEAN's seventh member and the first socialist country to join the grouping. By 1996, Vietnam's FDI levels had soared from about \$250 million in 1989 to over \$18 billion in 1996, with over \$1 billion from the ASEAN countries, which also accounted for over a third of the total value of its trade (Goodman 1996).

### *4.3.1 Changes in Economic Considerations*

The new security environment also contributed to a reorientation of ASEAN's mission toward deeper regional economic and political integration. Whereas traditional security concerns had predominated during the Cold War, the collapse of the bipolar conflict drew greater attention to matters of trade. In the schema presented in Fig. 1.1 of Chap. 1 in this volume, we would characterize this as a shift from traditional security factors to traditional economic factors in the formation of trade policies.

The growing importance of economic factors can be attributed to processes that began during the Cold War. Economic recession in 1985 and 1986 and falling commodity prices contributed to the ascendance of liberal reformists and the declining influence of economic nationalists, particularly in oil-rich Indonesia and Malaysia (Stubbs 2000). The revaluation of the Japanese yen under the 1985 Plaza Accord stimulated a wave of Japanese FDI throughout Southeast Asia that subsequently contributed to strengthened business-government alliances. Second, China's economic growth, spurred on by Deng Xiaoping's reforms, generated concerns that it would compete with Southeast Asia for FDI. Third, the contentious talks of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) stoked fears among ASEAN states that their economies would be threatened by rapid competitive liberalization.

While member states differed somewhat in their assessments of trade liberalization, they generally agreed that the wholesale lowering of trade barriers to developed countries would hurt their economies. For instance, in December 1992, Malaysian Finance Minister Anwar Ibrahim argued:

If GATT is doomed to die [...] the consequences to the dragons and others in ASEAN whose fortunes are so much linked to exports will be calamitous, unless we take radical measures. The path open to us is to deepen regional integration to its fullest possibility and move as a group to enhance multilateralism and strengthen the enormous economic potential of South-South cooperation. [...] In a new international scene dominated by

economics, [ASEAN] is in danger of losing its relevance unless it pursues aggressively an economic agenda.<sup>1</sup>

The development of regional integration schemes elsewhere, including the EU, MERCOSUR and NAFTA, also engendered fears that ASEAN would be at a competitive disadvantage and suffer from a diversion of FDI if its members did not proceed with deeper regional integration (Nesadurai 2003, 2007). ASEAN was indeed vulnerable to any potential diversion of FDI. In 1990, total FDI stock in ASEAN constituted 18.2 % of collective GDP even as it averaged only 10.3–10.5 % for Asian and all developing countries (ASEAN Secretariat 1999. Cited in Nesadurai 2007). Malaysia, Indonesia, and Singapore were even more heavily exposed: in 1990, their FDI stocks constituted 24, 37 and 74 % of GDP, respectively. Since the political stability of member states rested heavily upon their ability to maintain adequate economic growth, the prospect of diminished FDI was a strong catalyst for all of the ASEAN states to push for a regional free trade area.

AFTA was a significant improvement over the moribund ASEAN PTA. Under the terms of the AFTA Common Effective Preferential Tariff (CEPT) scheme, ASEAN member states were to gradually reduce tariffs on most goods to the 0–5 % range by 2008. Instead of the PTA's positive list that included on a per product basis, AFTA utilized a negative list and liberalized on a per sector basis, meaning that products were included by default unless specifically exempted. It is also important to note what AFTA did *not* include. In particular, AFTA did not include any specific provisions for safeguarding environmental, health, labor or human rights standards. Although Article 9 of the CEPT Agreement allowed for member states to unilaterally take measures to protect national security, public morals, human, animal or plant life and health, or items of "artistic, historic and archaeological value," this was simply a permissive clause rather than a positive action to institute safeguards (ASEAN 1992a).

Between 1993 and 1997, intra-ASEAN exports among the ASEAN-6 nearly doubled from \$43.6 billion to \$85.3 billion. With the onset of the Asian financial crisis in 1997, exports dropped to \$69.3 billion in 1998. By 2003, however, they jumped up to \$112.3 billion (ASEAN Statistics Unit 2005, 2008). Intra-ASEAN trade among the ASEAN-6 as a share of total trade remained more or less constant, going from a low of 21.1 % in 1993, peaking at 25.0 % in 1996, and then remaining between 22 and 26 % through 2007 (see Table 4.1). By contrast, intra-European trade accounted for more than 60 % of all EU trade by the mid-1990s (Jones and Smith 2007).

The 1997 financial crisis, triggered by the sudden flight of short-term portfolio capital from the region, provided the impetus to accelerate regional economic liberalization in order to lure back investment (Pempel 1999). In the wake of the crisis, member states reiterated the grouping's commitment to liberalizing goods, services, and investment in the "ASEAN Vision 2020" document, adopted at the Sixth ASEAN Summit in December 1998. Also at the Summit, the member states

---

<sup>1</sup> *Business Times*, 10 December 1992, 14.

**Table 4.1** Intra-ASEAN exports in the ASEAN-6 countries as a share of total exports (ASEAN Statistics Unit 2008)

|   | 1995    | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| ASEAN-6 total exports (in millions of US\$)         | 296,697 | 323,361 | 342,670 | 316,651 | 341,067 | 407,579 | 366,642 | 379,486 | 445,834 | 538,753 | 613,181 | 706,242 | 801,294 |
| Intra-ASEAN exports (ASEAN-6) (in millions of US\$) | 70,179  | 80,974  | 85,352  | 69,313  | 74,699  | 92,911  | 81,657  | 85,393  | 112,337 | 136,099 | 156,980 | 180,288 | 205,667 |
| Intra-ASEAN's share of total exports for ASEAN-6    | 23.7 %  | 25.0 %  | 24.9 %  | 21.9 %  | 21.9 %  | 22.8 %  | 22.3 %  | 22.5 %  | 25.2 %  | 25.3 %  | 25.6 %  | 25.5 %  | 25.7 %  |

issued the Hanoi Plan of Action (HPA) and its accompanying Statement on Bold Measures, which laid out concrete plans to accelerate economic liberalization over the next 6 years. The member states agreed that the ASEAN-6 would move their implementation date for AFTA from 2003 to 2002 and that by 2000, at least 90 % of their total tariff lines would be reduced to the 0–5 % level, accounting for 90 % of intra-ASEAN trade (ASEAN 1998). By January of 2010, this goal was achieved for the ASEAN-6, with over 99 % of total tariff lines reduced to 0 % tariffs.

The HPA also laid out measures to counteract the negative social effects of the Asian financial crisis, including implementation of the ASEAN Plan of Action on Social Safety Nets, which had been proposed at the Second Meeting of the ASEAN Senior Officials on Rural Development and Poverty in October 1998. While the Plan of Action was relatively modest—focusing on data gathering, sharing of best practices for social welfare systems, and promoting public awareness of the financial crisis’s social impact—it did represent a significant development in ASEAN’s rhetoric regarding the relationship between economic development and social consequences.

In sum, after 1991 the ASEAN member states were substantially more inclined to lend weight to economic considerations that might have been overridden by traditional security concerns during the Cold War. As the member states began to negotiate AFTA, they also began to treat economic and traditional security matters as separate issues under the ASEAN framework. At the same time, though, there were clear limits to how far the member states were willing to pursue regional economic integration. While the threat of communism had all but disappeared, member states remained deeply concerned about maintaining sovereign stability and autonomy and, by extension, economic growth. This led them to steadily resist efforts to attach conditions to trade liberalization.

#### **4.4 (De-)Linking Human Security and Trade in ASEAN**

With the end of the Cold War came a broadening and deepening of ASEAN’s agenda. AFTA was perhaps the most visible manifestation of this process, but so too was the widened range of transnational issues that ASEAN concerned itself with, including transnational crime, terrorism, environmental protection, disaster management, rural development, and poverty eradication.

Despite this growth in ASEAN’s “issue scope,” however, there was relatively little movement to link trade to either traditional or human security issues. Indeed, there were active attempts to “de-link” trade from non-trade issues, particularly when such linkages were proposed in broader multilateral forums such as the World Trade Organization. Given the ASEAN states’ comparatively low labor costs and reliance on agricultural goods for export, as well as their perennial concern with preserving sovereign autonomy, there was an obvious incentive for them to resist linkages between trade and non-trade issues. In addition, the annual to semi-annual meetings of the AFTA Council have only been attended by trade



and industry ministers from the member countries. Discussions in these meetings have been squarely focused on the operational details of removing tariffs and non-tariff barriers and have not included representatives from the business or NGO communities in member states, reflecting ASEAN's longstanding suspicion of populism and civil society organizations.

Resistance to issue linkage in trade matters was evident as soon as the Cold War ended. During the 1991 ASEAN Ministerial Meeting, just prior to the announcement of AFTA, the foreign ministers clearly subordinated human rights to the primacy of state sovereignty, "not[ing] with concern its tendentious application in inter-state relations" and emphasizing that although human rights are universal, "implementation in the national context should remain within the competence and responsibility of each country, having regard for the complex variety of economic, social and cultural realities" (ASEAN 1991). In the same Joint Communiqué, Malaysian Prime Minister Mahathir Mohammad was reported as saying that "when the issue of human rights is linked to trade, investment and finance, ASEAN cannot but view it as added conditionalities and protectionism by other means."<sup>2</sup> Similar statements regarding environmental, labor and/or human rights were expressed in the Joint Communiqués for every subsequent ASEAN Ministerial Meeting from 1992 through 1996.

At a more fundamental level, the "Asian values" discourse, championed by Mahathir and Singapore's Lee Kuan Yew, challenged Western notions of universal human rights and sought to lay out an alternative set of societal values exemplified by the successful Asian economies. The 1993 Bangkok Declaration, adopted by Asian countries in preparation for the World Conference on Human Rights, sought to counter Western universalist discourse by declaring that while human rights are universal, their implementation "must be considered in the context of a dynamic and evolving process of international norm-setting, bearing in mind the significance of national and regional particularities and various historical, cultural and religious backgrounds." The signatories also declared that they would "[d]iscourage any attempt to use human rights as a condition for extending development assistance" and that human rights "should be encouraged by cooperation and consensus, and not through confrontation and the imposition of incompatible values" (World Conference on Human Rights 1993). Following the issuance of the Bangkok Declaration, the ASEAN member states declared at their July 1993 ministerial meeting that "ASEAN should coordinate a common approach on human rights and actively participate and contribute to the application, promotion and protection of human rights" (ASEAN 1993). In practice, this meant that the ASEAN states would be united in their opposition to the use of trade agreements to extract human rights concessions.

In the United States, the 1992 election of President Bill Clinton, a Democrat, heralded the political ascendance of labor unions and environmental protection

---

<sup>2</sup> Ibid.

groups. Such groups expressed deep skepticism of lowered trade barriers and pressured Clinton to integrate labor and the environment into free trade agreements.<sup>3</sup> The Clinton administration's efforts to find a balance between promoting free trade and safeguarding labor and environmental protections were on display at the First WTO Ministerial Conference in Singapore in 1996. There, US Trade Representative Charlene Barshefsky called for the establishment of a working group between the WTO and the International Labor Organization (ILO) to examine the connections between trade and labor, though she was careful to say that the US was not calling for a minimum wage proposal or protectionism to enforce labor standards. Instead, she framed the issue as one about selling free trade to domestic constituencies, asserting that "[t]rade liberalization can proceed only with domestic support; that support, and support for the WTO, will surely erode if we cannot address the concerns of working people and demonstrate that trade is a path to tangible prosperity" (WTO 1996b). The US position was supported by the EU Commission, France, Belgium and several other EU countries.

From the perspective of the ASEAN states, though, the United States' efforts to connect trade agreements to human rights, labor, and environmental standards were tactical linkages aimed at justifying trade protection at the behest of US labor unions.<sup>4</sup> According to Aggarwal and Govella's framework, given that the ASEAN states regarded the linkage between trade and non-trade issues as tactical, we would expect the formation of an unstable issue area and limited cooperation at the multilateral level. This was certainly the case with the ASEAN states which actively contested the US efforts to link them.

At the 29th ASEAN Ministerial Meeting in July 1996, the ASEAN foreign ministers agreed to oppose any effort at the upcoming WTO ministerial meeting in Singapore to link "issues which were not trade-related, such as corruption and social clause[s]" (ASEAN 1996a). At the September meeting of the ASEAN Economic Ministers, the member states jointly condemned the United States' embargo on shrimp caught by trawlers that were not fitted with turtle excluder devices meant to protect endangered sea turtles; they also supported Thailand's challenge to the United States' embargo via the WTO Dispute Settlement Mechanism (ASEAN 1996b). In terms of human rights, the ASEAN states, though exhibiting some diversity, were unified in their opposition to linking them with trade. Indonesia, Malaysia and Singapore were all strongly critical of the US and consistently invoked "Asian values" rhetoric. Thailand, because it had never been colonized by Western countries and maintained a stronger cultural identity, was less vocal and generally sought to avoid antagonizing the United States, but went along with the ASEAN consensus out of pragmatism. The Philippines, with its decentralized democratic system and broad constitutional guarantees, was sympathetic to human rights and democratization, but sought to emulate the economic

---

<sup>3</sup> See the chapter by Vinod K. Aggarwal in this volume.

<sup>4</sup> See Aggarwal and Govella in this volume for an explanation of the difference between substantive and tactical linkages.

success of its neighbors and become accepted as a bona fide Asian country rather than a mere former colony of Spain and the United States. Thus, it was willing to make compromises for the sake of maintaining ASEAN unity (Mauzy 1997). For example, in 1996, the Philippines denied an entry visa for the APEC Summit to José Ramos-Horta, the Nobel Peace Prize-winning leader of the Revolutionary Front for an Independent East Timor, under pressure from Indonesian President Suharto, whose country occupied the territory.

During the WTO Ministerial Meeting itself, Singapore, Indonesia, Malaysia, and Brunei all rejected attempts to link trade to non-trade issues. Singaporean Prime Minister Goh Chok Tong, who opened the meeting, stated that “labor standards should not be used as a disguised protectionist measure. But it is less clear if labor standards can be properly and justifiably discussed in the WTO context.”<sup>5</sup> The Indonesian delegation also stated that “to link labor standards and trade will easily run the risk of creating a new form of protectionism” (WTO 1996c). Malaysia expressed wariness of any linkage between trade and the environment, emphasizing that the WTO principle of non-discrimination must be upheld. In particular, the Malaysian delegation called for any use of eco-labeling to be applied equally to all countries and not simply to developing countries. Like Indonesia, Malaysia also categorically rejected any attempt to link trade to labor standards “and other social clauses,” stating that “[t]he WTO cannot be regarded as a multipurpose organization that can be called upon to debate and address...the various social ills of the world” (WTO 1996d). Ultimately, the ASEAN states were successful in that the final declaration of the Singapore meeting rejected protectionism as a means of enforcing core labor standards and asserted that such issues should be handled solely by the ILO (WTO 1996a).

ASEAN’s intra-regional trade also remained insulated from labor and environmental issues. Whereas at the multilateral level there was open debate over whether or not to link trade to labor and environmental issues, at the regional level the ASEAN member states all agreed that trade should be treated separately. This consensus is indicated by the fact that since 1997, labor and environmental issues have not appeared in any of the joint statements of the ASEAN Economic Ministers’ Meetings. Nor have matters of trade liberalization appeared in any of the joint statements of the labor and environmental ministerial meetings, except to explicitly call for labor and environmental standards to be delinked from trade at the multilateral and regional levels (ASEAN 1999, 2000, 2001).

With regard to environmental standards, Malaysia and Indonesia, acting with ASEAN’s support, threatened to ban all imports from Austria in 1993 in retaliation for the latter’s June 1992 law requiring that all imported timber be certified as having been harvested with environmentally sustainable methods. In the Joint Communiqué of the Twenty-Fifth ASEAN Ministerial Meeting in July 1992, the

---

<sup>5</sup> *BBC Summary of World Broadcasts*, 9 December 1996.

foreign ministers argued that the law imposed an unfair burden on developing countries and called for joint cooperation in opposing restrictions on tropical timber exports (ASEAN 1992b, Montes and Magno 1997). In response to the threatened boycott, Austria unilaterally repealed the labeling law. In a similar vein, the 1994 Informal ASEAN Ministerial Meeting on the Environment “noted with grave concern” international efforts to regulate trade in tropical timber species via the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), arguing that such matters should be dealt with under more specific regimes (ASEAN 1994b).

The trend of de-linking trade from environmental issues continued through the 1990s into the present. The 1994 Bandar Seri Begawan Resolution on Environment and Development did declare that “economic growth and environmental management are inseparable and crucial to sustaining and further improving the quality of life of the people of ASEAN,” and the subsequent 1994–1998 Strategic Plan of Action on the Environment listed as one of its objectives “to study the implications of AFTA on the environment and take steps to integrate sound trade policies with sound environmental policies” (ASEAN 1994a, c). Nevertheless, there was little concrete action to strengthen that link. The 2007 ASEAN Declaration on Environmental Sustainability acknowledged the findings of the Intergovernmental Panel on Climate Change that “the warming of the climate system is unequivocal,” but continued that “the pursuit of climate change and energy security policies should avoid introducing barriers to trade and investment” (ASEAN 2007a). Moreover, the Declaration cautioned that, owing to the different development levels of the ASEAN states, fossil fuels would “continue to be part of the energy landscape” and that member states would need “to effectively address global environmental issues without compromising competitiveness or social and economic development.”<sup>6</sup> At the East Asia Summit the following day, they joined with Australia, China, India, Japan, New Zealand, and South Korea in signing the Singapore Declaration on Climate Change, Energy and the Environment, which stated in somewhat stronger language that “the pursuit of climate change and energy security policies must avoid introducing barriers to trade, investment and socio-economic development” (ASEAN 2007b).

Overall, there appears to have been remarkable unity and consistency in ASEAN’s stance against linking trade to non-trade issues. Economic development and social stability remained top priorities for the member states, which regarded attempts to link trade to labor, environmental, or human rights standards as mere tactical linkages intended to gain a competitive advantage. The consensus was undoubtedly due in part to the insular elite-driven decision-making process at ASEAN meetings and internal pressure to achieve consensus, but it was also due to a shared belief that Western developed countries were imposing an unfair burden on Asian developing countries.

---

<sup>6</sup> Ibid.

## 4.5 New Pressures and Possible Mechanisms for Issue Linkage in Human Security

Following the Asian financial crisis and into the first decade of the twenty-first century, the ASEAN states continued to pursue deeper regional economic integration. Yet, at least with respect to human rights and the environment, there emerged continuing regional challenges that tested the strict separation of trade and human security issues. In this section, I discuss new pressures on ASEAN to deal with human rights and efforts to establish a more comprehensive ASEAN Community that addresses human security issues. While still tentative at best, ASEAN's responses to such pressures do represent a shift in member states' attitudes toward human security issues and suggest the possibility of future issue linkage.

### 4.5.1 Human Rights

Whereas human rights were rejected out of hand as having little or no place on the ASEAN agenda prior to the 1997 financial crisis, political developments in Indonesia, Malaysia, and Myanmar have highlighted the importance of human rights for the continued credibility of the Association. With the advent of democratization after Suharto's ouster, Indonesia took an important leadership role in the promotion of human rights within ASEAN. As the largest and most populous country in Southeast Asia, Indonesia's embrace of democracy represented an important shift in the ASEAN consensus. Significantly, its new national human rights commission was vested with the power to investigate violations. In 2006, Indonesia ratified the International Covenant on Civil and Political Rights, as well as the International Covenant on Economic, Social and Cultural Rights; it was also elected to the UN Human Rights Council (Yen 2011).

Malaysia, too, exhibited an increasing shift in favor of human rights discourse following the financial crisis and especially after the 1997 imprisonment and beating of former Deputy Prime Minister Anwar Ibrahim under the terms of Malaysia's broad-ranging Internal Security Act. Public outrage over Anwar's imprisonment, which was widely regarded as a brazen move by Mahathir to squelch political dissent, led to the 1999 establishment of *Suhakam*, an official human rights commission. Within its first few years, *Suhakam* investigated government abuses of power and challenged the implementation of the Internal Security Act in a number of high-profile cases, thereby provoking the ire of the government and members of UMNO, the ruling party. The April 2002 appointment of a new group of commissioners who were more sympathetic to the government largely diminished *Suhakam*'s effectiveness, but it also brought Malaysia under close scrutiny from domestic and international civil society organizations. In 2008, the International Coordinating Committee of National

Human Rights Institutions threatened to downgrade *Suhakam*'s status from "A" to "B" following concerns regarding its political independence (Rodan 2009). Although *Suhakam* retained its "A" rating, Malaysia faces potentially high reputation costs if it fails to uphold its own human rights principles.

Indonesia and Malaysia's shift toward a greater regard for human rights contrasted with the continuing resistance to human rights by the four Indochinese members, for whom such rhetoric threatened to force destabilizing changes for ruling regimes. Myanmar, in particular, constituted the greatest challenge to the credibility of ASEAN's human rights stance. The ruling junta has been responsible for extensive human rights violations against political opponents, pro-democracy activists, and ethnic minorities, repeatedly placing National League of Democracy (NLD) leader and Nobel Peace Prize winner Aung San Suu Kyi under house arrest since 1990. Other notorious incidents included the Depayin incident of May 30, 2003, in which pro-government supporters killed as many as 70 NLD supporters;<sup>7</sup> the violent suppression of the "Saffron Revolution" in August and September 2007, in which thousands of peaceful protestors, including numerous Buddhist clergy, were killed or imprisoned by soldiers; Myanmar's response to Cyclone Nargis in May 2008, in which it blocked foreign relief workers and foreign naval forces from providing assistance while insisting on proceeding with a national referendum on a new constitution scheduled for the following week; and the junta's 2009 trial, conviction, and re-imprisonment of Aung San Suu Kyi for her alleged violation of house arrest.

All of these incidents have invited criticism of ASEAN by the United States, the European Union, and other democratic countries and generated significant embarrassment for the ASEAN states. Individual leaders have expressed frustration and outrage over the junta's behavior, beginning with a 2003 statement by the foreign ministers saying that they "looked forward to the early lifting of restrictions placed on Daw Aung San Suu Kyi and the NLD members" (ASEAN 2003b). Since then, ASEAN grew more vocal about criticizing Myanmar. In 2007, following the suppression of the Saffron Revolution, the ASEAN states took the unprecedented step of openly criticizing the Myanmar regime. In a statement issued by the ASEAN Foreign Ministers on September 27, they stated that they were "appalled" by reports of automatic weapons being used against protestors, expressed "revulsion" at the violence, and called for an immediate halt to the violence and the release of all political detainees, including Aung San Suu Kyi. They also expressed their support for the role of UN Special Envoy Ibrahim Gambari in attempting to broker a peace (Yeo 2007).

Nevertheless, ASEAN consistently eschewed the idea of imposing sanctions or expelling Myanmar from the grouping. Thailand, for its part, steadfastly pressed for a policy of diplomatic engagement so as to avoid harming relations with Myanmar, with whom it shares a long border and for which it served as the

---

<sup>7</sup> *The Gazette* (Montreal), 5 July 2003.

country's largest investor until February 2011, when China overtook it.<sup>8</sup> Singaporean Foreign Minister George Yeo argued that imposing sanctions would isolate the regime, make it more difficult for ASEAN to exert diplomatic influence, and potentially make Myanmar a site for contestation between China and India.<sup>9</sup> With respect to the upcoming negotiations for an ASEAN-EU FTA, Malaysian Minister of International Trade and Industry Datuk Seri Rafidah Aziz warned that the crackdown in Myanmar should not be included on the agenda, saying, "The FTA is meant for market-driven initiative, it should be for the business communities but unfortunately when we deal with this issue, sometimes politics comes in."<sup>10</sup>

In November 2010, a general election—which was widely regarded as fraudulent—brought the junta-supported Union Solidarity and Development Party to power in a newly created civilian government in Myanmar. On November 13, the government released Aung San Suu Kyi from house arrest. In March 2011, majority leader and Prime Minister Thein Sein was elected by the presidential electoral college as Myanmar's first civilian president and surprised observers with his willingness to engage in dialogue with Aung San Suu Kyi, to release over 6,300 prisoners, and to suspend cooperation with China over the construction of a hydroelectric dam on the Ayeyarwady River. So impressive was the speed of Myanmar's reforms that United States Secretary of State Hillary Clinton arrived for an official visit in November, becoming the first secretary of state to do so since 1955. That same month, the ASEAN leaders decided to allow Myanmar to assume the organization's rotating chair for the first time in 2014. In early 2012, the Thein Sein government surprised observers again by releasing a number of high-profile political prisoners, including those who had been imprisoned in the 1988 student protest movement and monks arrested in the 2007 "Saffron Revolution." The government also allowed Suu Kyi and the NLD to run in the April 1 by-elections. The NLD swept the elections and Suu Kyi won a seat in the parliament, eliciting plaudits from ASEAN and the removal of more sanctions by the European Union, the United States, and Australia. Given the general direction of Myanmar's political situation, ASEAN appears even less likely than before to use trade concessions as a lever to elicit further reforms.

#### ***4.5.2 Broader Mechanisms for Deeper Regional Integration and Issue Linkage***

In 2003, the ASEAN states issued the Bali Concord II, which sought to broaden ASEAN's issue scope by outlining a vision of an ASEAN Community consisting of three "pillars": an ASEAN Political-Security Community, which would be

---

<sup>8</sup> *Associated Press Financial Wire*, 21 February 2011.

<sup>9</sup> *Business Times Singapore*, 23 October 2007.

<sup>10</sup> *BBC Worldwide Monitoring*, 30 October 2007.

focused on maintaining regional peace and stability; an ASEAN Economic Community, which represented a formal endpoint for ASEAN Vision 2020 and called for the creation of a single ASEAN market and production base; and an ASEAN Socio-Cultural Community, which was explicitly focused on the well-being of individuals and can be said to emphasize human security. Issues included the cultivation of human resources through better education and training, poverty alleviation, disease control, environmental protection, and “ensuring economic growth with equity” (ASEAN 2003a). These pillars were elaborated upon in the 2004 Vientiane Action Program (VAP), which succeeded the HPA, and the 2009 Roadmap to an ASEAN Community, which replaced the VAP. All were aimed at recapturing the momentum for regional integration that had been lost in the financial crisis.

Building on the Bali Concord II, the VAP laid out a series of initiatives for implementing each of the three “pillars.” In particular, the ASEAN Socio-Cultural Community would work toward a “people-centered ASEAN” by, among other things, establishing systems to manage poverty, equity and health effects of economic growth, promoting environmental sustainability, and “social governance to manage the impact of economic integration” (ASEAN 2004). Helping to close the development gaps among ASEAN countries was explicitly depicted as a necessary step in achieving a unified ASEAN Community. The VAP also declared that “[t]he gap must be narrowed as an end in itself, if the principle that development is a fundamental human right is to be followed,” and that “efforts to narrow the development gap would be self-reinforcing” and would eliminate the largest obstacle to the establishment of the ASEAN Economic Community.<sup>11</sup> In short, economic integration in ASEAN through the ASEAN Community was to provide an institutional base upon which to manage human security issues.

The Roadmap for an ASEAN Community contains a somewhat more comprehensive treatment of social welfare and its relationship with economic integration, though not extensively so. In a section called “Social Safety Net and Protection from the Negative Impacts of Integration and Globalization,” it called for a series of modest and vaguely worded measures, including enhancing the exchange of best practices in social security systems; exploring the possibility of creating social insurance systems for the informal sector; creating a network of social protection agencies; conducting research on the gendered effects of economic integration to assist in the formulation of gender-sensitive policy; developing “appropriate actions and preventive measures” against the exploitation of women, children and other vulnerable groups through the internet and pornography, as well as against internet-generated efforts to “disrupt social harmony by inciting hatred, discrimination and intolerance”; and strengthening ASEAN cooperation in protecting female migrant workers (ASEAN 2009a). Few of these measures came with any means of measuring compliance. There is also a mention of the need to enhance awareness of the relationship between regional and global

---

<sup>11</sup> Ibid.



trade policies and economic integration on health, and to develop regional workshops, seminars, advocacy, and information-sharing to help address their negative effects.<sup>12</sup>

The move toward deeper ASEAN integration has also led to calls for a more robust architecture to handle human rights. This has been most visible in the process of drafting the ASEAN Charter. The Charter, which was proposed by Malaysia in 2004 as a means of establishing the institutional infrastructure necessary to handle an integrated ASEAN Community, sought to move ASEAN in the direction of an intergovernmental “rules-based” organization rather than a loose regional grouping. Thus, it redefined ASEAN as an entity possessing a separate legal personality, allowing ASEAN agreements to become legally binding. One key provision was Article 14 which provided for the establishment of an ASEAN human rights body. This had been recommended at the end of 2006 by the Eminent Persons Group, which consisted of ASEAN “elder statesmen” tasked with making recommendations to policymakers for drafting the Charter. However, the proposed provision met with opposition from Cambodia, Laos, Myanmar, and Vietnam. At the 2007 ASEAN Ministerial Meeting, the foreign ministers of the ASEAN-5 persuaded the four countries to drop their objections to the human rights provision (Phan 2008, 1–12). The final provision was brief and simply mandated the creation of an ASEAN human rights body whose terms of reference would be decided by the foreign ministers.

In 2009, the ASEAN states agreed to the creation of the ASEAN Intergovernmental Commission on Human Rights (AICHR). According to the Terms of Reference, it was to protect human rights and uphold international human rights standards, including the Universal Declaration of Human Rights. But it also emphasized “national and regional particularities” as well as “mutual respect for different historical, cultural and religious backgrounds,” reflecting some member states’ skepticism toward human rights universalism. It also stated that the AICHR would be guided by the principles of non-interference, the “avoidance of double standards and politicization,” and the “pursuance of a constructive and non-confrontational approach and cooperation to enhance promotion and protection of human rights” (ASEAN 2009b).

All of these made the AICHR a weak regime with no enforcement powers. Instead, its role was primarily “promotional,” involving information exchange and advocacy (Donnelly 1986). Its mandate includes preparing an ASEAN human rights declaration, engaging in dialogue with civil society organizations, public education, encouraging member states to accede to international human rights instruments, and providing technical assistance to member states seeking to uphold their international human rights commitments. Consensus-based decision-making makes it virtually impossible for the AICHR to go beyond general promotion of human rights and advising, let alone to censure a country for its abuses.

---

<sup>12</sup> Ibid.

Unsurprisingly, the AICHR was greeted with skepticism by human rights activists, who viewed the body as little more than a hollow shell. Eight of the ten delegates were appointed by their governments, with only Thailand and Indonesia allowing human rights bodies to submit nominations.<sup>13</sup> Whether the AICHR will adopt a progressive role in persuading member states to treat human rights more seriously or merely serve as window dressing for the continued violation of human rights remains to be seen. That said, the very fact that there is now an institutionalized forum for the official discussion of human rights is significant as it grants human rights discourse a measure of legitimacy in ASEAN that it did not enjoy before. It is highly unlikely that the human rights body will soon be able to address human rights abuses by member states given the need to maintain consensus and non-interference, but it may be able to help by developing standards for the protection of other forms of human rights, such as the “right to development,” and keeping human rights on ASEAN’s agenda. Such standards could serve to justify future issue linkage between trade and human security.

## 4.6 Conclusion

The ASEAN states’ willingness to link trade to traditional and human security issues has been limited at best. Throughout the Association’s history, member states have consistently subordinated regional economic cooperation to the overarching priority of political stability. During the Cold War, the imperative to preserve national sovereignty and autonomy in the face of potential communist insurgencies led member states to pursue inchoate trade liberalization and industrial cooperation, but such initiatives ultimately suffered from concerns over relative gains and a lack of economic complementarity. That same imperative, combined with member states’ authoritarian leanings, also led the grouping to ignore human security issues except insofar as they affected state sovereignty and autonomy.

The end of the Cold War brought economic concerns to the fore over traditional security matters and led member states to prioritize trade and investment liberalization as a means of preserving FDI and economic growth and maintaining domestic political legitimacy. Prior to the 1997 financial crisis, ASEAN member states emphasized that trade should not be linked to non-trade issues, whether at the multilateral or minilateral levels. This view dovetailed with the “Asian values” discourse that regarded human rights and environmental protections as reflecting an attempt by the West to place limitations on Asian economic development. Thus, such linkages were largely regarded by the ASEAN states as tactical and thus illegitimate. While the 1997 financial crisis did much to discredit “Asian values,” the ASEAN states still maintain a clear separation between trade and non-trade issues.

---

<sup>13</sup> *The Irrawaddy*, 23 October 2009.

Since the end of the Cold War, though, ASEAN's attitude toward human security has evolved significantly. Efforts to create an ASEAN Community by 2015 are bringing to the fore concerns about the socio-economic impact of regional integration. Even if mechanisms for compliance enforcement are weak or non-existent, the very fact that such issues now occupy a prominent place in the regional agenda represents progress and suggests the prospect of more substantive linkages in the future. Domestic political change following the 1997 crisis and high-profile issues such as the human rights violations of Myanmar's junta have also forced ASEAN to pay closer attention to human security than in the past.

At the same time, ASEAN continues to keep trade and human security issues separate in order to safeguard non-interference norms, respect for sovereignty and ultimately, regional unity. But herein lies the fundamental contradiction in ASEAN's regional integration project: regional unity on ASEAN's terms depends on *both* respect for the norms of non-interference *and* a growing degree of economic and political convergence. This creates inherent tensions that impose limits on the depth of regional integration. While human security issues are growing in importance to ASEAN, it remains highly unlikely that member states would willingly sacrifice economic gains (and regional unity) for the sake of improving domestic human security policies. Barring significant changes in how ASEAN political leaders understand the effects of issue linkage on domestic political stability, it seems that ASEAN's member states will continue to insist that trade and human security be treated as if they were unrelated.

## References

- ASEAN. 1976. Declaration of ASEAN concord.
- ASEAN. 1991. Joint Communiqué of the 24th ASEAN ministerial meeting.
- ASEAN. 1992a. Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area.
- ASEAN. 1992b. Joint Communiqué of the 25th ASEAN Ministerial Meeting.
- ASEAN. 1993. Joint Communiqué of the 26th ASEAN ministerial meeting.
- ASEAN. 1994a. Bandar Seri Begawan resolution on environment and development.
- ASEAN. 1994b. Joint press statement of the informal ASEAN meeting on the environment.
- ASEAN. 1994c. Strategic plan on the environment 1994–1998.
- ASEAN. 1996a. Joint Communiqué of the 29th ASEAN ministerial meeting.
- ASEAN. 1996b. Joint press statement of the 28th ASEAN economic ministers meeting.
- ASEAN. 1998. Statement on bold measures.
- ASEAN. 1999. Joint Communiqué of the 13th ASEAN labor ministers' meeting.
- ASEAN. 2000. Joint Communiqué of the 14th ASEAN labor ministers' meeting.
- ASEAN. 2001. Joint Communiqué of the 15th ASEAN labor ministers' meeting.
- ASEAN. 2003a. Declaration of ASEAN concord II.
- ASEAN. 2003b. Joint Communiqué of the 36th ASEAN ministerial meeting.
- ASEAN. 2004. Vientiane action program.
- ASEAN. 2007a. ASEAN declaration on environmental sustainability.
- ASEAN. 2007b. Singapore declaration on climate change, energy and the environment.
- ASEAN. 2009a. Roadmap for an ASEAN community.

- ASEAN. 2009b. Terms of reference of the ASEAN intergovernmental commission on human rights.
- ASEAN. Secretariat. 1999. ASEAN investment report 1999: Trends and developments in foreign direct investment. Jakarta: ASEAN Secretariat.
- ASEAN. Statistics Unit. 2005. Table V.4. In *ASEAN statistical yearbook 2005*, 58. Jakarta: ASEAN Secretariat.
- ASEAN. Statistics Unit. 2008. Table V.3 and Table V.8. In *ASEAN statistical yearbook 2008*. Jakarta: ASEAN Secretariat.
- Ba, Alice D. 2009. *(Re)negotiating East and Southeast Asia: Region, regionalism and the Association of Southeast Asian Nations*. Stanford: Stanford University Press.
- Bowles, Paul. 1997. ASEAN, AFTA and the “new regionalism”. *Pacific Affairs* 70(2).
- Donnelly, Jack. 1986. International human rights: A regime analysis. *International Organization* 40(3).
- Gangadharan, Surya. 1990. ASEAN scrambles to do business with Vietnam. Inter-Press Service.
- Goodman, Allan E. 1996. Vietnam and ASEAN: Who would have thought it possible? *Asian Survey* 36(6).
- Haacke, Jürgen. 2003. *ASEAN's diplomatic and security culture: Origins, development and prospects*. London: RoutledgeCurzon.
- Jones, David M., and Michael L.R. Smith. 2007. Making process, not progress: ASEAN and the evolving East Asian regional order. *International Security* 32(1).
- Mauzy, Diane. 1997. The human rights and ‘Asian Values’ debate in South East Asia: Trying to clarify the key issues. *Pacific Review* 10(2).
- Montes, Manuel F., and Francisco A. Magno. 1997. Trade and environmental diplomacy: Strategic options for ASEAN. *Pacific Affairs* 70(3).
- Nesadurai, Helen. 2003. *Globalisation, domestic politics and regionalism: The ASEAN free trade area*. London: Routledge.
- Nesadurai, Helen. 2007. Southeast Asia’s new institutional architecture for cooperation in trade and finance. In *Asia's new institutional architecture: Evolving structures for managing trade, financial and security relations*, ed. V.K. Aggarwal and M.G. Koo. New York: Springer.
- Pempel, T.J. 1999. Introduction. In *The politics of the Asian economic crisis*, ed. T.J. Pempel. Ithaca: Cornell University Press.
- Phan, Hao Duy. 2008. The evolution towards an ASEAN human rights body. *Asia-Pacific Journal on Human Rights and the Law* 9(1).
- Ravenhill, John. 1995. Economic cooperation in Southeast Asia: Changing incentives. *Asian Survey* 35(9): 850–866.
- Rodan, Garry. 2009. Accountability and authoritarianism: Human rights in Malaysia and Singapore. *Journal of Contemporary Asia* 39(2).
- Severino, Rodolfo C. 2006. Southeast Asia in search of an ASEAN community: Insights from the former ASEAN secretary-general. Singapore: Institute of Southeast Asian Studies.
- Stubbs, R. 2000. Signing on to liberalization: AFTA and the politics of regional economic cooperation. *Pacific Review* 13(2).
- Tan, Kong Yam, Toh Mun Heng, and Linda Low. 1992. ASEAN and Pacific Economic Cooperation. *ASEAN Economic Bulletin* 8(3).
- World Bank. 2011. GDP per capita (constant 2000 US\$). <http://data.worldbank.org/indicator/NY.GDP.PCAP.KD/countries?display=default>. Accessed 27 Oct 2011
- World Conference on Human Rights. 1993. Final declaration of the meeting for Asia of the world conference on human rights.
- World Trade Organization. 1996a. Singapore ministerial declaration.
- World Trade Organization. 1996b. Statement by Charlene Barshefsky.
- World Trade Organization. 1996c. Statement by Tungky Ariwibowo, Minister of Industry and Trade, Indonesia.
- World Trade Organization. 1996d. Statement of Dato’ Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia.

- Yen, Y.-M. 2011. The formation of the ASEAN intergovernmental commission on human rights: A protracted journey. *Journal of Human Rights* 10(3).
- Yeo, George. 2007. Statement by ASEAN chair. <http://www.aseansec.org/20974.htm>. Accessed 24 Feb 2012.

# Chapter 5

## The ASEAN+‘X’ Framework and its Implications for the Economic-Security Nexus in East Asia

Min Gyo Koo

### 5.1 Introduction

The rise of China, the decline of Japan, and the ambivalence of the United States are at the heart of the shifting balance of the East Asian region. South Korea has also longed for a balancing role among its giant neighbors, albeit with limited success. Despite its structural limitations, the Association for Southeast Asian Nations (ASEAN) has shown a certain degree of institutional resilience and adaptability in the emergence of “ASEAN+X” forums such as ASEAN+1, +3, +6, and +8. The complex balance of power and interests in this region does not allow for a single pacesetter, thus motivating these countries to consider sharing (and competing for) regional leadership and influence with each other through the ASEAN+X forums.

The aim of this chapter is to explore the economic-security nexus in several prominent minilateral forums in East Asia: ASEAN+1, ASEAN+3, and ASEAN+6/8 (also known as the East Asia Summit or EAS). This study also examines America’s new appetite for Asia–Pacific minilateralism centered on the Trans-Pacific Partnership (TPP), and eventually the Free Trade Area of the Asia–Pacific (FTAAP), in light of the non-traditional security implications for East Asian countries. For some adherents of such minilateral forums, the decade-long perception among Asians that Western arrangements, either regional or global, discriminate against them has rekindled the notion of an exclusive East Asian bloc or a new regional hierarchy centered on China, as promoted by former Malaysian Prime Minister Mahathir bin Mohamad. Yet, the likelihood of the formation of a more exclusive region is slim at best, leaving the institutional contours of East Asian regionalism in flux.

---

M. G. Koo (✉)  
Seoul National University, Seoul, South Korea  
e-mail: mgkoo@snu.ac.kr

With East Asian countries' interest in economic regionalism surging dramatically at the turn of the new millennium, East Asia scholars have recently joined the debate about whether and to what extent economic policy and security might be connected. For them, many preferential economic arrangements that involve East Asian countries aim to secure wider foreign policy and strategic objectives, rather than purely economic goals. From this perspective, it would indeed be surprising if countries sought economic arrangements devoid of any political-security calculations and if such arrangements did not have international political-security consequences (Aggarwal and Koo 2008, Aggarwal and Urata 2006, Capling 2008, Harris and Mack 1997, Koo 2011, Mochizuki 2009, Pempel 2010, Shirk and Twomey 1997, Sohn and Koo 2011, Solís and Katada 2007, Taylor and Luckham 2006).

Postwar Asia's efforts at regional integration, both in economic and security terms, have revolved around the US approach to the economic-security nexus. For a long time during the Cold War period, security considerations overshadowed US economic interests in the region under the San Francisco alliance system. However, two external shocks in the 1990s—the end of the Cold War and the outbreak of the Asian Financial Crisis (AFC)—reversed this trend, placing economic policy at the forefront of the economic-security nexus. America's neoliberal economic triumphalism during this period catalyzed East Asia's embrace of *minilateral* arrangements for a variety of strategic and diplomatic purposes—from confidence-building among countries with little contact with one another, to winning diplomatic points over regional rivals, to establishing an international legal personality—while leaving the US outside such minilateral forums. At the same time, some countries in the region have begun to pursue *bilateral* economic arrangements with the US and the EU to draw extra-regional powers into the region (Koo 2011, Sohn and Koo 2011).

This chapter claims that a variety of ASEAN+X forums have emerged in response to America's de-securitization of economic policy and that such minilateral forums aim to pursue “nested linkages” to existing economic and security institutions, but with mixed results. It will be highlighted that the ASEAN+X framework for the economic-security nexus has largely failed to deliver what it has originally promised in both substantive and tactical terms, mainly due to the clear lack of leadership, either hegemonic or collective, within the region. Most recently, US entry into the EAS dialogue and promotion of the TPP and FTAAP frameworks are creating a new, complex interplay between intra-regional and extra-regional forces with regard to the economic-security nexus. Activities within these various minilateral forums have thus far been too amorphous, both in terms of economics and security, to really talk about their substantive performance.

The remainder of this chapter unfolds in four sections. [Section 5.2](#) examines the security-embedded economic relations during the Cold War period under American hegemonic leadership and then explains East Asia's responses to the de-securitization of US economic policy in the 1990s and early 2000s. [Section 5.3](#) then explores the ASEAN+X framework with a focus on its promise as an economic-security platform. [Section 5.4](#) analyzes the rivalry between China and Japan, on the

one hand, and the ambivalence of the US on the other, the combination of which has led the ASEAN+X forums to focus primarily on membership issues rather than deal with substantive regional issues. [Section 5.5](#) investigates America’s latest re-engagement in East Asia in a context of re-securitizing its economic policy and its implications for the future of ASEAN+X framework. [Section 5.6](#) concludes that if a tangle of regional institutions continues to compete for attention and resources, the East Asian region is more likely to become further polarized than to experience greater integration.

## **5.2 The Securitization and De-Securitization of US Economic Policy and the Rise of the ASEAN+X Forums**

Security problems within East Asia arise where global and regional uncertainties and competition meet.<sup>1</sup> East Asia was always at the crossroads of Cold War tensions between the US and the Soviet Union. At the outset of the Cold War, hostile geo-strategic circumstances and historical animosities shaped unique institutional pathways for East Asian countries to manage their economic and security ties. In the virtual absence of an alternative mechanism at the regional level, economic and security relations were governed through a combination of US-centric bilateral and multilateral arrangements and informal networks based on corporate and ethnic connections in the economic arena (Aggarwal and Koo 2008, Cumings 1997, Grieco 1997, Katzenstein 1997). Yet, the mix of bilateral and multilateral institutions and the subordination of economic policy to security during the Cold War period began to face severe challenges in the 1990s. Against the backdrop of fluid geopolitical and geo-economic environments in the post-Cold War period, East Asian countries have sought to construct regional alternatives (with mixed records) in response to the relative decline of US influence in, and commitment to, the region. The de-securitization of US economic policy became much evident when it chose to use the AFC as an opportunity to push for neo-liberal economic policy reforms in its longstanding economic partners. For East Asian countries, the AFC was a painful wake-up call to seriously consider embedding their economic ties to security cooperation, both traditional and non-traditional, at the regional level.

---

<sup>1</sup> The conceptual framework of securitization and de-securitization draws heavily on Koo 2011.



### ***5.2.1 Security-Embedded Economic Relations During the Cold War***

The San Francisco system, codified largely through the 1951 San Francisco Peace Treaty between the Allies and Japan, provided East Asian countries with a unique institutional mix of bilateralism and multilateralism.<sup>2</sup> In pursuit of security-embedded economic stability, the system offered the US's East Asian allies access to the American market in return for a bilateral security alliance. Alliances in East Asia tend to be bilateral, leaving security coordination at the minilateral level under-institutionalized. Together with large US military forces stationed in Japan, South Korea, the Philippines, South Vietnam, and Guam, these bilateral security treaties became the backbone of America's hub-and-spokes strategy to contain Communist forces in East Asia. The US also encouraged East Asian countries to participate in broad-based multilateral forums in both trade (e.g., the General Agreement on Tariffs and Trade) and security (e.g., the United Nations), both of which were underwritten by US hegemony (Aggarwal and Koo 2008, 3–4).

The US was willing to provide global public goods because it considered these trade and security institutions to be beneficial to its own national and strategic interests. But the US also defined “its interests broadly and in a sufficiently inclusive manner that other countries felt able to sign on to a vision that stressed the importance of due process and the rule of law” (Higgott 2004, 158). This system, which proved relatively beneficial for most East Asian countries, created few incentives for them to develop exclusively regional economic arrangements until the end of the Cold War. At the same time, bitter memories of Japanese and Western colonialism, heterogeneous policy preferences and strategies, and cultural diversity also reinforced the preference against formalized regional organizations (Aggarwal and Koo 2008, 3–7). It was no coincidence that many proposals for more exclusive East Asian economic blocs—such as the Pacific Free Trade Area (PAFTA), the Pacific Trade and Development Conference (PAFTAD), the Organization for Pacific Trade and Development (OPTAD), and the Pacific Economic Cooperation Conference (PECC)—largely failed during this period (Katzenstein 1997, 8–16). Established in 1967, ASEAN also showed a low degree of institutional capacity in both security and economic matters.

---

<sup>2</sup> For more details about the San Francisco system, see Calder (2004).

### ***5.2.2 East Asian Responses to the De-Securitization of US Economic Policy***

The end of the Cold War visibly weakened American and Russian influence in the region, while strengthening the strategic position of China. As T.J. Pempel aptly puts it,

America’s strategic goals were subtly redefined in geo-economic terms as opposed to geo-strategic terms, largely as a function of the Clinton administration’s concentrated focus on advancing the process of globalization and economic liberalization and the Clinton administration’s underlying conviction that economic growth and closer economic interdependence would go a long way toward reducing the chances of military conflicts throughout the world (Pempel 2010).<sup>3</sup>

This sudden shift in America’s strategic calculations regarding economic relations put greater and more pointed market-opening pressure on its East Asian allies, the latter of which had previously focused on rapid growth that relied on import protection, industrial policy, and export promotion under America’s nuclear umbrella. In its promotion of the idea of fair trade, the Clinton administration adopted an aggressive approach to pry open East Asia’s traditionally protected markets. Although US alliance relations remained fundamentally intact, the separation of the economic agenda from security policy was clearly manifested in a series of trade disputes between Washington and its East Asian allies (Goldstein 1988, Tyson 1990, Irwin 1997, Conti 1998). This meant that East Asian countries had to shoulder more of the burden of maintaining the global economic regime.

This trend became more evident in the aftermath of the AFC, which had a profound impact on the way East Asian countries perceived global and regional economic institutions. Some Western commentators argue that the US still moved to bail out crisis-ridden East Asian countries, which undermines the “American de-securitization” hypothesis.<sup>4</sup> However, for many East Asian countries, the US was no longer a benign hegemon willing to provide economic and military public goods free of charge. Furthermore, as Heribert Dieter points out, many in East Asia began to feel pushed away by the so-called Washington Consensus, which aggressively promoted the policies of deregulation, privatization, and liberalization as the

---

<sup>3</sup> Under these circumstances, President Clinton said: “Ultimately, the best strategy to ensure our security and to build a durable peace is to support the advance of democracy elsewhere. Democracies don’t attack each other. They make better trading partners and partners in diplomacy” (President William Clinton, State of the Union Address, January 25, 1994).

<sup>4</sup> Some contributors to this volume raised this question during the second project meeting.

prerequisites for economic development (Dieter 2009, 76). The IMF loan package resulted in a region-wide resentment of the Washington-dominated agency.<sup>5</sup>

With the global trading mechanism of the GATT/World Trade Organization (WTO) offering no salient solutions for trade-dependent East Asian countries, the perceived injustice or unfairness of the global financial architecture enshrined in the IMF made it politically easier for the leaders of crisis-ridden countries to seek regional alternatives. One major alternative for the affected countries was to secure preferential access to each other's markets and create more diversified regional financial safety nets. Yet the impact of the AFC on regional integration has been contradictory. While the crisis fuelled the emergence of ASEAN+3, it gravely weakened both ASEAN and APEC (Webber 2001, 358). ASEAN has contributed to the dissemination of the regional norm of the 'ASEAN way,' which emphasizes sovereignty, non-intervention, consensus, inclusion, and informality, and thus to bringing the great powers—especially China and the US—to the table in the post-Cold War strategic transition in East Asia (Goh 2011). However, ASEAN remains an inherently modest organization with only scattered signs of institutional deepening and widening.<sup>6</sup> Aptly pointed out by John Ravenhill in this volume, the APEC forum has remained an essentially consultative body since its creation in 1989, with most members continuing to prefer loose family-type linkages to more formal institutional structures.<sup>7</sup>

At the end of the 1990s, the US became more ambivalent about the regional attempt to create exclusive economic agreements. In the early 1990s, the proposal of the East Asian Economic Group (EAEG) by then-Malaysian Prime Minister Mahathir faced strong American opposition, due to fears that an exclusive regional bloc could undermine the leadership role of the US and foster a split between East Asia and North America. In the aftermath of the AFC, however, the US did not immediately reject the ASEAN+3 process initiated by thirteen East Asian countries, presumably because it saw little strategic benefit to weaving a web of preferential economic arrangements with East Asian countries. It was in such a political-economic context that the ASEAN+X framework emerged, alongside a series of bilateral FTA initiatives targeting the region both internally and externally.

---

<sup>5</sup> According to Bergsten (2000, 22), "most East Asians feel that they were both let down and put upon by the West in the crisis." They believe that the West, in particular the US, "let down" Asia because Western financial institutions and other actors caused or exacerbated the crisis by withdrawing their money from the region and then refused, as did the US, to take part in rescue operations to manage it. They believe that East Asia has been "put upon" by the West because of the way in which, through the IMF, the West dictated the international response to the crisis and because of the perceived consequences of the IMF's prescriptions. See also Pempel (1999) and Wade (2000).

<sup>6</sup> See Chow's chapter in this volume.

<sup>7</sup> See also Aggarwal (1998), Ravenhill (2000), and Tsunekawa (2005).

## 5.3 The Core Elements of the ASEAN+X Framework

### 5.3.1 ASEAN+3

ASEAN+3 is the cornerstone of the ASEAN+X framework. In the immediate aftermath of the AFC, the existing regional organizations in East Asia, ASEAN and APEC, were widely seen to be falling apart. At the same time, East Asia witnessed the emergence of ASEAN+3, which was designed to promote closer integration between Northeast and Southeast Asia. The AFC fostered the rise of ASEAN+3 because it greatly strengthened perceptions of mutual economic interdependence and vulnerability in East Asia and resentment toward the West and the US.<sup>8</sup> ASEAN+3 replicates ASEAN’s norms of consensual decision-making and mutual non-interference in member states’ domestic affairs. It has remained a consultative organ, in which the participating members exchange views on a wide range of issues, but without making any binding policy commitments. Nevertheless, the web of relations among the 13 member countries has developed steadily since the first summit meeting in 1997. Not only heads of government, but also finance, economics and foreign ministers, central bank governors, and senior government officials in related domains have started meeting regularly to address a wide range of issues (Webber 2001, 340–5).

The first significant, concrete product of ASEAN+3 was the Chiang Mai Initiative (CMI), which was agreed upon in Thailand in May 2000. It was proposed by Japan and accepted cautiously by China, which, along with the US, had opposed Japan’s earlier, more sweeping proposal for an Asian Monetary Fund (Moore 2007, 49–50, Ravenhill 2008, 46). The CMI aims to establish a regional currency swap facility to enable the member countries to shield themselves better against any future financial crises. It was initially dismissed for involving only limited amounts of financial resources and requiring most swaps to be congruent with, and nested to, IMF regulations. Its mechanism was also characterized as vague and ambiguous, and some critics raised fundamental questions about its relevance for regional monetary affairs because its mere existence did not by itself alter the fact that the East Asian countries’ primary response to the AFC was unilateral (Dieter 2007, 129, Webber 2010, 319).

Nevertheless, the CMI has since offered an opportunity for regional financial collaboration that has simultaneously reduced Asian dependence on the US dollar for financial reserves, currency baskets, and international transactions. As of today, a total of US\$120 billion is available, and in May 2009 the CMI was successfully multilateralized, creating a collective centralized reserve fund, with a single contractual agreement, allowing one stop shopping for needed funds. The CMI has also initiated a regional surveillance mechanism called the Economic Review and

---

<sup>8</sup> Ironically, the ASEAN+3 effort began with an outside impetus from the EU. When ASEAN members asked that Japan, China, and South Korea to join the ASEAN-Europe (ASEM) meeting, the ASEAN+3 forum began to take shape.

Policy Dialogue. The Plus Three countries, namely China, Japan, and Korea, have provided technical assistance and training for the monitoring of capital flows in East Asia's less developed financial systems. Also, they have begun to develop an enriched Asian bond fund through their regional central banks, while the CMI has collectively pushed a separate Asian Bond Market Initiative (ABMI), although it is unlikely that all of these CMI efforts will evolve into horizontally linked exclusive regional institutions (Pempel 2010, 217–218).

From the perspective of institutional design, ASEAN+3 has aimed to pursue “nested linkages” to existing institutions in both substantive and tactical terms.<sup>9</sup> ASEAN+3's earlier substantive linkages to existing institutions are illustrated by the Joint Statement on East Asia Cooperation issued in November 1999 at the 3rd ASEAN+3 Summit in Manila, in which members committed themselves to promoting economic, financial, social, and political dialogues “with a view to advancing East Asian collaboration in priority areas of shared interest and concern.” The joint statement also endorsed, among others, the Chinese Five Principles of Peaceful Co-existence, the principles of the UN Charter, and the ASEAN Treaty of Amity and Cooperation (TAC) (Aggarwal 2010, 27). Such substantive linkages are genuine and inevitable under the fluid geostrategic and geoeconomic environments in today's East Asia.

At the same time, the ASEAN+3 grouping also displays tactical linkages to the extent that China and Japan compete with each other for regional leadership. In order to court Southeast Asian countries on their sides, the two regional giants have tried to tie together a variety of regional issues—including trade, finance, money, energy, environment, and terrorism—within and outside the ASEAN+3 framework. The China-ASEAN and Japan-ASEAN FTAs are the byproducts of such tactical linkages. ASEAN+3 also provides evidence that the linkage strategies of both China and Japan are reactions to the declining US-centric linkage framework. As will be discussed below, the rivalry between China and Japan on the one hand, and the ambivalence of the US on the other, have led East Asian countries' linkage strategies to mainly focus on membership issues rather than tackling more substantive regional concerns.

### 5.3.2 ASEAN+1

Although the ASEAN+3 process has continued since its creation in 1997, China surprised observers with its decision to negotiate an ASEAN+1 agreement—i.e. the framework agreement on ASEAN-China economic cooperation—which came

---

<sup>9</sup> According to Aggarwal (1998), the notion of linkages captures the intellectual basis for connecting different issues. If two issues are considered unrelated but become tied together in negotiations because of a political power play, this can be considered a tactical link. By contrast, if the issues exhibit some intellectual coherence, then the linkage can be seen as substantive. See also the lead chapter of this volume by Aggarwal and Govella.

into effect on January 1, 2010. Guided both by non-traditional security considerations and by economic motivations, the China-ASEAN “strategic partnership” has become an institutionalized process, as manifested by an annual cycle of summits and high-level meetings.<sup>10</sup> Some analysts welcome such developments as positively affecting the strategic and political future of East Asian regionalism.<sup>11</sup>

ASEAN’s raw materials and energy resources proved to be vitally important to China’s future economic growth. China’s political initiatives and intrinsic interest in an FTA with ASEAN reflect the growing need for an insurance policy to secure the supply of raw materials and energy resources. At the same time, a number of non-economic considerations have been critical. In particular, China views cementing political and economic relations with ASEAN as an opportunity to vie for regional leadership. Indeed, ASEAN holds the key to China’s security, as ASEAN shares extensive land and maritime borders with China. About three-quarters of China’s energy imports go across the South China Sea. China also acknowledges that ASEAN may have the upper hand determining which of today’s budding regional arrangements will prevail in East Asia (Kwei 2006, Lin 2008, Yang 2009, Arase 2010).

For ASEAN countries, following China’s lead may be prudent when one considers the economic window of opportunity. In fact, shared vulnerability accounts for why China and ASEAN are drawn to an ASEAN+1 mechanism. Most ASEAN governments remain politically fragile, have limited capacities, and depend on economic growth for political legitimacy; these governments are more subject to non-military threats than to traditional ones. Despite simmering tensions in the South China Sea, China thus makes a great partner for a marriage of convenience to ASEAN.<sup>12</sup>

China’s move toward ASEAN has prompted and intensified a regional rivalry. In particular, Japan quickly followed with its own framework accord with ASEAN in 2003, with implementation beginning in 2009. From 2007 to 2008, Japan made two proposals with an intention to drive a wedge into the ASEAN+3 framework favored by China: (1) a Comprehensive Economic Partnership in East Asia (CEPEA) to be pursued within the EAS and (2) a Japan-ASEAN Comprehensive Economic Partnership Agreement (JACEPA) involving free trade, investment, technology transfer, human resource management, and other economic areas

---

<sup>10</sup> China and ASEAN use the term “non-traditional security” for their cooperation in: piracy, smuggling, human trafficking, drug trade, transnational criminal organizations, illegal immigration, cyber-piracy and cyber attacks, terrorism, subversion, and ethnic/religious movements. In addition, there are natural threats such as epidemics, typhoons, earthquakes, and tsunamis that require cooperation in disaster and post-disaster relief, disease control, and food security (Arase 2010, 809).

<sup>11</sup> Arase (2010, 809) argues that this meeting-driven process constituting China-ASEAN economic and security cooperation has advanced concrete security cooperation schemes far more than either APEC or the ASEAN+3 process. By contrast, Goh (2011, 390) argues: “ASEAN’s complex strategy may not be ultimately effective in brokering the transition toward a great power bargain about norms-based power-sharing.”

<sup>12</sup> For more details about ASEAN internal politics, see Chow’s chapter in this volume.

presented as a full package of long-term, legally-binding developmental benefits, as opposed to the partial packages that China had offered to ASEAN. Japan also funded the Economic Research Institute for ASEAN and East Asia (ERIA), inaugurated in Jakarta in 2008 with an aim to serve as an East Asian OECD, to undertake policy research for regional economic integration (Terada 2010, 81, Goh 2011, 291).

South Korea also signed a framework agreement on comprehensive economic cooperation with ASEAN in 2005.<sup>13</sup> During his visit to Indonesia in March 2009, South Korea's incumbent President Lee Myung-bak launched an ambitious diplomatic initiative, dubbed the "New Asia Initiative," that envisions South Korea as a regional leader able to speak for Asian countries in the international community. The principal candidates have been Southeast Asian countries. In the second half of the 2000s, ASEAN emerged as South Korea's third largest trading partner after China and the EU, while South Korea's investment in ASEAN soared from US\$500 million to US\$3.6 billion, making ASEAN South Korea's second biggest investment target after the US. As the two sides marked the 20th anniversary of the Korean-ASEAN Dialogue Partnership, ASEAN pressed for even more cooperation through Lee's New Asia Initiative. To enhance cooperation in economic development, South Korea plans to triple its official development assistance to ASEAN by 2015 (Koo 2009a).<sup>14</sup>

### 5.3.3 ASEAN+6 and +8

Japan initially proposed the ASEAN+6 framework as an expanded East Asian regional concept, despite the existence of ASEAN+3. The impetus behind the expanded framework was provided by Japan's Prime Minister, Junichiro Koizumi, who advocated the addition of Australia and New Zealand as core members in the process toward the creation of an East Asian community (Terada 2010, 72). The ASEAN+6 proposal evolved into the launch of the EAS in December 2005 following the ninth ASEAN+3 summit held in Kuala Lumpur. The EAS was supposed to elevate the ASEAN+3 process to a high-level dialogue on political-security and economic issues. Along with Indonesia and Singapore, Japan successfully lobbied

---

<sup>13</sup> Subsequently, the Korea-ASEAN agreement on trade in goods was signed in August 2006 and came into force in June 2007. The Korea-ASEAN agreement on trade in services was signed in November 2007 and came into force in May 2009. Finally, the Korea-ASEAN agreement on investment was signed in June 2009 and came into force in September 2009.

<sup>14</sup> With respect to ASEAN, South Korea has made conscious efforts to mitigate the negative perception of the country as an "economic animal" following in the footsteps of Japan. Many observers of Japanese business penetration in Southeast Asia have noted that the once benevolent Japan as a "lead goose" became a "stingier bird," only concerned about replicating its domestic system of hierarchical and potentially exploitative *keiretsu* networking in the region as a whole. In short, "embraced development" gave way to "captive development" (Hatch and Yamamura 1996).

for the inclusion of Australia, India, and New Zealand as part of its push for universal values and open regionalism, and in an implicit move to deter potential Chinese domination within the EAS. China gained Malaysia’s consent for giving the ASEAN+3 meeting—rather than the EAS—the primary responsibility for building the East Asian Community (EAC), leaving a question mark over the future of EAS as well as potential polarization of the region. This rivalry has resulted in two East Asian groupings—namely the ASEAN+3 and +6—with overlapping mandates for regional cooperation in finance, energy, education, disease, and natural disaster management (Goh 2011, 390–391).

In the meantime, there have been two structural changes in the East Asian political economy, which have created gloomy prospects for the development of ASEAN+6. Firstly, the US initially supported the materialization of the original EAS mechanism, specifically in the ASEAN+6 format. However, it became disappointed at having been excluded from market integration schemes. As discussed in Sect. 5.5 in more detail, the US subsequently decided to push for the FTAAP as a spinoff of APEC. In essence, three economic superpowers now compete with each other through contending visions of Asian integration: ASEAN+3, ASEAN +6, and the FTAAP. Secondly, the global financial crisis, which represents both the eroding international influence of the US and the growing international role of China with the world’s largest foreign reserves, has catalyzed a demand for financial cooperation rather than trade liberalization, an area that the original ASEAN+6 mechanism did not entail as part of a cooperative agenda (Terada 2010, 86).

As a result, the US and Russia have been invited to join the ASEAN+6, creating an ASEAN+8 forum (or an expanded EAS).<sup>15</sup> The two new member countries participated in the sixth EAS summit held in Indonesia in November 2011. The expanded EAS summit continues to be a forum for dialogue on broad strategic, political and economic issues to promote “common security, common prosperity, and common stability” (Wihardja 2011). In the context of a world trying to devise a new global order following the 2008 global economic crisis, the EAS is in the midst of an evolving and increasingly convoluted regional architecture. At the same time, the EAS should avoid bipolar dominance of the agenda,<sup>16</sup> while managing regional challenges that need to be contained: the Thailand-Cambodia dispute, security

---

<sup>15</sup> Russia’s participation was justified by its geopolitical importance to East Asia, especially with regard to energy security.

<sup>16</sup> For example, while the US wanted to bring hard security issues to the table—including free navigation and the avoidance of hegemonic dominance over the South China Sea—China clearly wanted to avoid this.



issues on the Korean Peninsula, maritime issues, terrorism, piracy, transnational crime, pandemics and natural disasters.<sup>17</sup>

## 5.4 The ASEAN+X Framework at a Crossroads

Now a tangle of regional institutions competes for attention and resources, and that as long as the ASEAN+1 and +8 approaches continue to coexist with ASEAN+3, the East Asian region will become more polarized before it experiences greater integration. At the core of East Asia's integration lies a close and cooperative Sino-Japanese relationship, particularly during a time when the role of the US as a hegemonic broker between the two regional giants continues to wane. In theory, larger membership may expand both the security and economic interests of the members. In practice, however, the consequent dilution of common purpose has served no members thus far (Cook 2008, 296 and 303).

The seemingly promising start of ASEAN+3 cooperation has attracted the attention of some prominent East Asia scholars. Most notably, Richard Stubbs identifies the ASEAN+3 process as the materialization and formalization of the EAEC, implying that an identity-based East Asian regionalism has grown out of the 1990s debates about "Asian values" and has now reached a next evolutionary stage (Stubbs 2002, 453). Similarly, Richard Higgott believes that the growing cooperation among the ASEAN+3 states would be built upon "the development of a sense of regional identity in a more tightly defined East Asian context" (Higgott 1999, 97–99). Heribert Dieter and Richard Higgott also interpret ASEAN+3's first experimental steps towards establishing regional currency swaps and financial monitoring as a sign of a deepening sense of regional consciousness which stands in opposition to the Anglo-American view on global economic organization as represented by the IMF (Dieter and Higgott 2002, 32).

ASEAN+3 members have attempted to increase their cooperation, most recently at the 14th ASEAN+3 Summit in Bali, Indonesia in November 2011. The summit reaffirmed the ASEAN+3 process as the main vehicle to achieve the long-term goal of building an East Asian community and recognized the mutually reinforcing and

---

<sup>17</sup> The old functional agenda from the previous summits—including education, finance, energy, disaster management and the prevention of avian flu—also continue as there are existing mechanisms in place. Two new agenda items have been added to this: connectivity, which is lobbied for by China, and a dynamic relationship between traditional and non-traditional security, lobbied for by the US. First, physical connectivity is imperative to connect ASEAN with China (and Northeast Asia more generally) and to build an integrated East Asian community. The plan includes the construction of the Singapore-Kunming rail link that may be extended as far as the city of Surabaya in East Java. The ASEAN connectivity agenda will also include institutional and people-to-people networks, including regulatory reforms and education. Secondly, given the ongoing territorial disputes and other non-traditional security issues such as piracy in the Indian Ocean, the interplay of traditional and non-traditional security is a timely and pending issue (Wihardja 2011).

complementary roles of the ASEAN+3 process and regional forums such as the EAS and the ASEAN Regional Forum (ARF). Aside from economic cooperation, the summit meeting highlighted the ongoing need for cooperation and some progress in areas of non-traditional security, such as transportation safety, food security, pandemic disease protection, energy supply, the rights of women and children, and natural disaster recovery.<sup>18</sup>

In terms of institutional strength, ASEAN+3 continues to expand its issue scope, similar to APEC. For instance, ASEAN+3 members signed a commitment of the ASEAN+3 Emergency Rice Resources (APTERR) in Jakarta in October.<sup>19</sup> However, ASEAN+3 remains inherently weak, which has clearly been demonstrated by the lack of sustained cooperation on the part of the great powers—especially China and Japan—that is crucial for the creation of a stable regional society of states to advance East Asian collaboration in priority areas of shared interest and concern. In particular, the ASEAN+1, +6, and +8 approaches have co-existed with the ASEAN+3, thereby distracting the locus, as well as the focus, of collective energy. Muddled by renewed uncertainties about US security commitments after the 9/11 attacks, power competition and balancing by Japan and China within and across regional institutions intensified with the round of “institution-racing” (Goh and Acharya 2007, 7).

The implications of the East Asia Summit are even more distracting for the ASEAN+3 process. No one really focuses on building or reconciling the ASEAN+3 forum as a strong regional institution since the debate primarily revolves around membership scope. From one perspective, the East Asian Vision Group’s proposal that the annual summit meeting of the 13 member countries be transformed into an East Asian Summit was realized more swiftly than its protagonists initially envisaged. Yet the EAS’s creation aggravated interstate rivalry within the region (Webber 2010, 318).

While most ASEAN+3 states embrace a broader Asia–Pacific perspective, Malaysia and China appear to be promoting more exclusive forms of East Asian regionalism. Within ASEAN+3, China is aggressively pushing a strong China–ASEAN axis, whereas Japan is seeking to balance China’s efforts and step up its political and economic cooperative profile in the region. The additional +5 countries—Australia, New Zealand, India, Russia, and the US—were admitted to the EAS, while China and other supporters of a narrower EAS were assured that

---

<sup>18</sup> For instance, the Chairman’s statement reaffirmed their “commitment to ensure energy security in the region by promoting energy diversification through information exchanges and researches on alternative, new, and renewable energy development, as well as energy conservation, energy efficiency, and the use of clean and environmentally-friendly technologies.” See [http://www.asean.org/documents/19th %20summit/APT-CS.pdf](http://www.asean.org/documents/19th%20summit/APT-CS.pdf).

<sup>19</sup> China, Japan, and South Korea will prepare 300,000 tons, 250,000 tons and 150,000 tons of rice respectively, while ASEAN countries will prepare 87,000 tons (*The Jakarta Post*, October 6, 2011, <http://www.thejakartapost.com/news/2011/10/06/asean3-agree-emergency-rice-reserve-finances.html>).

ASEAN+3 would remain the primary vehicle for promoting closer cooperation in the region.

It is remarkable that Japan and China managed to agree to limited monetary cooperation through the CMI in an attempt to ward off any repetition of the AFC. The two countries have forged closer economic ties and are now each other's most important economic partner. In general, however, political wariness and rivalry have characterized postwar Sino-Japanese relations. Diplomacy continues to fail to ease deep mutual suspicions. So-called "cold politics and hot economics" has thus become a defining feature of their bilateral relations (Koo 2009b).

The essentially unresolved membership issues and the relationship of competing minilateral forums indicate divergent views on China's regional role and complex economic-security implications for its neighbors. To China, ASEAN+3 offers an ideal institutional platform to raise its profile and image in the region, as it imposes few economic and political costs, while presenting an opportunity to diffuse concerns about the China threat. Although committed to cooperation within the ASEAN+3 framework, Japan prefers opening up the forum as much as possible, primarily due to its strategic opposition to China's leadership. In a similar vein, South Korea has welcomed ASEAN+3 as the basis for an increasingly institutionalized regional body for economic, political, and security cooperation. Despite its growing economic interdependence with China, however, Korea's ultimate political and economic reliance on the US ensures Korea's continued Asia-Pacific orientation.

Last but not least, the ASEAN+X forums provide a welcome opportunity for ASEAN to improve its credentials as a core, albeit a soft one, for East Asian regionalism. China has reiterated that ASEAN should remain in the driver's seat, with others largely agreeing to this idea.<sup>20</sup> ASEAN was able to take the lead in ASEAN+3 thanks to the continued Sino-Japanese rivalry and security competition across Northeast Asia. As David Jones and Michael Smith point out, "a shared sense of weakness rather than strength facilitated ASEAN's capacity to transform the regional order," leading to a discourse that was "conducted according to the non-legalistic, consensus-oriented ASEAN way that represented a distinctive alternative to European styles of diplomacy."<sup>21</sup> To be sure, ASEAN has helped to partially institutionalize power relations within the ASEAN+X framework, while representing the voice of smaller countries in regional economic and security management. However, what ASEAN has achieved in this regard is "well short of the kind of sustained cooperation on the part of the great powers that is so

---

<sup>20</sup> The Straits Times, November 2, 2010.

<sup>21</sup> Jones and Smith (2007, 152–153) as quoted in Pempel (2010, 217).

necessary to the creation of a new stable regional society of states” (Goh 2011).<sup>22</sup> Furthermore, with respect to the membership issue of minilateral forums, ASEAN is divided, leaving Malaysia almost isolated on the matter (Hund 2003, 394–395, 400–406).

## 5.5 Re-securitization of US Economic Policy and the Future of ASEAN+X

Undoubtedly, China has been the principal motor of growing economic cooperation in East Asia, particularly in the aftermath of the AFC. At the same time, China’s neighbors have reacted to its rise by expanding their ties to other states to hedge and secure themselves as much autonomy as possible vis-à-vis Beijing (Kang 2007). During the first decade of the new millennium, such regional dynamics have made regional minilateralism, which was in part the region’s response to the de-securitization of America’s economic policy toward the region, largely irrelevant. The fact that most East Asian countries support the participation of the US (along with India, Australia, New Zealand and Russia) in ASEAN+8, while also soliciting America’s continuing military and economic presence, indicates that strategic considerations outweigh others when it comes to defining the economic boundaries of the region.

In effect, security considerations have once again become a significant factor behind US economic policy in recent years. The Bush administration securitized the neoliberal economic agenda and its foreign economic policy in the context of its changing view of sovereignty and security in contemporary global affairs. In particular, US trade policy under the Bush administration changed dramatically in the post-9/11 world and in turn became the driving force behind the changes in global trade dynamics under the rubric of “competitive liberalization.” President Bush’s first chief trade policymaker, United States Trade Representative (USTR) Robert Zoellick, articulated a trade policy orchestrated around competitive liberalization in which global, regional, and bilateral trade negotiations would complement and reinforce each other. Zoellick had long seen trade agreements as having geopolitical as well as trade significance (Zoellick 2001). This view clearly found resonance in the Bush White House. The Bush administration explicitly reminded countries that contemplated an FTA with the US of the strong connection between security and economic cooperation (Koo 2011, Sohn and Koo 2011). US approaches to reengaging East Asia are two-fold: bilateral and multilateral.

---

<sup>22</sup> For skeptics of ASEAN, ASEAN has also offered its big neighbors a minimalist, normative position from which to resist the more difficult processes of negotiating a common understanding on key strategic norms. At the same time, ASEAN’s informal approach allows China and Japan (and the US as well, to some extent) to treat regional institutions as instruments of soft balancing, more than as venues for negotiating and institutionalizing regional rules of the game (Goh 2011).

First of all, the US turned its eyes to ASEAN in pursuit of an ASEAN+1 agreement. Responding to criticism that the US was distracted with the war on terror while China was heavily investing diplomatic and economic capital in Southeast Asia, the Bush administration in November 2005 announced a joint vision statement on the ASEAN-US enhanced partnership. It agreed in principle to start negotiating an ASEAN-US trade and investment facilitation agreement. In addition, the US began to pursue FTA projects with individual ASEAN countries: Malaysia and the Philippines in late 2002 and Thailand in July 2003. In 2003, the US successfully concluded an FTA with Singapore (Aggarwal 2010, 33). For the US, it was particularly important and timely to engage ASEAN countries both individually and collectively in order to help shape ASEAN initiatives for East Asian regionalism in a way that did not weaken American regional influence (Mochizuki 2009, 62). The US has continued its overtures toward ASEAN, signing the TAC in 2009, and working with the ASEAN-US Trade and Investment Framework Arrangement (TIFA). These efforts have paid some dividends, with endorsement by most ASEAN members that the US should become a member of an ASEAN+8 agreement.<sup>23</sup>

With APEC faltering in its effort to promote open trade, the US sought to revitalize APEC through various ideas, most prominently the FTAAP and then the TPP. Under the Bush Administration in 2006, the US shifted its position to support the FTAAP, an idea in which it had previously shown little interest. This approach has been promoted by the APEC Business Advisory Council (ABAC), an officially recognized organ created by APEC in 1995 that has been an advocate for the creation of a free trade area among APEC members since 2004. Prior to the 2006 summit in Vietnam, the US showed little interest in such an accord. But shortly before this summit, in a speech in Singapore, President Bush endorsed the idea of pursuing an FTAAP (Aggarwal 2010, 31).

The US-led FTAAP may make it difficult for East Asian countries to vigorously promote the ASEAN+X framework because some key members of APEC have developed an interest in the FTAAP through their initial participation in the TPP. Although American motivation for TPP participation was not to secure export markets, as evidenced by the relatively small size of markets in the original four members (discussed further below), the US regards TPP as a model for the FTAAP because the former aims to be a high-quality FTA under which tariffs on all products would be eliminated by 2015. If other countries, as Australia, Peru and Vietnam already have, seek to become involved and if the “TPP+X” negotiations begin, then the critical mass towards the formation of an FTAAP may be reached. However, it is unlikely that FTAAP negotiations will materialize any time soon. The institutional and bureaucratic capacities in many East Asian countries are

---

<sup>23</sup> Most recently in October 2011, the US has ratified another FTA with an Asian trading partner, namely South Korea. For the US, the Korea-US FTA (KORUS FTA) is one of the largest FTA deals since the conclusion of the North American Free Trade Agreement (NAFTA) in 1993. For South Korea, it is the largest among its eight concluded FTA deals.

inherently limited, making it difficult for them to simultaneously engage in multiple negotiations (Terada 2010, 86–87).

Given the prospective future distribution of power in the region, both demographically and economically speaking, China’s neighboring countries have strong incentives to bind extra-regional powers to East Asia. Likewise, many in the region already recognize that US engagement is critical to this goal because no other country or combination of countries can balance a growing China (Goh 2003). The continuing importance of the US as a provider of security and vital economic partner in East Asia underscores the defining feature of future East Asian regionalism, namely its “porousness” (Katzenstein 2005, 21–30).

By signaling its intention to join the ASEAN+8 and working to cement its relationship with ASEAN to a more strategic level, the US appears to be shaping regional architectures in a way that will be more inclusive and trans-Pacific in nature (Fergusson and Vaughn 2010). One part of the porous economic and strategic architecture in the region is the Trans-Pacific Partnership (TPP), a free trade agreement that includes countries on both sides of the Pacific. Initially coming into effect in 2006, TPP originally consisted of Brunei, Chile, New Zealand, and Singapore. The US, Australia, Peru, and Vietnam have committed themselves to joining and expanding this group. To the US, TPP will be an important vehicle that could be used to shape its own regional agenda with the objective of leveraging TPP towards an eventual FTAAP. However, the road toward US-led trans-Pacific regionalism is likely to be a bumpy one. To say the least, China has shown little interest in joining the TPP (let alone the FTAAP) so far. Also for the US, an accord that promotes a complete free trade with China would be a political non-starter owing to current domestic political dynamics in the US and concerns about the massive US trade deficit in the context of the current global financial crisis.

## 5.6 Conclusion

This chapter has explored the evolution of the economic-security nexus in prominent minilateral groupings in East Asia—the ASEAN+X forums—against the backdrop of America’s neoliberal economic triumphalism during the 1990s and its re-engagement in the region after the 9/11 attacks. The main claim of this chapter is that the ASEAN+X forums emerged in response to the de-securitization of American economic policy and that these forums have aimed to pursue “nested linkages” to existing institutions. However, the ASEAN+X framework for the economic-security nexus has largely failed to deliver what it originally promised in both substantive and tactical terms, mainly due to clear lack of leadership. It is no coincidence that a variety of regional forums are rich in rhetoric but poor in substance. For instance, one of the few achievements of the ASEAN+3 framework has been the multilateralization of the Chiang Mai Initiative (CMI). However, CMI’s vision to create a strong regional monetary fund has not been matched by clarity of thought or action. America’s latest entry into the EAS dialogue and its

promotion of FTAAP/TPP further complicates the future of ASEAN+X framework.

With multiple multilateral forums vying for institutional space, the issue of how these arrangements may be nested or horizontally linked with some systematic division of labor remains an open question. This chapter's primary focus was ASEAN+3 and its relationship with other ASEAN+X forums. In establishing the ASEAN+3 framework in 1997, ASEAN created the first exclusive East Asian institution in which China and Japan would have to share leadership. In the atmosphere of antagonism and disillusionment with the perceived disregard of the US and the IMF during the AFC, ASEAN+3 leaders reached a consensus, though tentative, on an exclusive East Asian regional community. However, this consensus broke down at the turn of the new millennium, complicated by the uncertainties about America's security commitments to the region after the 9/11 attacks and by worsening Sino-Japanese relations.

For some optimists, fluid geo-economic and geo-political conditions have created an institutional ecosystem in which only the fittest institutions can survive.<sup>24</sup> For others, the ever-intensifying rivalry between Japan and China within and across regional institutions has led to a vicious cycle of "institution-racing" (Goh and Acharya 2007). As Christopher W. Hughes points out, Japan has been using ASEAN+X forums to deflect China's bids for regional dominance by deliberately over-supplying regionalism. For its part, China has engaged in institutional self-binding, but exclusively *vis-à-vis* its smaller ASEAN neighbors, while remaining ambivalent on how these forums impact its potential restraint *vis-à-vis* Japan and the US (Hughes 2009, 855).

In conclusion, the heart of the problem is a profound uncertainty among major regional players about where their infant multilateral relationship may lead. In many respects, East Asian countries and the US are in the same bed. Their economies have increasingly become interdependent. From climate change and economic recovery to traditional security matters, countries in this region need to work in concert. Yet, with a tangle of regional institutions competing for attention and resources, East Asian regionalism will remain in flux.

## References

- Aggarwal, Vinod K. 1998. Reconciling multiple institutions: Bargaining, linkages, and nesting. In *Asia Pacific crossroads: Regime creation and the future of APEC*, ed. Vinod K. Aggarwal and Charles E. Morrison. New York: Palgrave Macmillan.
- Aggarwal, Vinod. 2010. Designing trade institutions for the Asia-Pacific, paper presented "A Post 2010 Trade Agenda for the Asia-Pacific," organized by PECC-ADB-ADB, 1-41.

---

<sup>24</sup> Pempel (2010) labels such a let-the-winners-emerge-from-competition approach as "institutional Darwinism."

- Aggarwal, Vinod K. and Shujiro Urata, eds. 2006. *Bilateral trade arrangements in the Asia-Pacific: Origins, evolution, and implications*. New York: Routledge.
- Aggarwal, Vinod K., and Min Gyo Koo. 2008. Asia’s new institutional architecture: Evolving structures for managing trade, financial, and security relations. In *Asia’s new institutional architecture: Evolving structures for managing trade, financial, and security relations*, ed. Vinod K. Aggarwal and Min Gyo Koo. New York: Springer.
- Arase, David. 2010. Non-traditional security in China-ASEAN cooperation: The institutionalization of regional security cooperation and the evolution of East Asian regionalism. *Asian Survey* 50(4): 808–833.
- Bergsten, Fred. 2000. Towards a tripartite world. *The Economist*, 15 July, 20–22.
- Calder, Kent E. 2004. Securing security through prosperity: The San Francisco system in comparative perspective. *The Pacific Review* 17(1): 135–157.
- Capling, Ann. 2008. Preferential trade agreements as instruments of foreign policy: An Australia–Japan free trade agreement and its implications for the Asia–Pacific region. *The Pacific Review* 21(1): 27–43.
- Conti, Delia B. 1998. *Reconciling free trade, fair trade, and interdependence: The rhetoric of presidential economic leadership*. Westport: Praeger Publishers.
- Cook, Malcolm. 2008. The United States and the East Asia summit: Finding the proper home. *Contemporary Southeast Asia* 30(2): 293–312.
- Cumings, Bruce. 1997. Japan and Northeast Asia into the twenty first century. In *Network power: Japan and Asia*, ed. Peter J. Katzenstein and Takashi Shiraishi. Ithaca: Cornell University Press.
- Dieter, Heribert. 2007. The future of monetary regionalism in Asia: A joint currency or limited cooperation? In *The evolution of regionalism in Asia: Economic and security issues*, ed. Heribert Dieter. New York: Routledge.
- Dieter, Heribert. 2009. Changing patterns of regional governance: From security to political economy? *The Pacific Review* 22(1): 73–90.
- Dieter, Heribert and Richard Higgott. 2002. Exploring alternative theories of economic regionalism: From trade to finance in Asian Cooperation. CSGR working paper no. 89/02, University of Warwick, Jan. <http://www2.warwick.ac.uk/fac/soc/csgr/research/workingpapers/2002/wp8902.pdf>. Accessed Mar 1 2012.
- Fergusson, Ian F. and Bruce Vaughn. 2010. The trans-Pacific partnership agreement. CRS report for congress 7–5700, Nov 1. Washington, D.C.: Congressional Research Service.
- Goh, Chok Tong. 2003. FTAs will ensure US and Asia remain in happy embrace. *Straits Times*, 9 May.
- Goh, Evelyn. 2011. Institutions and the great power bargain in East Asia: ASEAN’s limited ‘brokerage’ role. *International Relations of the Asia-Pacific* 11: 1–29 (advance online access). doi:10.1093/irap/lcr014.
- Goh, Evelyn, and Amitav Acharya. 2007. Introduction. In *Reassessing security cooperation in the Asia-Pacific: Competition, congruence, and transformation*, ed. Amitav Acharya and Evelyn Goh, 1–17. Cambridge: MIT Press.
- Goldstein, Judith. 1988. Ideas, institutions and American trade policy. *International Organization* 42(1): 179–217.
- Grieco, Joseph M. 1997. System sources of variation in regional institutionalization in Western Europe, East Asia, and the Americas. In *The political economy of regionalism*, ed. Edward E. Mansfield and Helen Milner. New York: Columbia University Press.
- Harris, Stuart and Andrew Mack, eds. 1997. *Asia-Pacific security: The economics–politics nexus*. Sydney: Allen & Unwin.
- Hatch, Walter, and Kozo Yamamura. 1996. *Asia in Japan’s embrace: Building a regional production alliance*. Cambridge: Cambridge University Press.
- Higgott, Richard. 1999. The political economy of globalization in East Asia. In *Globalization and the Asia-Pacific: Contested territories*, ed. Kris Olds et al. London: Routledge.
- Higgott, Richard. 2004. US Foreign Policy and the ‘securitization’ of economic globalization. *International Politics* 41: 147–175.



- Hughes, Christopher W. 2009. Japan's response to China's rise: Regional engagement, global containment, dangers of collision. *International Affairs* 85(4): 837–856.
- Hund, Markus. 2003. ASEAN plus three: Towards a new age of Pan-East Asian regionalism? A skeptic's appraisal. *The Pacific Review* 16(3): 383–417.
- Irwin, Douglas A. 1997. *Managed trade: The case against import targets*. Washington, D.C.: American Enterprise Institute for Public Policy Research.
- Jones, David Martin and Michael L.R. Smith. 2007. Making process, not progress: ASEAN and the evolving East Asian regional order. *International Security* 32(1): 148–184.
- Kang, David C. 2007. *China rising: Peace, power, and order in East Asia*. New York: Columbia University Press.
- Katzenstein, Peter J. 1997. Introduction: Asian regionalism in comparative perspective. In *Network power: Japan and Asia*, ed. Peter J. Katzenstein and Takahi Shiraiishi. Ithaca: Cornell University Press.
- Katzenstein, Peter J. 2005. *A world of regions: Asia and Europe in the American imperium*. Ithaca: Cornell University Press.
- Koo, Min Gyo. 2009a. Embracing Asia, South Korean style: Preferential trading arrangements as instruments of foreign policy. EAI issue briefing, no. MASI 2009–08, Nov 11. [http://www.eai.or.kr/data/bbs/eng\\_report/2009111215515244.pdf](http://www.eai.or.kr/data/bbs/eng_report/2009111215515244.pdf). Accessed Mar 1, 2012.
- Koo, Min Gyo. 2009b. The Senkaku/Diaoyu dispute and Sino-Japanese political-economic relations: Cold politics and hot economics? *The Pacific Review* 22(2): 205–232.
- Koo, Min Gyo. 2010. Between a rock and a hard place: The future of the East Asian maritime order. EAI issue briefing, no. MASI 2010–08, Dec 27, 2010. [http://www.eai.or.kr/data/bbs/kor\\_report/2010122814485790.pdf](http://www.eai.or.kr/data/bbs/kor_report/2010122814485790.pdf). Accessed Mar 1, 2012.
- Koo, Min Gyo. 2011. The US approaches to the trade-security nexus in East Asia: From securitization to re-securitization. *Asian Perspective* 35(1): 37–57.
- Koo, Min Gyo. 2012. Same bed, different dreams: Prospects and challenges for ASEAN+'X' forums. *Journal of International and Area Studies* 19(1).
- Kwei, Elaine. 2006. Chinese trade bilateralism: Politics still in command. In *Bilateral trade agreements in the Asia-Pacific: Origins, evolution, and implications*, ed. Vinod K. Aggarwal and Shujiro Urata. New York: Routledge.
- Lin, Kun-chin. 2008. Rhetoric or vision? Chinese response to U.S. unilateralism. In *Northeast Asia: Ripe for integration?*, ed. Vinod K. Aggarwal, Min Gyo Koo, Seungjoo Lee and Chung-in Moon. New York: Springer.
- Mochizuki, Mike M. 2009. Political-security competition and the FTA movement: Motivations and consequences. In *Competitive regionalism: FTA diffusion in the Pacific Rim*, ed. Mireya Solís, Barbara Stallings, and Saori N. Katada, 54–73. New York: Palgrave Macmillan.
- Moore, Thomas C. 2007. China's rise in Asia: Regional cooperation and grand strategy. In *The evolution of regionalism in Asia: Economic and security issues*, ed. Heribert Dieter. London: Routledge.
- Pempel, T.J. 1999. Regional ups, regional downs. In *The politics of the Asian economic crisis*, ed. T.J. Pempel. Ithaca: Cornell University Press.
- Pempel, T.J. 2010. Soft balancing, hedging, and institutional darwinism: The economic-security nexus and East Asian regionalism. *Journal of East Asian Studies* 10: 209–238.
- Ravenhill, John. 2000. APEC adrift: Implications for economic regionalism in Asia and the Pacific. *The Pacific Review* 13(2): 319–333.
- Ravenhill, John. 2008. Asia's new economic institutions. In *Asia's new institutional architecture: Evolving structures for managing trade, financial, and security relations*, ed. Vinod K. Aggarwal and Min Gyo Koo. New York: Springer.
- Shirk, Susan L., and Christopher Twomey, eds. 1997. *Power and prosperity: Economics and security linkages in the Asia-Pacific*. New Brunswick: Transaction Publishers.
- Sohn, Yul, and Min Gyo Koo. 2011. Securitizing trade: The case of the Korea-US free trade agreement. *International Relations of the Asia-Pacific* 11(3): 433–460.
- Solís, Mireya, and Saori N. Katada. 2007. Understanding East Asian cross-regionalism: An analytical framework. *Pacific Affairs* 80(2): 229–258.

- Stubbs, Richard. 2002. ASEAN plus three: Emerging East Asian regionalism? *Asian Survey* 42(3): 440–455.
- Taylor, Brendan and Bruce Luckham. 2006. Economics and security. In *Strategy and security in the Asia–Pacific*, ed. Robert Ayson and Desmond Ball. Sydney: Allen & Unwin.
- Terada, Takashi. 2010. The origins of ASEAN + 6 and Japan’s initiatives: China’s rise and the agent-structure analysis. *The Pacific Review* 23(1): 71–92.
- Tsunekawa, Keichi. 2005. Why so many maps there? Japan and East Asian regional developments. In *Remapping East Asia: The construction of a region*, ed. T.J. Pempel. Ithaca: Cornell University Press.
- Tyson, Laura D’Andrea. 1990. Managed trade: Making the best of the second best. In *An American trade strategy: Options for the 1990s*, ed. Rudiger W. Dornbusch, Anne O. Krueger, and Laura D’Andrea Tyson. Washington: The Brookings Institution Press.
- United States Trade Representative. 2007. United States and Korea conclude historic trade agreement. Apr 2. <http://www.america.gov/st/washfile-english/2007/April/20070402154022AKlllennoCcM0.2038538.html>.
- Wade, Robert. 2000. Wheels within wheels: Rethinking the Asian crisis and the Asian model. *Annual Review of Political Science* 3: 85–115.
- Webber, Douglas. 2001. Two funerals and a wedding? The ups and downs of regionalism in East Asia and Asia–Pacific after the Asian crisis. *The Pacific Review* 14(3): 339–372.
- Webber, Douglas. 2010. The regional integration that didn’t happen: Cooperation without integration in early twenty-first century East Asia. *The Pacific Review* 23(3): 313–333.
- Wihardja, Maria Monica. 2011. 2011 East Asia summit: New members, challenges and opportunities. *East Asia Forum*, June 1. <http://www.eastasiaforum.org/2011/06/01/2011-east-asia-summit-new-members-challenges-and-opportunities/>.
- Yang, Jian. 2009. China’s competitive FTA strategy: Realism on a liberal slide. In *Competitive regionalism: FTA diffusion in the Pacific Rim*, ed. Mireya Solis, Barbara Stallings and Saori N. Katada. New York: Palgrave Macmillan.
- Zoellick, Robert. 2001. Free trade and hemispheric hope, Remarks before the Council of the Americas, Washington, May 7.

# Chapter 6

## The Shanghai Cooperation Organization: The Security-Economics Nexus

Ming Wan

### 6.1 Introduction

The Shanghai Cooperation Organization (SCO), which includes China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, was launched in Shanghai on June 15, 2001. The SCO evolved from the “Shanghai Five,” which was created in the same Chinese city on April 26, 1996, with the same members except for Uzbekistan. The SCO also has four observer states (India, Iran, Mongolia, and Pakistan) and two dialogue partners (Belarus and Sri Lanka).

The SCO is different in many ways from the other organizations analyzed in this volume. It started as a pure security organization to advance traditional and non-traditional security interests of the countries involved, although it served the broad interest in creating a stable environment for economic development. The SCO added explicit economic functions and a free trade agenda over time, which helped to substantiate the cooperative relations among member countries, which in turn serves their security interests. SCO is a comprehensive regional organization, similar to the Association of Southeast Asian Nations (ASEAN), rather than a regional free trade scheme.<sup>1</sup> It was a defensive organization reflecting the weaknesses of the member

---

I wish to thank my colleague Mark N. Katz of George Mason University for comments on a previous draft.

---

<sup>1</sup> For a comparison between SCO and ASEAN, see Aris (2009a). Aris argues rightly that although SCO and ASEAN differ in composition and degree of institutionalization, they are similar in agendas and model of regional cooperation which emphasizes regime security, flexibility and collaborative spirit. For a study of how trade and security are linked through ASEAN, see Jonathan Chow’s chapter in this volume.

---

M. Wan (✉)  
George Mason University, Fairfax, Virginia, USA  
e-mail: mwan@gmu.edu

countries and the severity of the domestic challenges to the governments at home. But the SCO has acquired greater institutional capacity over time and may now be emerging as the principal organization for the Eurasian landmass.

Put simply, in contrast to most other chapters in this volume that study the security externalities of an economic organization, the SCO is a story of a traditional security organization expanding to the economic arena, which then affects the security picture. Economic cooperation within the SCO serves as an incentive, with few strings attached, for cooperation between member states; this in turn helps create a relatively stable international environment for members to pursue their goals. Since SCO members all pursue economic integration with the global market, the organization complicates but does not prevent members' interaction with the West. Additionally, given that Central Asia is traditionally a volatile region, it is noticeable that the region has experienced relative interstate stability and considerable but uneven economic growth since the founding of the SCO. At the same time, such "success" has been achieved at the expense of freedom, democracy, and the rule of law, which should be the basis for long-term regional security and prosperity.

## 6.2 What Drives the SCO?

The Shanghai Five, from which the SCO evolved, was formed in 1996 when China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan signed the Treaty on Deepening Military Trust in Border Regions, a regional security agreement without reference to economic cooperation. The 1996 treaty was built on an April 24, 1990 China-Soviet agreement designed to reduce arms and build military trust along the border.<sup>2</sup> One year later, the five governments signed the Treaty on Reduction of Military Forces in Border Regions in Moscow, which again did not mention economic cooperation or free trade.<sup>3</sup> When the SCO was formed in 2001, its first international treaty, the Shanghai Convention on Combating Terrorism, Separatism and Extremism, focused on increasing internal security and the subject of economic stability was mentioned only once.

SCO member states have divergent security concerns and preferences and their views have evolved over time. As a case in point, Russia views Central Asia as its sphere of influence and guards it jealously against intrusion by other great powers. Moscow reluctantly tolerated America's military bases in Central Asia after 9/11, recognizing the extraordinary circumstances and wishing to see the Taliban gone as well.<sup>4</sup> However, Russia came to regard America's presence in Central Asia as a

---

<sup>2</sup> Law Library online, accessed 24 August 2010, <[http://www.law-lib.com/Law/law\\_view.asp?id=77744](http://www.law-lib.com/Law/law_view.asp?id=77744)>.

<sup>3</sup> Law Library online, accessed 24 August 2010, <[http://www.law-lib.com/Law/law\\_view.asp?id=96471](http://www.law-lib.com/Law/law_view.asp?id=96471)>.

<sup>4</sup> According to Tsygankov (2006), 137–39, Russia's policy also reflected its new leader Vladimir Putin's strategic adjustment and pragmatism.

concern, and from time to time, depending on its domestic politics and the nature of its relationship with the United States at a given moment, moved to undercut American influence in the region. Russia has also pursued its goals through the Collective Security Treaty Organization (CSTO), which is a military alliance of several former Soviet republics, initially signed in May 1992 and with Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signing a charter in Tashkent in October 2002.

Russia and China are essentially the co-leaders of the SCO; both see strategic and economic value in the organization, but their interests are not always aligned.<sup>5</sup> For example, although Russia helped create the Shanghai Five and then the SCO out of its own interest in combating terrorism, Moscow was initially unenthusiastic about the institutionalization of the SCO and was skeptical of economic cooperation for fear of losing influence to China. This helps to explain the slow progress of the SCO. Russia preferred to exercise its influence through the CSTO, of which China is not a member, and only became more interested in the SCO after the color revolutions (Yuan 2010, 863). Moscow remains concerned about China. China is expanding its influence in a region that was part of the Soviet Union, and China continues to rise economically. In particular, China came out of the global recession of 2008–2009 stronger economically while Russia suffered. Thus, China is now the largest investor and donor to Central Asia and has won some major oil and gas projects at Russia's expense.<sup>6</sup> Another example of contention between SCO members occurred in 2008, when China and the Central Asian states refused to recognize the separatist states of Abkhazia and South Ossetia supported by Russia.<sup>7</sup>

But such Sino-Russian tension is unlikely to undermine the SCO in the near future. After all, Beijing and Moscow continue to view the United States with greater concern and see the SCO as strategically beneficial. The question remains whether Beijing will indefinitely show deference to Russia with its continuing rise.<sup>8</sup> Conversely, Russia remains strongly interested in enhancing its own strategic interests. Most recently, Russia's Prime Minister Vladimir Putin announced in his first foreign policy statement since announcing his intention to run for presidency that he would seek to create a "Eurasian Union" for the former Soviet republics.<sup>9</sup>

China has been particularly active in promoting the SCO, pursuing several objectives. The key Chinese motivation for supporting the SCO is to create a safe

---

<sup>5</sup> A *Fazhi wanbao* [Law Evening] article dated 5 July 2005, stated that as an indicator of their status, China and Russia each contribute 24 % for the operational expenditure and also get to contribute the most staff for the two permanent institutions.

<sup>6</sup> Some analysts have argued that China's increased influence has come at Russia's expense more broadly in Russia's Far East and Central Asia. See for example Blank and Stephen (2011).

<sup>7</sup> *Forbes*, 22 April 2010.

<sup>8</sup> When Uzbek President Islam Karimov visited China in April 2011, the two governments reportedly signed deals worth more than \$5 billion, including gas pipelines, which were interpreted as further eroding Russian influence in the region. *Reuters*, 21 April 2011.

<sup>9</sup> *Financial Times*, 6 October 2011.

environment for economic development. China has also been keen on energy security, and the SCO also serves Chinese interests in dealing with domestic “separatists” and with cross-border crimes. In addition, closer economic ties with Central Asia mesh well with the Chinese government’s strategy for developing the country’s western regions. Beijing also views the SCO as an opportunity to demonstrate its new concept of security in practice. Some Chinese analysts view the SCO as representing a new type of geopolitical organization in a strategically important region. For some China specialists, the SCO is a good example of confidence building, and an effective one at that (Chung 2006, Feng 2010, Pan 2008, Yuan 2010). Although the Chinese typically portray the SCO as non-threatening to the United States or any other third parties, this group is viewed positively as increasing Beijing’s strategic options and acting as a hedge against the US and the West. It is no secret that Chinese hardliners view America’s presence in Afghanistan and Central Asia as part of its encircling of China. As such it is not surprising that China has not cooperated with the United States in Afghanistan and Pakistan (Small 2010). Moreover, the Chinese view the SCO as a regional organization that will help to create enough room for China to exercise influence in Central Asia without upsetting Russia too much. This may explain why the Chinese pushed for institutionalization of the SCO while Russians were less enthusiastic. Thus far, China has been generally pleased with the progress of the SCO. According to a senior Chinese diplomat who accompanied President Hu Jintao to the SCO summit in Astana, since the founding of the SCO, compared to other regions in the world, Central Asia has been relatively stable.<sup>10</sup> Additionally, member states have enjoyed economic growth to various degrees.<sup>11</sup>

China considers the SCO on par with the ASEAN Regional Forum (ARF). ARF and the SCO cover two strategic zones for China, ARF dealing with China’s Pacific front and the SCO with China’s western frontier. China joined ARF in 1994. ARF covers the whole Asia–Pacific and is comprehensive. But the Chinese feel that the the West is overly eager to impose its visions on ARF. By contrast, the SCO has become more formalized, a genuine international organization with a charter and a secretariat located in Beijing.<sup>12</sup> And the SCO is consistent with China’s concept of security (Yang 2009, 251–54). In a way, the SCO would be the opposite of an arc of freedom and prosperity. In fact, some leading Chinese strategic thinkers such as Wang Jisi of Peking University anticipate that China will adjust its strategic vision to look more to Central Asia and South Asia based on better communication and transportation and consistent with the Chinese central government’s effort to develop the interior provinces. As Wang has argued,

---

<sup>10</sup> A notable exception was the ethnic violence in Kyrgyzstan in June 2010.

<sup>11</sup> The official’s briefing, Beijing, June 2011.

<sup>12</sup> An article in the *Fazhi wanbao* [Law Evening] dated 5 July 2005 stated that the SCO has another permanent agency, a counter-terrorism center, located in Tashkent, Uzbekistan. There are about 30 staff members each in the two permanent offices.

Beijing's new geographical orientation may reshape the Eurasian landmass (Wang and Jisi 2011).

As newly independent countries, the Central Asian states naturally view survival as a primary concern and their authoritarian leaders equate their own survival with that of their countries. One important question is whether the Central Asian states are mere followers and appeasers of Russia and China or real players in agenda setting. Using whatever bargaining leverage they have, the Central Asian member states have sought to balance their foreign relations among great powers, working with Russia and China partly through the SCO and with the West and others through other channels (Azarkan 2009). Membership in interstate organizations helps to enhance their sovereignty. Besides the SCO and Moscow-centered organizations, they are also members of the United Nations and the Organization for Security and Cooperation in Europe (OSCE). Kazakhstan was the proud chair of the organization for 2010, hosting a two-day summit in December, the first for the organization in eleven years.<sup>13</sup> The Central Asian states also belong to the International Monetary Fund, the World Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development, but only Kyrgyzstan has joined the World Trade Organization. The Central Asian states also have an intrinsic interest in reducing dependence on Russia, although the Central Asian leaders generally feel that they have a special relationship with Russia.<sup>14</sup> The Central Asian states view China's presence as a counterweight to both the US and Russia, although they are often wary of China's growing influence as well (Olcott 2009, 197–198, Azarkan 2010). The fact that the Central Asian states have maintained their independence and achieved some economic progress means that their approach has so far been largely successful from a technical perspective at least. With two great powers in the organization, the Central Asian states can maximize their interests (Lo 2008, 107). In the end, the heterogeneous Central Asian states view the SCO as largely compatible with their national interests (Azarkan 2010). In fact, the SCO member states all see different advantages to the SCO, making the organization a grouping of convenience. But the longer the grouping endures, the more entrenched it becomes.

Central Asia has attracted much attention from other powers, including the US, India, Iran, Turkey, the EU, Japan, and Pakistan.<sup>15</sup> The US is the most important among them. The United States has several objectives in its Central Asian policy according to a group of influential players in its Central Asia policy community: (1) maintaining the independence and sovereignty of the Central Asian states from external coercion, (2) reducing Central Asia's dependence on a single market by diversifying transit routes, (3) building institutional capacity for better governance and resisting attempts to overthrow legitimate institutions, and (4) connecting the

---

<sup>13</sup> *The Economist*, 4 December 2010, 54.

<sup>14</sup> I thank Eric McGlinchey for his assessment of the Central Asian leaders' perception of ties with Moscow.

<sup>15</sup> See for example Norling and Swanström (2007), Olcott (2009), 52–82 and Brummer (2007).

region to the global economy (Central Asia Study Group 2011, 3). The United States is not in the same position as Russia and China and its stake in the region may be reduced with the eventual military drawdown in Afghanistan.<sup>16</sup> Despite some noticeable achievements such as the American University of Central Asia in Bishkek, the US has yet to achieve its ambitious goals. The United States has limited trade with the region and has not yet realized a trans-Caspian oil or natural gas pipeline despite almost 20 years of efforts. And democracy promotion has seen limited results so far.<sup>17</sup>

The US considers its military bases in Central Asia to be crucial for its military operations in Afghanistan to the extent that some scholars argue that too much American focus has been put on the base issue, which conflicts with the goal of promoting democracy for enduring regional stability (Wishnick 2009). For example, it was reported that Russia promised Kyrgyzstan \$2.1 billion to force the US out of its base at Manas but the US offered more.<sup>18</sup> The American policy community was alarmed in 2005 when the SCO called for the United States to leave its military base in Uzbekistan. But SCO did not make similar calls in the next three years. Although not as a group, individual SCO members discussed economic cooperation with Afghanistan, which was important for the US (Feigenbaum and Evan 2009, Bajoria and Jayshree 2008).

The American policy community seems to be of two minds about the SCO. On the whole, the Americans view the SCO as weak, largely a “talk shop,” and certainly not a fully developed institution opposed to NATO; they place much emphasis on Sino-Russian tension as an impediment to the organization’s development.<sup>19</sup> At the same time, people seem unable to stop talking about the SCO as something to watch for, particularly in light of America’s vital interests in Afghanistan and in energy security. Some of those who do not have a particularly high opinion of the SCO are nevertheless concerned that the US is losing out as Asia rapidly reintegrates (Feigenbaum 2011).

The Shanghai Five and then the SCO were created to advance both traditional and non-traditional security interests, reflecting the changed international system and domestic politics after the Cold War. The SCO has a declared mission to fight terrorism, separatism and extremism, the so-called “three-isms” (Aris 2009b). The SCO is not a mutual defense alliance, but the members coordinate their security policy to some extent via increasingly institutionalized channels. The SCO also has a regional antiterrorist center based in Tashkent. And SCO members hold joint military exercises—particularly significant for China, which refrained from doing so in the past. Kyrgyzstan and China held a bilateral military exercise in October

---

<sup>16</sup> *Forbes*, 22 April 2010. As anticipated, President Barack Obama announced on June 22, 2011 that the 33,000 additional U.S. troops he decided to send to Afghanistan would be withdrawn within the next fifteen months and pledged again to turn security responsibilities over to the Afghans by 2014.

<sup>17</sup> Central Asia Study Group (2011), 2.

<sup>18</sup> *Forbes*, 22 April 2010; Starr and Frederick (2009).

<sup>19</sup> See for example Scheineson and Andrew (2009).



2002, the first bilateral military training within the SCO framework for the two countries and the very first joint military exercise for the Chinese military. SCO held the first multilateral counter-terrorism military exercise in August 2003.<sup>20</sup> The second joint military exercise was held in 2007 and the third in 2010.<sup>21</sup>

The SCO member states have strong internal security concerns. Several SCO members are transitional countries experiencing social and economic dislocation, ethnic or communal tension, unemployment, corruption, crimes, protests, and sometimes open revolts. In addition, since the Central Asian leaders were largely given their independent countries without a fight, they did not have the prestige and legitimacy that came with fighting for national independence (Olcott 2005, 3–4). These internal challenges put tremendous pressure on the governments. Thus, regime security is a central concern for the SCO. Some analysts argue that Western observers tend to underestimate the importance of regime security and legitimacy for regions of weak states (Aris 2009a, 53). In practice, though, even the US at times views regional stability as a central goal. For example, President Nursultan Nazarbayev of Kazakhstan has been viewed by the US as well as Russia and China as a legitimate leader who is important for regional stability despite his authoritarian rule since the country's independence in 1989. This is despite the waves of uprising and protests for democracy through the Muslim world.<sup>22</sup>

While seriously concerned about non-traditional security issues, the SCO's agenda does not include a broader focus on human security, which includes labor, environment, and human rights. Since the SCO member states are not liberal democracies, they do not treat labor, human rights or the environment as high priorities in their diplomatic interactions, although the SCO documents often refer to these terms. As shown in the Economist Intelligence Unit's Democracy Index 2010, which reflected the situation as of November 2010, in a four-tier system of full democracies (26 countries), flawed democracies (53), hybrid regimes (33) and authoritarian regimes (55), Kyrgyzstan and Russia are considered to be hybrid regimes, ranking 106 and 107 respectively. The other four belong to the authoritarian regime category, with Kazakhstan ranking 132, China 136, Tajikistan 149 and Uzbekistan 164 (Economist Intelligence Unit 2011, 3–8). But except for Russia and Kazakhstan, SCO members have not seen their low ranks worsen with the global trend of democracy in retreat since the start of the global recession in 2008 (Economist Intelligence Unit 2011, 10–13). Larry Diamond argues that the SCO “has moved beyond issues of regional security and trade” and has recently “become a vehicle for Russia and China to contain the US military and political presence in Central Asia, and for the members to collectively rebuff international criticism of

---

<sup>20</sup> *Xinhua News Agency*, 26 April 2006.

<sup>21</sup> According to the Chinese, there have been seven joint military exercises within the framework of the SCO, expanding from small to large in size and from near to far in distance. *China News Agency*, 17 June 2011.

<sup>22</sup> *The Washington Post*, 14 April 2011, A8.

their human rights practices” (Diamond 2008, 85–86). That is an accurate assessment for those who care about democracy and human rights.

The non-democratic nature of the SCO raises questions for students of international institutions who tend to assume that it is preferable to have international organizations which make cooperation more likely. Is it still a good thing for non-democracies to cooperate? From a value-neutral perspective, these institutions should still provide the benefits that institutionalists normally argue for, such as encouraging long-term rather than short-term calculations and reducing transaction costs. At the same time, closer ties between member states naturally have implications for non-members.<sup>23</sup> In addition, authoritarian international organizations weaken democratization, as in the SCO case (Ambrosio 2008).

Scholars who compare regional institutions tend to view the SCO as an organization that focuses on collective suppression of intrastate challenges to reinforce their sovereignty, similar to the Gulf Cooperation Council (GCC) (Kelly 2007, 218–19). This is a case where weak states pool sovereignty to deal with internal challenges. The four Central Asian states were newly independent countries with severe internal vulnerabilities. Even for China and Russia, when they began the Shanghai Five, they also faced serious internal challenges in the post-Cold War environment. However, the GCC has intervened more strongly in the internal affairs of its members than the SCO is likely to do for a long time to come. With the demonstration in Bahrain calling for a constitutional democracy in February 2011, the other member states used military intervention to prevent the unrest from Bahrain spreading to their countries. On March 14, 2011, about 1,000 Saudi-led troops entered Bahrain. The Sunni leaders in the GCC countries feared that the protests would spread and threaten their monarchical ruling foundation and that the heavily Shiite protests in a majority Shiite country against their Sunni minority rulers would increase Iran’s influence in the region.<sup>24</sup>

SCO membership is so far exclusive. In a test case, Iran is interested in participating in the SCO. Along with India and Pakistan, Iran became an SCO observer in 2005. The Iranian president expressed his wish to become a full member of the SCO openly in 2006. The member states were cautious. Chinese officials suggested that the SCO currently does not have regulations regarding the admission of new members.<sup>25</sup> The Chinese government was insistent that that it did not want the SCO to be viewed as anti-US or as another NATO. But the 2006 summit made it clear that the organization did not exclude the possibility of admitting new members.<sup>26</sup> The SCO’s cautious position on new membership is consistent with the basic purpose of the organization, which is to enhance the

---

<sup>23</sup> In this vein, an important question is what the organization means for the United States, as the global hegemon is deeply involved in and fighting a war in Afghanistan.

<sup>24</sup> *The Japan Times*, 1 February 2001; 16 March 2011.

<sup>25</sup> *Qingnian cankao* [Youth Reference], 19 May 2006; *Xinhua News Agency*, 12 June 2006.

<sup>26</sup> *Diyi caijing ribao* [First Financial Times], 30 May 2006.

sovereignty of member states and hedge against what is perceived as encroaching Western expansion into the region without alarming the West unnecessarily.

Before the 2011 SCO summit, admission of new members became a high-profile issue. Iran, Pakistan and India had applied for membership and Afghanistan applied to become an observer state. A task force was formed to draft a memorandum on the obligations of membership applicants.<sup>27</sup> Russian President Dmitry Medvedev indicated before the Astana summit that the SCO's expansion would strengthen the organization but that, consistent with the SCO Charter, any country under UN sanctions would not be admitted.<sup>28</sup> India and Pakistan lobbied hard to become full members of SCO.<sup>29</sup> In the end, the summit adopted the memorandum, which cleared the path for eventual membership for India and Pakistan. The SCO will now consult with India, Pakistan and Iran over their application.<sup>30</sup> China was reportedly hesitant to admit India based on the argument that the SCO is still too young to admit a large power like India, which would make the organization look different and its decision-making process more complicated.<sup>31</sup> This lack of enthusiasm was revealed by the fact that Chinese official media hardly mentioned SCO expansion prior to and after the Astana summit and did not state the Chinese official position.<sup>32</sup> In addition, the Indian-Pakistan territorial dispute was cited as an obstacle to membership.<sup>33</sup> After the memorandum was adopted, a few Chinese specialists were cited in the *China Daily* as showing concern over potential bureaucratization and inefficiency and over the likelihood of India and Pakistan bringing their unresolved disputes into the SCO. But they also recognize the potential greater influence that an enlarged SCO could have.<sup>34</sup>

The SCO is an international regional organization under international law and the international agreements the member states have signed are binding. Fundamentally, the SCO requires its member states not to harm each other and to build mutual trust and promote neighborly friendship, which serve as the basis for economic cooperation. The SCO members are obliged to non-alignment against other countries or regions and committed to dialogues with non-member states and with other international organizations. The SCO members make decisions by consensus. Similar to most Asian regional organizations, the SCO has weak dispute settlement and enforcement mechanisms (Al-Qahtani 2006). But the organization has endured and has played a crucial role in regional stability albeit

---

<sup>27</sup> *China News Agency*, 1 June 2011.

<sup>28</sup> *The China Daily*, 16 June 2011, 3; *Voice of Russia*, 13 June 2011; *The Washington Post*, 18 May 2006, A18.

<sup>29</sup> *Hindus Times*, 14 June 2011.

<sup>30</sup> *Indian Express*, 16 June 2011.

<sup>31</sup> *Indian Express*, 16 June 2011.

<sup>32</sup> According to a 2 June 2011 article in *The China Daily*, the Chinese media did cite the Russian news stories about membership expansion.

<sup>33</sup> *Xinhua News Agency*, 16 June 2011.

<sup>34</sup> *The China Daily*, 16 June 2011, 3.

often at the expense of human rights and democracy. Moreover, new agreements continue to be added to the SCO and efforts have been made to strengthen the institution. In a significant step to institutionalize the organization, the SCO secretariat was inaugurated in Beijing in January 2004.<sup>35</sup>

### 6.3 Adding Economics to the Mix

The SCO had economic implications from start. After all, its member states considered economic development to be crucial for their future survival after the end of the Cold War. In fact, the prime ministers of SCO member states met in September 2001 and decided to launch an economic cooperation process. The prime minister meetings generally focus on economic cooperation.<sup>36</sup> The Charter of the Shanghai Cooperation Organization of June 2002 made it clear that among the areas of cooperation for SCO are “support for, and promotion of regional economic cooperation in various forms, fostering favorable environment for trade and investments with a view to gradually achieving free flow of goods, capitals, services and technologies” and “effective use of available transportation and communication infrastructure, improvement of transit capabilities of member States and development of energy systems.” At the second prime ministers’ meeting in September 2003, the SCO prime ministers signed a memorandum “the Cooperation Program on Multilateral Economic and Trade among SCO Member States.” In the following year, the prime ministers or vice prime ministers agreed on an action plan involving 127 projects for economic cooperation in 11 fields. From the Chinese perspective, the adoption of the action plan ushered in the stage of “pragmatic cooperation.”<sup>37</sup> In fact, Beijing saw this as starting a process toward free flow of goods, services, capital and technology in the next two decades. As a Chinese analyst noticed, this means that the SCO will be similar to the EU except for free movement of labor. And he views economic cooperation as a future focal point for the SCO, along with possible expansion of membership (Feng 2010, 154–56).

In a significant move, in light of the recent global recession, the prime ministers approved “the SCO Joint Initiative on Increasing Multilateral Economic Cooperation in the Field of Tackling the Consequences of the Global Financial Economic Crisis” in their meeting held in October 2009. In fact, economic cooperation dominated the meeting agenda, with 10 of the 15 items listed in the joint communiqué relating to economics (Yu 2010). At the 2010 summit held in Dushanbe, Tajikistan, Chinese Premier Wen Jiabao proposed to create a

---

<sup>35</sup> For suggestions to strengthen the military effectiveness of the SCO, see for example Boyko et al. 2010.

<sup>36</sup> *Xinhua News Agency*, 25 November 2010.

<sup>37</sup> *Xinhua News Agency*, 25 November 2010.

development bank to promote regional financial cooperation and transactions using local currencies. He also proposed to broaden regional economic cooperation in trade, infrastructure, agriculture, and training.<sup>38</sup> China would contribute \$8 billion while Russia and other member states would chip in \$2 billion.<sup>39</sup>

On a higher level, the Council of the Heads of the Member States agreed in June 2006 on a business council resolution and an action plan of SCO Interbank Association member banks on supporting regional economic cooperation. The summit also issued a declaration that urged the member states to “coordinate their efforts in implementing the Cooperation Program on Multilateral Economic and Trade among SCO Member States by carrying out major priority projects of regional economic cooperation.” The summit, held in July 2009, paved the way for the joint communiqué signed by the prime ministers three months later. At that summit, Chinese President Hu Jintao offered a credit fund worth \$10 billion for SCO economic cooperation (Yu 2010). This was a significant move for Beijing. China had ventured into financial crisis assistance only 12 years ago when it offered a \$1 billion contribution to the bailout package for Thailand, the country first hit by the Asian Financial Crisis. By contrast, Japan was expected to contribute far more and delivered \$30 billion in the Miyazawa Initiative and more through multilateral financial institutions. China has emerged as the principal donor for Central Asia.<sup>40</sup> While detailed information about the \$10 billion fund is unavailable, it is essentially a unilateral trust fund within a multilateral institution. After all, the Export–Import Bank of China has been the only Chinese financial institution providing preferential loans to SCO member states, and it is apparently responsible for the \$10 billion fund. The bank previously focused on infrastructure, energy and agriculture; in the future it will also support the manufacturing and service sectors.<sup>41</sup>

Besides regular meetings by the presidents and the prime ministers, the economic ministers of the SCO now regularly meet. The SCO also created three economic NGOs at the 2006 summit, namely the Business Council of the SCO, the Interbank Consortium and the SCO Forum.<sup>42</sup>

With greater experience with reform and opening and having already achieved much success economically, China has been the main driver behind SCO economic

---

<sup>38</sup> *China News Agency*, 26 November 2010.

<sup>39</sup> *Business China*, 3 December 2010.

<sup>40</sup> According to a 9 June 2011 article in *The China Daily*, even a retired Japanese ambassador to a Central Asian state was amazed by the large sum the Chinese had promised. Tokyo, February 2011. According to Chinese statistics, \$7.4 billion of loans were already in place before the Astana summit in June 2011.

<sup>41</sup> *Xinhua News Agency*, 14 June 2011.

<sup>42</sup> There is much going on at these forums. Russian accounts of some of the SCO Forum meetings reveal the range of discussion between experts from the SCO member states and beyond. See Matveyev (2008), Portyakov and Vladimir (2008), and Karneev (2004).

cooperation.<sup>43</sup> For China, ensuring a peaceful environment for economic development is a central national interest, and Russia and Central Asia have petroleum, natural gas and other resources that are crucial for its continuous economic expansion. In a sense, the SCO has become a vehicle for China's "go out" strategy to encourage investment overseas and its "go west" development strategy to speed up economic growth in the country's western region. Similar to China's participation in other regional cooperation schemes, China's western provinces and autonomous regions have been particularly interested in economic cooperation through the SCO, seeing Central Asia as their outlet to the global market for economic gains and policy performance. And it is hard to identify any interest groups that might lobby against China-Central Asian economic cooperation.

Moreover, China is now a donor to the Central Asian states and has also provided loans to Russia for energy. From the Chinese perspective, closer cooperation within the SCO is also about helping the Central Asian states. Zhao Changqing, deputy director of the SCO Research Center under the Chinese Academy of Social Sciences, told the Chinese media that China boosted economic and trade cooperation with the five Central Asian states and noted that these countries experienced economic contraction after independence and suffered during the Asian Financial Crisis while China grew strongly. Thus, he argued that "SCO as a multilateral platform offers a good opportunity for countries in central Asia to revive its economy."<sup>44</sup> But the Chinese have not been fully satisfied with the progress of economic cooperation through the SCO. From China's perspective, regional cooperation in trade has not been high on the government agenda compared to Southeast Asia and Northeast Asia.<sup>45</sup> China itself has at times focused on bilateral economic interaction rather than cooperation through the SCO. In particular, China committed \$900 million of export credit to Central Asia in 2005, but this was not handled through the SCO channel.<sup>46</sup> But as its offer in July 2009 of a \$10 billion credit fund for the SCO member states indicates, China does view the SCO as an important vehicle for expanding its economic influence.

The global recession created an opportunity for China. At the SCO prime ministers' meeting held in Shanghai in October 2009, Premier Wen Jiabao made seven proposals, the first six on economic cooperation and person-to-person exchange and only the last proposal on strengthening cooperation against the "three evil forces."<sup>47</sup> Economic cooperation was again emphasized at the Astana summit in June 2011.

China pushed for economic cooperation because it saw advantages in economic-security linkages. But Beijing has been low key about this, trying not to rub

---

<sup>43</sup> For China, the SCO has three dimensions: security cooperation, economic cooperation, and people/cultural exchange. Chinese Foreign Ministry (2010).

<sup>44</sup> *Xinhua News Agency*, 12 June 2006.

<sup>45</sup> Talk by a senior Chinese official, Tokyo, December 2010.

<sup>46</sup> This was duly noted by Russians (Matveyev 2008, 127–28).

<sup>47</sup> *Xinhua News Agency*, 14 October 2010.

**Table 6.1** SCO economic cooperation initiatives

| Meeting                   | Year | Economic cooperation-related action  |
|---------------------------|------|--|
| Prime ministers' meeting  | 2001 | To launch an economic cooperation process  |
| SCO charter               | 2002 | To promote regional economic cooperation, gradually toward free flow of goods, services, capital, and technologies and infrastructure for energy supply cooperation  |
| Prime ministers' meeting  | 2003 | To sign "the Cooperation Program on Multilateral Economic and Trade among SCO Member States."  |
| Council of heads of state | 2004 | To establish cooperation relations among international organizations in the Asia Pacific   |
| Prime ministers' meeting  | 2004 | To adopt an action plan to for economic cooperation involving 127 projects in 11 fields  |
| Prime ministers' meeting  | 2005 | To promote cooperation in infrastructure construction, energy, telecommunications, finance, culture, tourism, science and technology   |
| Council of heads of state | 2006 | To pass the Resolution of the SCO Business Council, and an action plan of the SCO Interbank Association member banks on supporting regional economic cooperation, and the need for major priority projects |
| Prime ministers' meeting  | 2006 | To study priorities for specific measures for economic cooperation   |
| Prime ministers' meeting  | 2007 | To deepen regional economic cooperation  |
| Prime ministers' meeting  | 2008 | To deepen regional pragmatic cooperation   |
| Council of heads of state | 2009 | China offered a credit fund of \$10 billion to the SCO member states   |
| Prime ministers' meeting  | 2009 | Joint communiqué, to deepen financial cooperation  |
| Prime ministers' meeting  | 2010 | China proposed to establish a SCO development bank and expand settlement in local currencies   |

Moscow the wrong way. China's policy toward the SCO is linked to its overall policy toward Russia, which relates to its strategic interests in a multipolar world and in energy security.

Russia is often viewed as the main reason for the slow progress of economic cooperation despite policy declarations advocating such cooperation. Russia is concerned that China will expand its influence through economic cooperation in a region Russia considers to be its traditional sphere of influence. While recognizing the wisdom of economic cooperation, Moscow knows that China has financial resources while Russia is more constrained (Matveyev 2008, 129). But at the same time, Russian experts on the SCO were often positive about economic cooperation. The color revolutions that began in 2003 affected Russian thinking. Vladimir Portyakov, Deputy Director of the Institute of Far Eastern Studies of the Russian Academy of Sciences, reasons that SCO regional cooperation is important for stability in Central Asia because it helps reduce the destabilizing influence of radical Islam and Western-promoted democratization as revealed in the Orange

**Table 6.2** Trade flows between Central Asia and Russia and China, percentage of a Central Asian state's total trade (Ranking as a trading partner)<sup>50</sup>

|            | 1994     |          | 2001     |          | 2006     |          | 2009     |          |
|------------|----------|----------|----------|----------|----------|----------|----------|----------|
|            | Russia   | China    | Russia   | China    | Russia   | China    | Russia   | China    |
| Kazakhstan | 40.1 (1) | 3.2 (4)  | 33.9 (1) | 6.0 (4)  | 23.4 (1) | 14.9 (2) | 18.7 (2) | 20.6 (1) |
| Kyrgyz     | 19.5 (2) | 10.2 (4) | 16.2 (1) | 7.3 (6)  | 32.2 (1) | 11.3 (2) | 14.7 (2) | 63.8 (1) |
| Tajikistan | 10.3 (3) | 0.6 (18) | 17.5 (1) | N/A      | 15.7 (2) | 5.1 (6)  | 25.5 (1) | 19.1 (2) |
| Uzbekistan | 39.0 (1) | 3.0 (8)  | 13.6 (1) | 1.0 (15) | 24.9 (1) | 10.1 (2) | 19.8 (1) | 15.3 (2) |

Revolution (Portyakov and Vladimir 2007, 1–2). And weakened by the global recession, Russia sought China's financial assistance for its development in the Far East and its energy sector, which also made SCO economic cooperation possible.<sup>48</sup> At the Astana summit, Russian President Medvedev was quoted as wanting to see a roadmap for economic cooperation completed by the end of 2011 and then implemented without delay.<sup>49</sup>

Some Russian experts on the SCO did not seem concerned because of their confidence in Russia's strong hold on the region. For example, even though some Russian experts viewed Beijing's commitment of \$900 million to Central Asia as indicating its ambition, others were less concerned. Portyakov noted that Russia still enjoyed an advantage in Central Asia due to its historical ties. While China's total trade was four times that of Russia, in 2006 Russia was a larger trading partner with the Central Asian states than China (Portyakov and Vladimir 2007, 7–8). At the same time, China gained ground in Central Asia. As shown in Table 6.2, Central Asian states are moving closer to China economically in terms of trade. In particular, China has become Kazakhstan's largest trading partner. In 2009 Kazakhstan had a trade volume almost three times the combined trade volume of the other three Central Asian states. China is also a bigger investor and donor than Russia with respect to Central Asia.

The Chinese and Russians have managed their relationship relatively successfully despite their mutual wariness, mainly because of their often troubled relationships with the US. They need each other for potential backup. They also complement each other economically despite much misgiving on both sides. Furthermore, they have not competed head-on with their own preferred organizations. Beijing prefers the SCO as an organizational vehicle. Russia, on the other hand, has alternatives such as the CSTO, which excludes China, as well as the Eurasian Economic Community, which is meant to be a customs union. Since China has not been that interested in internal security issues and has become increasingly focused on economic cooperation, which it believes ultimately

<sup>48</sup> This was the focus for Russian Prime Minister Vladimir Putin's visit to China in October 2009 (Yu 2010).

<sup>49</sup> *Kazakhstan Newswire*, 15 June 2011.

<sup>50</sup> Calculated from IMF, Direction of Trade Statistics Yearbook 2001, 2002, and 2010. Note: The DOT yearbook began to report the trade statistics for the four Central Asian states for 1992 but their trade with Russia began to be reported only in 1994.



contributes to security, it has not shown any interest in competing with the CSTO for responsibility for handling regional security issues. Beijing would likely accept Russia taking the lead on maintaining regional security as long as the latter does not become overly dominant. China's strategy in recent years has been consistently to promote its own preferred organizations while not trying to undermine competing organization, preferring to watch the latter.

That being said, the Sino-Russian exchange has not been easy. For example, China has been pushing for a China-Russia pipeline to reduce its dependence on the Middle East and on maritime transport of oil, a difficult process that took more than 10 years. After the two nations signed the contract of intent, there were still difficult negotiations. In particular, there was highly publicized Sino-Japanese competition for the pipeline with the Russians sometimes negotiating with the Chinese and the Japanese at the same time on different floors of the same office building. Both China and Japan sought strategic cooperation and energy security with Russia and viewed the other as a rival. The Russians also did not want to give the pipeline solely to the Chinese, so the Russians dragged their feet. From China's perspective, the negotiations gained speed when Russia experienced financial difficulties and disputes over natural gas supplies with Western Europe after October 2008 and when the Central Asia-China gas pipeline was concluded. It was noted that China and three SCO members attended the opening ceremony while Russia was uninvited.<sup>51</sup> This demonstrates that Sino-Russian cooperation is a relationship of convenience, like most bilateral relationships.

As discussed previously, Central Asian member states view the SCO as serving their external security, internal security and economic interests. They seek economic assistance and view multilateral institutions such as the SCO as best suited for weaker countries. China, Russia, and the Central Asian states are all cognizant of a broad economic-security nexus within the SCO. For example, an Uzbek researcher argued at the SCO Forum held in Beijing in May 2008 that there were only a few SCO documents on economic cooperation, and that the SCO economic cooperation projects are connected with the modernization programs of the member states and serve as the basis for security of the countries. He further suggested that the attractiveness of the SCO will ultimately depend on its ability to mobilize financial resources for development (Matveyev 2008, 128). Also, a Russian expert reasons that the prestige of the SCO will depend on whether it can achieve effective multilateral economic cooperation (Portyakov and Vladimir 2007, 4). These observations are consistent with the policy choices made by the SCO member states.

---

<sup>51</sup> For a detailed Chinese account of the negotiation, see Song and Lan (2011).

## 6.4 The SCO and Authoritarian Stability

How much difference has the SCO made in Central Asia? The Western media tends to be dismissive of the SCO as a much-hyped organization without much to show for itself.<sup>52</sup> The ethnic violence between Kyrgyz and Uzbeks in Kyrgyzstan in June 2010 seemed to confirm that observation. Several hundred people were killed and over 100,000 people were displaced.<sup>53</sup> The SCO did not do anything. But nobody else did much to stop it either. Russia was asked but did not act. The organization that was cited as relevant was the Collective Security Treaty Organization (CSTO). But the Russian government argued that the CSTO is designed to deal with external threats, not internal matters.<sup>54</sup> Serious though the incident was, Kyrgyzstan was relatively stable a year later.

It is difficult to determine how the economic cooperation side of the SCO has contributed to regional stability. To start with, the SCO and the other institutions involved are only some of the possible variable contributing to war and peace in Central Asia. Furthermore, it is difficult to differentiate the causal impact of various institutions, which sometimes complement or work against each other. Moreover, since the SCO started out as a security organization, we need to determine what difference adding economics to its functions makes. We also need a clear definition of regional stability—for example, does the latter simply mean the absence of conflict? Last but not the least, the SCO has been in existence for only one decade and serious economic cooperation within the organization has only taken place for the past few years. This short time frame makes it difficult to draw meaningful conclusions about the effects of economic cooperation within the SCO on regional stability.

Central Asia is relatively stable in the scheme of things, which is surprising if one considers the inherent challenges the SCO member countries face and the major turmoil around the region. Russia fought a war against Georgia in 2008. China had major diplomatic fights over territorial disputes with Japan, Vietnam, and the Philippines in 2010. The SCO looks relatively good compared to ASEAN, arguably the best existing regional organization in Asia. There was border fighting between Cambodia and Thailand, erupting first in February and then in April 2011, which ASEAN was powerless to stop.<sup>55</sup> And with the global recession, even the European Union, the gold standard for regional integration, is in trouble.<sup>56</sup> Central Asia also looks eerily “calm” in comparison to the “jasmine revolution” sweeping

---

<sup>52</sup> *The Washington Post*, 7 September 2010. The article also reports on China’s limit in influence in the region and how Chinese are often target of attacks in Central Asia .

<sup>53</sup> For studies of the incident, see McGlinchey (2011) and Mead (2010).

<sup>54</sup> This inaction arguably was due to Russia’s hesitancy to get bogged down in a country’s internal affairs and its lack of an appetite for humanitarian intervention (Sestanovich and Stephen 2010).

<sup>55</sup> *The Japan Times*, 24 April 2011, 3; *The Japan Times*, 10 May 2011, 4.

<sup>56</sup> See, for example, Kupchan’s article in the 29 August 2010 edition of *The Washington Post*.

through the Middle East and North Africa, despite striking similarities in corruption, nepotism, and repression. This is partly due to the fact that Central Asians are largely Turkic speakers,<sup>57</sup> and thus they are more attuned to trends in Turkey and to the “color revolutions” in the former Soviet Union republics than the Arab world.<sup>58</sup>

However, as mentioned previously, the time span available for analysis is short; perhaps Central Asia is simply following a different cycle. What we know for certain is that a kind of authoritarian stability has taken hold in the region. This is a striking difference between the Arab world and Central Asia. Those who care about democracy might argue rightly that short-term political turmoil would shake up the authoritarian status quo and help to establish genuine stability based on freedom and political participation.

One can argue also that the SCO creates negative security externalities for other countries. In particular, Iran, which is a major security concern for the United States, has been helped to some extent by different views held by Russia and China. As a result, incentives from the West were sometimes dismissed as insignificant and insulting.<sup>59</sup>

Political judgment aside, we still need to explain why there is relative calm in Central Asia and how much the SCO has to do with it. The most important reason for this stability is geopolitical, namely Sino-Russian cooperation. As discussed before, the Chinese and Russians have their own interests and are often wary of each other in Central Asia, but that has not prevented them from cooperating. And the two countries have not played a power game using the Central Asian states as pawns, thus removing a major reason for regional instability. We should also recognize the diplomatic efforts the Chinese and Russian governments have made to improve their relations, particularly in their successful border negotiations, no small achievement considering their respective territorial disputes with Japan. As Charles Kupchan recently reminded us, democracy is not a necessary condition for peace and non-democracies can contribute to international stability through diplomacy (Kupchan 2010). A joint Sino-Russian hegemony has helped stabilize the region. As discussed before, while promoting democracy, the US also often favors stability, partly to maintain its military bases in the region to ensure military success in Afghanistan, a high priority for the US government. Moreover, the US tends to be more cautious in the former Soviet republics, which a nuclear-armed Russia views as its sphere of influence. Thus, there is tenuous great power equilibrium.

The fact that China and Russia both have relatively strong positions explains the type of regional stability we see in Central Asia. Authoritarian stability in the region results from the fact that the autocratic governments in the region are allied to similarly autocratic governments in China and Russia, who will not turn against them in a time of crisis. By contrast, while the US and European democracies may

---

<sup>57</sup> The exception is the people of Tajikistan, who speak Farsi.

<sup>58</sup> *The Economist*, 5 March 2011, 48.

<sup>59</sup> *The Washington Post*, 18 May 2006.

have autocratic friends, they will either restrain them from repressing dissent or side with the opposition. Again, this is a case of a non-democratic regional institution making a difference, but not in a way human rights and democracy activists would like to see.

Institutions do matter. Institutions such as the SCO are part of the reason that China and Russia have been working together in the first place. The smaller states in Central Asia clearly favor institutions that put some constraints on the great powers. To determine how much difference the SCO makes, first we must determine how important the SCO has been relative to other regional organizations. The SCO has indeed emerged as a primary regional organization, which can be credited or blamed accordingly for what is happening in Central Asia.<sup>60</sup> The SCO has been more effective than the Russia-dominated regional organizations such as CIS. Despite hundreds of agreements accepted by CIS, virtually none have been implemented. By contrast, the SCO is more coherent and collegial and shows more solidarity. While the SCO was also over-hyped, it has made some real achievements in institutionalization and joint projects (Lo 2008, 106–107). Not surprisingly, Russia has invested significantly in the CSTO, founded in 2003, which does not include China. Unlike the SCO, the CSTO has a joint rapid reaction force totaling about 4,000 troops. Thus, the CSTO plays to Moscow's military advantage in the region. But even the CSTO has not achieved as much as the SCO (Lo 2008, 112–13).

The SCO is making a difference. It cushions Sino-Russian relations in Central Asia and makes their behavior more predictable. Significantly, the SCO has so far restrained territorial disputes, which were the immediate reason for tensions in Northeast and Southeast Asia in the past few years. An important reason for China to promote the Shanghai Five and then the SCO was to settle border disputes. China has successfully settled borders with Russia, Kazakhstan, Kyrgyzstan and Tajikistan, removing an important source of tension. The Central Asian states have some border disputes among themselves but the tension has been reduced because the SCO member states have largely decided to maintain Soviet-era borders and guard against nationalist or separatist territorial claims (Azarkan 2010, 411–12).

The importance of economic cooperation for regional stability should not be exaggerated since there is not yet enough empirical evidence to make more conclusive statements. At the same time, the importance of increased economic interaction should not be underestimated either, particularly given the fact that countries often choose policies based on their expectations of what might happen in the future.

Economic cooperation through the SCO contributes to regional stability in at least two ways. First, economic cooperation makes the SCO more attractive by producing deliverables for all to see. A security organization with economic functions is more viable than a pure security organization would be. Second,

---

<sup>60</sup> For a similar assessment of the SCO as a primary regional organization for Central Asia, see Aris (2009b) and Lanteigne (2006). For a critical view, see Hansen (2008).

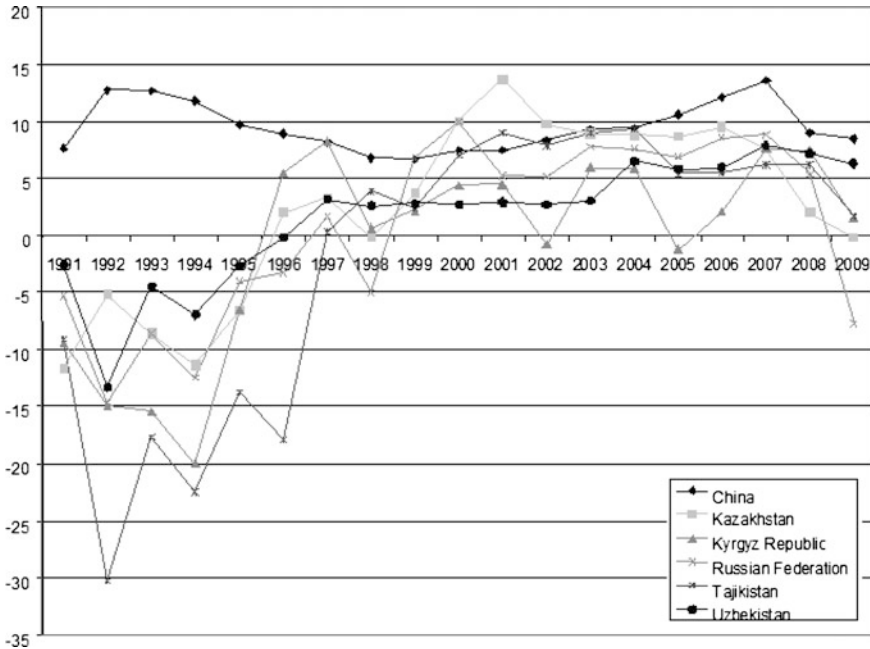


Fig. 6.1 SCO member states' GDP per capita annual growth rates<sup>62</sup>

economic cooperation helps stabilize things by improving the lives of average citizens. China, in particular, has committed much to infrastructure and other aid projects through the SCO and bilateral arrangements. Even Americans with on-the-ground experience recognize that building roads, power plants and schools contribute to security while enhancing the donor's influence.<sup>61</sup>

More broadly, Central Asian authoritarian stability is partly explained by the considerable economic growth the four Central Asian states have achieved, as shown in Fig. 6.1. The four Central Asian states struggled economically in the 1990s, with Tajikistan suffering the most due to a civil war that spanned most of the decade. But Kazakhstan, Tajikistan and Uzbekistan grew strongly in the 2000s while Kyrgyzstan experienced ups and downs related to its political problems. China was a contributing factor in all this, although like other great powers it has done much of its assistance bilaterally. The SCO has also played its part.

<sup>61</sup> For example, Colonel Blaine Holt who commanded the Transit Center at Manas voiced such an assessment (Holt 2010).

<sup>62</sup> World Development Indicators (the World Bank).

## 6.5 Conclusion

The SCO is a comprehensive regional organization, created and driven by China, Russia, and the four Central Asian states for their own national interests and priorities. Despite national differences, its member states have found common ground in maintaining and expanding the organization, enabling the SCO to emerge as the primary regional organization in Central Asia. While the SCO has taken an anti-US tone at times, it is largely focused on internal challenges. The SCO is fundamentally a state-centric regionalist response to non-traditional security challenges, providing its members with the advantage of leveraging each other to deal with domestic opposition but also constrained by the fact that interstate cooperation will only delay the real solution of the problems.

While a pure security organization initially, the SCO has expanded into the economic cooperation arena. China has been most eager to push for economic cooperation because of its growing economic power and demands for natural resources. While Russia is wary of China intruding into its traditional sphere of influence, Moscow became more accepting of economic cooperation projects in light of the color revolutions and then the global recession. The Central Asian states are largely interested in economic cooperation because of their desire for modernization, which is an important reason for their interest in the SCO more broadly.

The SCO has turned to economic cooperation to solidify its ongoing security cooperation. It has indeed contributed to regional stability, although it is more a case of “authoritarian stability.” As the two largest powers, China and Russian have so far accommodated each other strategically to ensure stability in this region. They have shown little interest in interfering in each other’s domestic affairs. As China and Russia become more involved in international organizations, one should expect more of that in the future, particularly when they are founders of new organizations.

The SCO just celebrated its ten-year anniversary and may dramatically expand over the next ten years with possible new members in India and Pakistan, which would link Central Asia and South Asia institutionally. In particular, if India joins the SCO, it would have a significant impact on the organization. To start with, the SCO would become the go-to institution for the Eurasian landmass, including two most populous countries in the world and three major emerging powers. As a former Indian ambassador noted, even though the SCO is not designed as anti-NATO, its success and expansion would make NATO irrelevant.<sup>63</sup> An enlarged SCO could contribute to regional stability by creating a united front from all of Afghanistan’s neighbors to contain negative fallout or even to stabilize that country with a staged US drawdown. Since territorial disputes would be an obstacle for new members, India and Pakistan might have additional incentives to begin more serious negotiations and improve bilateral relations without having the

---

<sup>63</sup> *Asia Times*, 18 June 2011.

US as a mediator.<sup>64</sup> The same goes for the Sino-Indian border dispute. The addition of democratic India to the SCO would reassure the United States. But since India does not normally interfere in the internal affairs of other countries, its inclusion should not change the basic nature of the organization. As an emerging economic superpower, India would balance China within the organization in the economic realm, which might make Beijing hesitant to admit India at first. But in the long run, a more balanced and successful regional organization will be in the interest of all the countries involved, including China. All this is, of course, merely promise. The strategic picture of Asia is highly fluid at present. India's recent moves to strengthen security ties with Japan and Vietnam to check China in East Asia may well affect Beijing's attitude toward India's participation in the SCO.

## References

- Al-Qahtani, Mutlaq. 2006. The Shanghai Cooperation Organization and the Law of International Organizations. *Chinese Journal of International Law* 5(1): 129–147.
- Ambrosio, Thomas. 2008. Catching the 'Shanghai spirit': How the Shanghai Cooperation Organization promotes authoritarian norms in Central Asia. *Europe-Asia Studies* 60(8): 1321–1344.
- Aris, Stephen. 2009a. A new model of Asian regionalism: Does the Shanghai Cooperation Organisation have more potential than ASEAN? *Cambridge Review of International Affairs* 22(3): 451–467.
- Aris, Stephen. 2009b. The Shanghai Cooperation Organisation: 'Tackling with three evils'. A regional response to non-traditional security challenges or an anti-western bloc? *Europe-Asia Studies* 61(3): 457–482.
- Azarkan, Ezeli. 2009. Relations between Central Asian states and United States, China and Russian within the framework of the Shanghai Cooperation Organization. *Alternatives: Turkish Journal of International Relations* 8(3): 1–21.
- Azarkan, Ezeli. 2010. The interests of the Central Asian states and the Shanghai Cooperation Organization. *Ege Academic Review* 10(1): 395–420.
- Bajoria, Jayshree. 2008. Russia's security ties in Asia. Council on Foreign Relations (28 August). <http://www.cfr.org/china/russias-security-ties-asia/p17044>. Accessed 12 Apr 2011.
- Blank, Stephen. 2011. Toward a new Chinese order in Asia: Russia's failure. National Bureau of Asian Studies, special report no. 26, Mar.
- Boyko, S.M., et al. 2010. Military-political aspects of ensuring information security in the area of the Shanghai Cooperation Organization. *Military Thought* (Moscow) 19(3): 34–43.
- Brunner, Matthew. 2007. The Shanghai Cooperation Organization and Iran: A powerful union. *Journal of International Affairs* 60(2): 185–198.
- Central Asia Study Group. 2011. Strengthening fragile partnerships: An agenda for the future of U.S.–Central Asia relations. Project 2049 Institute, Feb.
- Chinese Foreign Ministry. 2010. Shanghai hezuo zuzhi [The Shanghai Cooperation Organization]. 18 June. <http://www.fmprc.gov.cn/chn/pds/wjb/zjzj/dozys/dqzzyos/shhz>. Accessed 13 Apr 2011.
- Chung, Chien-Peng. 2006. China and the institutionalization of the Shanghai Cooperation Organization. *Problems of Post-Communism* 53(5): 3–14.

---

<sup>64</sup> *Asia Times*, 18 June 2011; *Xinhua News Agency*, 16 June 2011.

- Diamond, Larry. 2008. *The spirit of democracy: The struggle to build free societies throughout the world*. New York: Times Books.
- Economist Intelligence Unit. 2011. *Democracy index 2010: Democracy in retreat*.
- Feigenbaum, Evan A. 2009. Interview by Robert McMahon: The SCO role in Afghanistan. Council on foreign relations. 26 March. <http://www.cfr.org/afghanistan/sco-ro;e-afghanistan/p18944>. Accessed 13 Apr 2011.
- Feigenbaum, Evan A. 2011. Why America no longer gets Asia. *The Washington Quarterly* 34(2): 25–43.
- Feng, Yujun. 2010. Shanghe zuzhi de zhanlue dingwei yu fazhan qianjing [The strategic identity and prospects of the Shanghai Cooperation Organization]. In *Shijie dabianju [The world in transition]*, ed. Cui Liru and Fu Mengzi, 143–157. Beijing: Shishi chubanshe.
- Hansen, Flemming Splidsboel. 2008. The Shanghai Cooperation Organization. *Asian Affairs* 39(2): 217–232.
- Holt, Blaine D. 2010. Roads, power, and schools: A brighter future for Bishkek and the region. *American Foreign Policy Interests* 36(6): 386–396.
- Karneev, Andrei. 2004. Academic conference ‘Shanghai Cooperation Organization: Problems and prospects for interstate relations in the Eurasian region’. *Far Eastern Affairs* 32(4): 105–111.
- Kelly, Robert E. 2007. Security theory in the ‘new regionalism.’ *International Studies Review* 9(2): 197–229.
- Kupchan, Charles A. 2010. *How enemies become friends: The sources of stable peace*. Princeton: Princeton University Press.
- Lanteigne, Marc. 2006. In medias res: The development of the Shanghai Co-operation Organization as a security community. *Pacific Affairs* 79(4): 605–622.
- Lo, Bobo. 2008. *Axis of convenience: Moscow, Beijing, and the new geopolitics*. Washington: Brookings Institution Press.
- Matveyev, Vladimir. 2008. The third session of the Shanghai Cooperation Organization research forum. *Far Eastern Affairs* 36(4): 124–130.
- McGlinchey, Eric. 2011. Exploring regime instability and ethnic violence in Kyrgyzstan. *Asia Policy* 12: 79–98.
- Mead, Walter Russell. 2010. The killings in Kyrgyzstan. *American Interest* (18 June). <http://blogs.the-american-interest.com/wrm/2010/06/18/the-killings-in-kyrgyzstan/>. Accessed 12 Apr 2011.
- Norling, Nicklas, and Niklas Swanström. 2007. The Shanghai Cooperation Organization, trade, and the roles of Iran, India, and Pakistan. *Central Asian Survey* 26(3): 429–444.
- Olcott, Martha Brill. 2005. *Central Asia’s second chance*. Washington: Carnegie Endowment for International Peace.
- Olcott, Martha. 2009. *Central Asia’s Second Chance*. Washington, DC: Carnegie Endowment for International Peace.
- Pan, Guang. 2008. A new diplomatic model: A Chinese perspective on the Shanghai Cooperation Organization. *Washington Journal of Modern China* 9(1): 55–72.
- Portyakov, Vladimir. 2007. The Shanghai Cooperation Organization: Achievements, problems, prospects. *Far Eastern Affairs* 35(4): 1–9.
- Portyakov, Vladimir. 2008. Conference on problems of Central Asia and the Shanghai Cooperation Organization. *Far Eastern Affairs* 36(2): 145–149.
- Scheineson, Andrew. 2009. The Shanghai Cooperation Organization. Backgrounder, Council on Foreign Relations. 24 Mar. <http://www.cfr.org/international-peace-and-security/shanghai-cooperation-organization/p10883>. Accessed 12 Apr 2011.
- Sestanovich, Stephen. 2010. Why Russia didn’t act. Expert Brief, Council on Foreign Relations. 23 June. <http://www.cfr.org/kyrgyzstan/why-russia-didnt-act/p22503>. Accessed 12 Apr 2011.
- Small, Andrew. 2010. China’s caution on Afghanistan–Pakistan. *The Washington Quarterly* 33(3): 81–97.



- Song, Lan. 2011. Zhonger yuanyou guandao tanpan qinli [Personal experience with the Sino-Russian oil pipeline negotiations]. *Liaowang dongfang zhoukan [Oriental outlook weekly]*. 25 April. <http://news.sina.com.cn/c/sd/2011-04-25/092922352763.shtml>. Accessed 25 Apr 2011.
- Starr, S. Frederick. 2009. Moscow indicates it won't be ignored in the 'near abroad': Interview. Council on Foreign Relations. 12 Feb. <http://www.cfr.org/kyrgyzstan/moscow-indicates-wont-ignored-near-abroad/p18523>. Accessed 12 Apr 2011.
- Tsygankov, Andrei P. 2006. *Russia's foreign policy: Change and continuity in national identity*. Lanham: Rowman & Littlefield.
- Wang, Jisi. 2011. China's search for a grand strategy. *Foreign Affairs* 90(2): 68–79.
- Wishnick, Elizabeth. 2009. *Russia, China and the United States in Central Asia: Prospects for great power competition and cooperation in the shadow of the Georgian crisis*. Carlisle: Strategic Studies Institute.
- Yang, Yi, ed. 2009. *Zhongguo guojia zhanlue anquan zhanlue gouxiang [A vision of China's national security strategy]*. Beijing: Shishi chubanshe.
- Yu, Bin. 2010. Mr. Putin goes to China: Ten years after. *Comparative Connections*, Jan.
- Yuan, Jing-Dong. 2010. China's role in establishing and building the Shanghai Cooperation Organization. *Journal of Contemporary China* 19(67): 855–869.

# Chapter 7

## The Economy-Security Nexus in East Asian FTAs

Seungjoo Lee

### 7.1 Introduction<sup>1</sup>

During the cold war period, East Asian countries adopted a broader concept of “security” as they regarded economic well-being as the linchpin of their survival and prosperity. Under the auspices of the US security umbrella, East Asian countries were able to focus on economic growth by actively integrating themselves into the global economy. Meanwhile, despite a rapid increase in economic interdependence, the hub-and-spoke bilateral security system centered around the US has allegedly retarded the formal institutionalization of East Asian regionalism. Alternatively, East Asian countries have sought an informal networking of the region (Hemmer and Katzenstein 2002).

However, East Asian countries have actively undertaken free trade agreement (FTA) negotiations since the early 2000s to transform deepened economic integration into more institutionalized arrangements (Aggarwal and Koo 2005, Pempel 2006). East Asian nations are involved in a total of 79 deals, of which 33 FTAs are currently in effect and five FTAs have been signed. Major countries in East Asia have extensively engaged in multiple FTA deals over the last decade. Although China belatedly jumped on the FTA bandwagon, it quickly completed nine FTA pacts and has another five deals under negotiation.<sup>2</sup> Departing from its long-standing emphasis on informal networks in the region, Japan has also finalized 12 FTA negotiations and is currently negotiating four more.<sup>3</sup> South Korea has

---

<sup>1</sup> This chapter heavily draws on Lee (2012).

<sup>2</sup> China FTA Network, <http://fta.mofcom.gov.cn/english/index.shtml> .

<sup>3</sup> Ministry of Foreign Affairs of Japan, <http://www.mofa.go.jp/policy/economy/fta/index.html>.

---

S. Lee (✉)

Department of Political Science, Chung-Ang University, 21 Heukseok-dong, Dongjak-ku, Seoul, 156-756, South Korea  
e-mail: seungjoo@cau.ac.kr

completed eight FTA deals with 45 countries, including those with the EU and ASEAN, and has seven FTAs under negotiation.<sup>4</sup> Singapore, most enthusiastic about FTAs in East Asia, has concluded 20 FTAs, of which 18 are in effect and two have been signed. In addition, four FTAs are under negotiation.<sup>5</sup> The drive for FTAs, primarily led by major countries, produced regional effects. Major countries have emerged as hubs of FTA networks, while smaller countries have become spokes (Hufbauer and Schott 2009).

What is the driving force behind these new dynamics? While aggressively embracing FTAs in general, East Asian countries have incorporated security and political factors in promoting FTAs under the swiftly shifting regional economic and security environments, epitomized by the end of the cold war, the Asian financial crisis, and the intensifying Sino-Japanese rivalry (Pempel 2010). Therefore, a sole emphasis on economic factors would fail to shed light on East Asia's linkage strategy between FTAs and security. The close linkage between FTAs and security served as a double-edged sword in institutionalizing East Asia. On the one hand, institutionalized cooperation spurred by the proliferation of FTAs is expected to substantially allay security concerns in East Asia. On the other hand, political and security considerations hindered the formation of a region-wide FTA in East Asia.

Rivalry between China and Japan succinctly shows the way in which security concerns profoundly affect both countries' FTA strategies. Both countries' strategic considerations, combined with collective memory of the historical past, clashes of national identity, and the eruption of territorial disputes, significantly hinder concerted efforts for the formation of a region-wide FTA (Ikenberry and Mastanduno 2003, Katzenstein 1997, Pempel 2005). In particular, the rise of China and the relative decline of Japan encouraged the two countries to redefine not just their bilateral relations but also their regional strategies, substantially altering regional institutional dynamics. The dual dynamics of competition and cooperation are incorporated into both countries' FTA strategies. On the one hand, neither country attempted to impede the other party's vital interests. Japan has avoided signing an FTA with Taiwan despite urgent calls from the Taiwanese side, assuming that doing so would offend Beijing. On the other hand, both countries' aspirations for regional leadership hampered the formation of a China–Japan FTA, despite enormous economic benefits. The rivalry also militates against the formation of an East Asian FTA that could weave countries in the region into one unified free trade area. Instead, China and Japan have competed to court Southeast Asian countries as FTA partners.

In this paper, I explain divergent patterns of the economy and security nexus by exploring East Asian countries' FTA strategies.<sup>6</sup> I specifically address the following issues: how did external factors such as the collapse of the Cold War structure in East Asia and the Asian financial crisis of 1997 affect East Asian

---

<sup>4</sup> Ministry of Foreign Affairs and Trade, Korea, <http://www.fta.go.kr/new/index.asp>.

<sup>5</sup> Singapore Government, [http://www.fta.gov.sg/sg\\_fta.asp](http://www.fta.gov.sg/sg_fta.asp).

<sup>6</sup> For various types of linkages, see Aggarwal and Govella's chapter in this volume.

countries' linkage strategy between FTAs and security alliances? What security factors are responsible for shaping the linkage strategy? And how does the interplay of external and domestic factors influence the evolution of East Asian countries' linkage strategy?

The remainder of this paper is organized as follows: in [Sect. 7.2](#), I provide a brief overview of the existing literature examining the security effects of FTAs. In [Sect. 7.3](#), I examine the main features and evolutionary process of the East Asian FTA network in greater detail and explore how three East Asian countries—China, Japan, and Singapore—have implemented different strategies of linking FTAs and security matters. In [Sect. 7.4](#), I focus on South Korea's linkage strategy, because South Korea is the only country in East Asia to transform a formal security alliance with the US into a comprehensive partnership by concluding the KORUS FTA. Finally, I draw some theoretical and practical implications arising from the main findings of the paper.

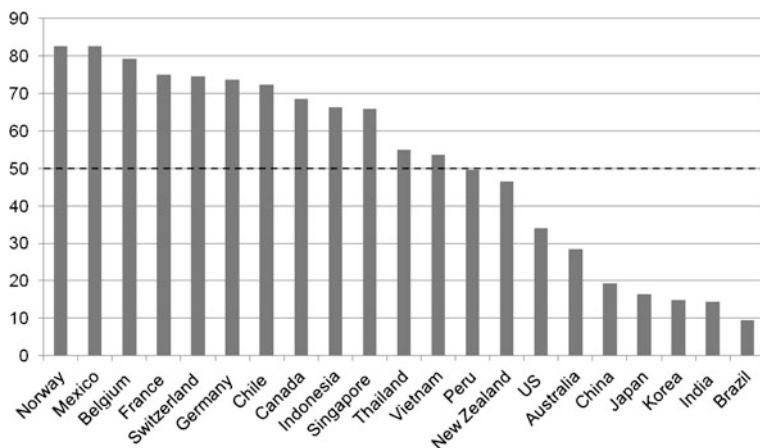
## 7.2 The Nexus Between FTAs and Security in East Asia

A vast literature attempts to explain crucial features of East Asian countries' FTAs such as economic, political, and security determinants of FTA policy (Aggarwal 2006, Katada and Solís 2007). While it is generally argued that the economic “domino effect” spurred countries to rush to FTAs to avoid negative economic impacts,<sup>7</sup> a growing number of scholars examine the way in which government policymakers also take traditional security and strategic considerations into account in negotiating FTAs (Feinberg 2003, Ravenhill 2008). For example, it is generally argued that great powers are likely to sign FTAs to reward military allies and strengthen their security status. In this view, countries are more likely to form FTA networks with allies rather than selecting FTA partners purely on the basis of economic benefits. In this regard, the US government has been explicit in closely linking foreign economic and security policy, as demonstrated in the cases of the US–Israel FTA and the US–Jordan FTA. The “securitization” of FTA policy has further accelerated in the post-9/11 era (Higgott 2004). In East Asia, the US–Singapore FTA is the first of its kind. From the US perspective, it was a reward to Singapore for agreeing to provide the US access to its military bases in Southeast Asia. The securitized nature of this FTA was obvious, given that the US had been without such access in Southeast Asia since 1991, when the Philippine government closed down the US naval and air bases in the Philippines.

In line with these prior explanations, I explore how East Asian countries incorporate security and strategic factors into FTA policymaking. The common traits shared by East Asian countries, such as a tendency to sign FTAs with minor economic partners, the limited coverage of FTAs, and weak evidence of an active

---

<sup>7</sup> See Baldwin (1993) on the domino effect.



**Fig. 7.1** Share of trade covered by FTAs (Institute of International Trade, Korea 2011)

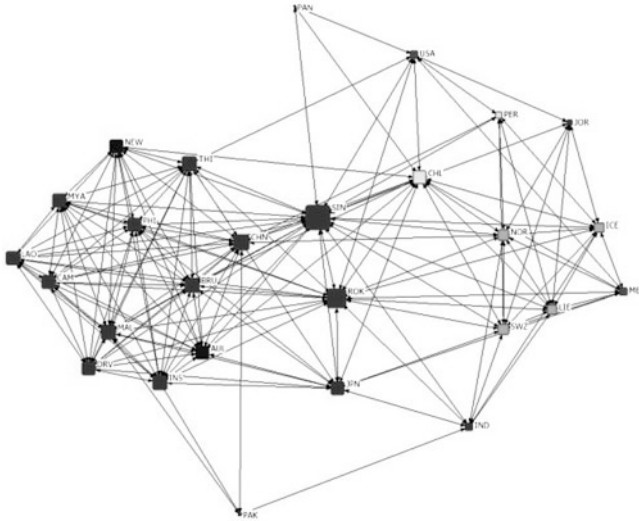
business lobby, are indicative that the proliferation of FTAs in East Asia is driven not just by economic interests but also by political and strategic domino effects (Ravenhill 2010).

It is particularly worth exploring how and why great powers and small powers demonstrate immensely different linkage strategies. In terms of trade share covered by FTAs, East Asian countries show quite different patterns. Countries such as Indonesia (66.3 %), Singapore (65.9 %), Thailand (55 %), and Vietnam (53.7 %) have a higher share than the world average. By contrast, the ratio is considerably lower than the world average in major countries such as China (19.2 %), Japan (16.5 %), and Korea (14.8 %). If recently signed FTAs are included, the ratio for China and Japan changes slightly to 19.4 % and 17.6 %, respectively. The ratio for South Korea climbs to 35.1 % if the Korea–EU FTA and the KORUS FTA are included. But even this ratio is quite low compared to major countries in other regions such as Germany (74.8 %), France (76 %), the UK (63.9 %), and the US (37.7 %) (Fig. 7.1, Institute of International Trade 2011).

This difference between great powers and small countries largely stems from the different patterns of linkages between economy and security. Whereas China, Japan, and South Korea did not sign the bilateral or trilateral FTAs in fear of negative security externalities of FTAs, despite the rapid growth of bilateral and trilateral trade for the last decade, small countries are more active in attracting great powers to maximize economic gains as well as to reduce their security vulnerabilities.<sup>8</sup>

From a broader security perspective, great powers tend to seek FTAs as a means to balance against the target state. As vividly demonstrated by the fact that China and Japan concluded FTAs with ASEAN, great powers compete to attract more countries to their side to (re)design the regional institutional architecture at the

<sup>8</sup> For various security effects of FTAs, see Mochizuki (2009).



**Fig. 7.2** FTA networks in East Asia (2010)

expense of a target state. Despite greater economic gains from a China–Japan FTA, strategic considerations to take the initiative in regional institutional building pushed both countries to court ASEAN competitively.

By contrast, small countries are inclined to sign FTAs with bigger partners for diplomatic and security reasons. The fear of exclusion and security vulnerability forces small countries to engage in FTA negotiations with great powers (Gruber 2000). Small states in fear of regional institutions dominated by one great power are also likely to pursue FTAs with other great powers to strengthen their security (Grieco 1997). With this backdrop, small countries surrounded by regional powers prefer great powers outside the region as their FTA partners. Smaller countries sometimes enter into FTA negotiations with bigger countries although they run risks of making more concessions. The US FTAs with Australia, South Korea, and Singapore as well as Japan’s FTA with ASEAN countries are manifestations of this. Diverse patterns of linkage strategies by East Asian countries brought about unique regional effects, creating FTA networks in the region. I examine the primary nature of FTA networks in East Asia to examine how East Asian countries engage with different regional and extra-regional FTA partners.<sup>9</sup> Throughout the 2000s, the network structure of East Asian FTAs grew more dense and complex (see Fig. 7.2).

<sup>9</sup> FTA networks are formed in two tiers in East Asia: (1) FTA networks formed among 13 East Asian countries; and (2) FTA networks created between East Asian countries and their FTA partners. I examine the FTA networks formed among 27 nations including non-East Asian countries that have engaged in FTA pacts with East Asian countries. Given that East Asian countries are also actively involved in FTAs with countries outside the region, the examination of 27 East Asian and non-East Asian countries allows us to effectively capture the genuine structure of FTA networks in East Asia.

ASEAN plays a pivotal role in linking Southeast Asian countries to the region's bigger economies. ASEAN has been active in setting up FTAs with big economies outside the region such as India, Australia, and New Zealand. As a consequence, ASEAN is emerging as a hub of FTA networks in East Asia, connecting countries there to other regions (Lee 2010).

However, a close look into each individual country's position within the FTA network poses a different picture. Singapore and Thailand successfully established their positions within the network. In particular, Singapore is still positioned as a hub within the complex networks, as it successfully established new linkages with both regional and extra-regional countries such as South Korea, India, Australia, Panama, Chile, and Jordan. By contrast, less developed countries such as Cambodia and Laos could conclude FTAs only within the framework of ASEAN, as they were incapable of attracting other countries into their own FTA network.

Meanwhile, South Korea rose to a second-tier node with its increased linkage with ASEAN countries, Chile, EFTA countries, the United States, and India. By contrast, China and Japan became third-tier nodes.<sup>10</sup> A few major countries have a disproportionately large number of FTAs, whereas late developing countries are unable to attract other countries on their own. Consequently, although the FTA network has become widespread and dense in East Asia, its structure did not become more centralized until 2009, when major countries in East Asia emerged as hubs in the FTA networks, while late developing countries became spokes.

### 7.3 Different Styles of Linkage Strategy

East Asian countries pursue FTAs not merely to increase their economic interests. In many cases, they attempt to link FTAs to broader security considerations. However, they have demonstrated markedly diverse ways of linking FTAs and security, depending on their primary economic and security imperatives as well as domestic political situations. While East Asian countries commonly pursue FTAs out of broad security considerations, each country's security drivers are quite different. For China and Japan, strategic rivalry for regional leadership in East Asia is a primary factor, facilitating both countries to compete to sign FTAs with ASEAN. Both countries' FTA strategies are guided by this security driver. Singapore also aggressively seeks FTAs with major powers, inside and outside the region. Singapore struck FTAs with China, Japan, and the US. Because its immediate security concern is the potential threat from neighboring countries with different cultural traditions, Singapore tries to attract as many great powers as possible into Southeast Asia. The Singaporean government believes that the

---

<sup>10</sup> Interestingly, despite its position as a non-regional country, Chile rose to become a second-tier node in East Asian FTA networks. As it established connections with a variety of countries, including Singapore, Brunei, China, South Korea, the United States, Mexico, EFTA members, and New Zealand, Chile was well positioned to link East Asian and non-East Asian countries.

growing economic interdependence with great powers will reduce its security vulnerability as the great powers will favor a stable regional order. I now turn to an examination of four countries—China, Japan, Singapore, and South Korea—to show how and why East Asian countries have adopted different linkage strategies.

### *7.3.1 China: Preemptive and Strategic Linkage Strategy*

Political and security considerations take on central importance in Chinese FTA policymaking. Some analysts argue that the security motivation in FTAs looms even greater in China than in the US (deLisle 2006). The Chinese Communist Party's (CCP) political dominance and centralized policymaking structure, led by the Ministry of Foreign Affairs (MOFA), greatly helped China carry out its linkage strategy in a coherent way, compared to other East Asian countries that often faced political gridlock in garnering domestic support for FTA policy (Kwei 2006). It is against this backdrop that China was able to utilize FTAs as an instrument to achieve foreign and security policy goals.<sup>11</sup> FTAs effectively served the Chinese government's objectives not just to expand its sphere of influence in the international arena, but also to launch its charm offensive in East Asia.<sup>12</sup>

China's FTA policy was undoubtedly influenced by Japan's move to sign an FTA with Singapore before China could do so. For China, Japan's initial move was seen as an attempt to establish regional leadership in East Asia by encircling China. The Chinese government strove to derail the Japanese endeavor by embarking on FTA negotiations with its neighboring countries (Yang and Heng 2010). At the same time, it was of paramount importance for China to prevent Southeast Asian countries from aligning with US efforts to contain China (Wesley 2008).

In economic terms, China made a great deal of effort to ensure that although the current economic structures of China and ASEAN are competitive, their economic interdependence can transform those structures into complementary ones in the long run. The Chinese government further argued that the China-ASEAN FTA would facilitate deep economic integration, while further enhancing diplomatic and political ties. Meanwhile, China effectively executed strategic and preemptive linkages in the course of the negotiations to accommodate Southeast Asian countries' interests.

First, China has made tremendous efforts to assure Southeast Asian countries that its rise will be peaceful. To allay Southeast Asian countries' security concerns, in 2002, China signed the ASEAN Code of Conduct on Disputes in the South China Sea as a token of its support for peaceful settlement of territorial disputes

---

<sup>11</sup> In addition, viewing access to natural resources as a vital security interest, China aggressively embarked on FTA negotiations with resource-abundant countries in the Middle East and Africa.

<sup>12</sup> For China's charm offensive, see Kurlantzick (2008).



over South China Sea. China accelerated its charm offensive even further in 2003 when it signed the Treaty of Amity and Cooperation (TAC) of Southeast Asia, signifying that China would abide by long-standing dispute settlement practices firmly established by Southeast Asian countries (Zhao 2010). China's charm offensive, at least to some degree, succeeded in ameliorating Southeast Asian countries' worries about China's threat, as demonstrated by the Joint Declaration on Strategic Partnership for Peace and Prosperity signed between China and ASEAN. The declaration made it public that the signing of the TAC "demonstrated that the political trust between the two sides [was] notably enhanced."<sup>13</sup>

Second, China aptly took advantage of its developing country status at the WTO, as the WTO stipulates that developing countries can sign an FTA based on the enabling clause of the GATT. By resorting to lax rules, China could exclude some sensitive sectors from liberalization rather than pushing for the liberalization of "substantially all trade." In reality, the scope of China's trade liberalization is quite limited, and China has ruled out the liberalization of banking and telecommunication sectors. The developing country status put China in a better position to accommodate Southeast Asian countries' interests compared to Japan, which had to abide by the GATT Article XXIV to sign FTAs (Solís 2009). In terms of the sequence of trade liberalization, China took a gradual approach, liberalizing trade in goods first, and services and investment later.

Third, the Early Harvest Program (EHP) was another centerpiece of the Chinese linkage strategy. The Chinese government offered early liberalization of agricultural imports from Southeast Asian countries to accelerate the implementation of the China–ASEAN FTA. This provision was designed to reduce Southeast Asian countries' concern about negative consequences of the China–ASEAN FTA. The provisions of the EHP were immediately included in the Framework Agreement, although it was expected that farmers in Southern provinces would suffer. Commenced in January 2004, the EHP put 562 agricultural items on the list of early liberalization (ASEAN Secretariat 2002). As shown in Table 7.1, tariffs on items under the EHP would be eliminated within two years.

It was against this backdrop that China proposed the China–ASEAN FTA at the ASEAN–China Summit in 2000 under Premier Zhu Rongji's initiative, which aimed to weaken Southeast Asian countries' worries about the potential impact of China's WTO accession on their economies. China's centralized FTA policymaking made a preemptive and strategic move possible. Overseeing FTA policymaking, China's political leadership often prioritizes overall strategic and security interests over narrow economic interests. Under the guidance of the CCP, the MOFA as a lead agency in FTA policymaking within the bureaucracy successfully minimizes conflicts among government ministries. This institutional feature allowed China to give unilateral concessions to Southeast Asian countries, despite the Ministry of Agriculture's (MOA) concern about economic losses in the

---

<sup>13</sup> ASEAN Homepage, <http://www.asean.org/15265.htm>.

**Table 7.1** Early harvest program in China–ASEAN FTA<sup>a</sup>

| Product category(%)               | Not later than<br>January 2004(%) | Not later than<br>January 2005(%) | Not later than<br>January 2006(%) |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| MFN tariff rates higher than 15   | 10                                | 5                                 | 0                                 |
| MFN tariff rates between 5 and 15 | 5                                 | 0                                 | 0                                 |
| MFN tariff rates lower than 5     | 0                                 | 0                                 | 0                                 |

<sup>a</sup> ASEAN Secretariat Homepage.

agricultural sector.<sup>14</sup> The Chinese government made a preemptive move to conclude an FTA with ASEAN as a whole, which is in stark contrast to Japan's attempt to sign multiple FTAs with individual Southeast Asian countries. China made such a preemptive move, assuming that by signing the China–ASEAN FTA, China could be in a better position in competing with Japan and excluding the US for regional leadership (Cai 2004).

### 7.3.2 Japan: Reactive Linkage Strategy

Japan's FTA policy also has security and geopolitical drivers. However, Japan's linkage strategy is essentially reactive, because the Japanese government is domestically constrained in linking economy and security. Until the late 1990s, unable to dispel neighboring countries' suspicion of its strategic intentions rooted in historical memories, Japan was restrained in taking a leadership role in East Asia. However, Japan suddenly departed from its traditional policy stance to pursue FTAs.

China was at the core of this change. In the 1990s, experts and commentators argued that Japan was content to wield “network power” stemming from its widespread production networks in East Asia and to not seek leadership in formally institutionalizing the region. However, in the 2000s, the rise of China profoundly changed Japan's strategic calculus. Since its accession to the WTO, China's economic engagement with Southeast Asian countries has steadily increased. In addition, the proliferation of FTAs in East Asia as well as China's aggressive FTA policy prompted Japan to re-think its traditional policy.

However, in contrast to China's strategic and coherent linkage strategy, Japan's linkage strategy is inherently reactive and defensive (Sally 2006). Japan's decision to embark on FTA negotiations with ASEAN is a good case in point. Alarmed by China's preemptive move, Japan was under pressure to court Southeast Asian

<sup>14</sup> Jiang (2010) argues that China's FTA policymaking has become less strategic and coherent. Since the MOFCOM with expertise on trade negotiations took over the MOFA's position as a lead agency, economic considerations have become more important.

countries to its side and to compete for regional leadership. Nonetheless, Japan's negotiations with ASEAN were riddled with conflicts and delays. Although in November 2002 Japan and ASEAN initially agreed to launch negotiations and start preliminary talks in 2004, formal negotiations did not start until April 2005, because the two parties could not agree on the coverage and the schedule for tariff reductions or removals. A diversified FTA policymaking structure and strong agricultural opposition inherently limited the Japanese government's ability to design a coherent linkage strategy. For example, the four ministry system under which the Ministry of Foreign Affairs (MOFA), the Ministry of Economy Trade and Industry (METI), the Ministry of Finance (MOF), and the Ministry of Agriculture, Forestry and Fisheries (MAFF) are all involved in FTA policymaking requires time-consuming consultations and discussions among the ministries, because each ministry is capable of being a veto player.<sup>15</sup>

In order to remedy this institutional setback, Prime Minister Koizumi intervened in FTA policymaking to enhance political control over ministries. Under the new policymaking structure, the Japanese government could seek regional leadership more effectively. Jolted by the China–ASEAN FTA, the Koizumi government modified its FTA strategy (Yoshimatsu 2006). Japan initially preferred FTAs with individual ASEAN countries as demonstrated by the fact that Japan had concluded FTAs with seven individual countries in ASEAN as of 2009 (Terada 2011).<sup>16</sup> However, alarmed by the China–ASEAN FTA, in 2008, Japan modified this individualistic FTA strategy to sign an FTA with ASEAN, demonstrating that Japan's FTAs are not purely driven by economic factors but reflect its desire to rejuvenate its presence in the region. Of course, Japan had economic motivations for this change as well. Because Japanese firms operate production networks in Southeast Asia, the Japanese government found it crucial to harmonize rules of origins across Southeast Asian countries to manage intra-firm trade in the region (METI 2008). But the Japanese government did not have the political capital to realize this goal. It was diplomatic and security concerns that alarmed the Koizumi government enough to overcome domestic constraints on negotiating the Japan–ASEAN FTA.

Japan also tried to engage with extra-regional powers. The Japan–Australia FTA was an outgrowth of Japan's strategic and security concerns (Capling 2008). Strengthening economic ties between China and Australia clearly prompted Japan to embark on FTA negotiations with Australia. Otherwise, launching FTA negotiations with Australia would have been inconceivable, because the Japanese government still faced staunch agricultural protectionism in the domestic political arena. That is, negotiations for Japan–Australia FTA were made possible, because

---

<sup>15</sup> It is well documented that Japan's policymaking is saddled with bureaucratic infighting as well as political pressure from the agricultural sector. See for example Mulgan (2005).

<sup>16</sup> Seven ASEAN members implemented an individual FTA with Japan. They are Singapore, Malaysia, Brunei, Vietnam, Laos, Myanmar and Thailand. [http://www.fta.gov.sg/fta\\_ajcep.asp?hl=38](http://www.fta.gov.sg/fta_ajcep.asp?hl=38).

political security considerations spearheaded by Koizumi's leadership substantially weakened domestic constraints.

### 7.3.3 *Singapore: Multiple Linkage Strategy*

Singapore is most explicit in implementing its linkage strategy. Singapore does not have great motivations for pushing for FTAs because Singapore, with near zero tariffs, expects limited economic gains from trade liberalization. Therefore, security considerations are highly incorporated into the FTA strategy of Singapore, of which survival has been the foremost preoccupation since independence and "has been its credo in its foreign policy" (Leifer 2000, 68). Singapore hopes that an increase in economic interdependence with many countries will substantially reduce its insecurity (Pang 2007).

Singapore's linkage strategy has unfolded in two ways. First, surrounded by big Islamic countries such as Malaysia and Indonesia that occasionally aligned to pose a security threat, Singapore tried to court regional great powers. China and Japan are natural candidates that could easily fulfill Singapore's goal of reducing security vulnerability. Singapore concluded an FTA with Japan in 2002, which was the first FTA between East Asian countries. Singapore pushed for the China–Singapore FTA that was signed in October 2008 after eight rounds of negotiations. Singapore concluded FTAs with two regional powers individually, despite the opposition of neighboring countries, who argued that Singapore's FTAs with these great powers would hurt ASEAN's unity.<sup>17</sup> The Singapore government thought that attracting the two regional powers was an effective means to reduce its vulnerability.

Second, Singapore has also been active in attracting great powers outside East Asia. The primary motivation for this has to do with the rise of China. Although China repeatedly made clear that its peaceful rise would not be detrimental to the core interests of Southeast Asian countries, Singapore was not certain about China's intentions in the region. Singapore chose to attract extra-regional great powers. As in the remarks of Raymond Lim, Minister of State for Trade and Industry and Foreign Affairs, Singapore has to attract bigger extra-regional powers to anchor their presence in the region and ensure that they remain stakeholders in Southeast Asia.<sup>18</sup> It is against this backdrop that Singapore sought a US–Singapore FTA even if it had to make concessions in key industries such as finance (Lee 2006a, b). With the commencement of the USSFTA, both countries agreed to sign a strategic partnership agreement. This shows that Singapore's policy objective was to link FTAs to security.

The USSFTA was made possible because Singapore's goal was commensurate with the core interests of the US. Throughout the post-Cold War period, the key

<sup>17</sup> For dissenting views about FTAs within ASEAN, see Koo's chapter in this volume.

<sup>18</sup> *The Straits Times*, March 3, 2003.

US policy objective was to derail any power's attempt at dominating the region to exclude the US (Shirk 2010). With this backdrop, the US has consistently attempted to establish a military presence and strengthen its bilateral alliances in the region (Green 2010). In short, Singapore and the US shared a common view that it is in their interests to coordinate security policies under a rapidly changing security environment in Southeast Asia (Terada 2009).

## **7.4 South Korea: From Security Alliance to Comprehensive Alliance**

Thus far, I have examined various patterns of East Asian countries' linkage strategies between FTAs and security. In this section, I examine the Korean case in detail to demonstrate the way in which the Korean government linked FTAs and security. Korea is a unique case in that it is the only country in East Asia to sign an FTA with a country also party to a formal security alliance treaty. After World War II, the US emerged as the hegemonic leader in East Asia by successfully molding a US-centered security order (Hemmer and Katzenstein 2002, Calder and Ye 2004). The centerpiece of the US policy was the hub and spoke strategy in which South Korea, Japan, and the Philippines had bilateral security alliances with the US. South Korea became the sole country in East Asia that transformed this security alliance into a more comprehensive one when it signed the KORUS FTA in April 2007. This was in stark contrast to Japan, which could not start FTA negotiations with the US despite the longstanding and solid bilateral security alliance between the two countries. No matter how robust the bilateral alliance was, the Japanese government was constrained in launching negotiations primarily because it could not afford to deal with domestic opposition from agriculture. In the following, I examine how and why South Korea decided to take this unique path.

### ***7.4.1 South Korea's Economic Growth Under the US–Korea Security Alliance***

South Korea has emerged as the 11th largest economy in the world less than four decades after the devastation of Japanese colonial rule, the Korean War, and protracted poverty and underdevelopment. Several factors account for its stellar economic performance, including the availability of qualified human capital, a timely transition to an export-led growth strategy, and the guidance of the developmental state. In addition, a strong bilateral alliance with the US allowed South Korea to enjoy the enormous benefits of free-riding in both security and economic areas. South Korean trade policy during the cold war period focused on multilateralism, particularly since its accession to the GATT in 1967. The alliance

with the US and the status of a developing country within the GATT system powerfully aided South Korea's economic ascension.

As a primary beneficiary of these institutional arrangements, South Korea did not actively formulate regional strategy. Lacking a regional option, South Korea was lukewarm toward building regional institutions to ease security tensions and facilitate economic integration in the region. South Korea's response to Malaysian Prime Minister Mahathir's proposal for forming an East Asian Economic Group (EAEG), the first initiative for building a formal East Asian regional economic institution, underscored its tepid interest in East Asian regionalism. South Korea was reluctant to endorse the idea not only because Mahathir's scheme excluded the US, but also because it could pave the way to the formation of a yen bloc under Japan's leadership.

#### ***7.4.2 The Emergence of South Korea's New Linkage Strategy***

South Korea's traditional strategy of seeking economic prosperity under the US security umbrella became subject to various external constraints. Stalled trade liberalization at the WTO level and divisions within the Asia-Pacific Economic Cooperation (APEC) forum demanded that South Korea realign its traditional policy. The Asian Financial Crisis and its subsequent repercussions prompted South Korea to seek alternative arrangements to move away from the US-led economic and financial architecture. In particular, the 1997 Asian Financial Crisis highlighted the importance of regional economic cooperation and integration. Harsh IMF conditionalities further encouraged the Kim Dae-jung government to reduce its dependence on the United States and to embrace the new idea of an Asian Monetary Fund (AMF). When the Japanese government floated the idea of an AMF, the South Korean government endorsed the idea as then-Prime minister Kim Jong-pil stated that the AMF could play a pivotal role in resolving the Asian financial crisis.<sup>19</sup> It is in this context that the Kim Dae-jung government began to shift its foreign economic policy to regional and bilateral groupings such as ASEAN Plus Three (APT) and FTAs. Given that the Kim Dae-jung government was beginning to contemplate a regional strategy, APT was a proper venue for South Korea to project its ambitious vision.<sup>20</sup> At the second summit of APT in 1998, President Kim Dae-jung proposed to establish the East Asia Vision Group (EAVG) and the East Asia Study Group (EASG), paving the way for East Asia Summit (EAS) in 2005.

South Korea's initiative produced some meaningful changes. The EAVG and EASG set out to examine how to utilize APT as a mechanism to forge regional

---

<sup>19</sup> *Joongang Ilbo* (1998).

<sup>20</sup> Initially launched in 1998, the ASEAN + 3 has gradually turned into a formal venue for more institutionalized regional cooperation. Stubbs (2002).

cooperation and ultimately transform it into a more permanent regional institution. The EAVG's principal accomplishment came at the finance ministers' meeting at Chiang Mai, Thailand in 2000. The Chiang Mai Initiative worked out a series of "swap" agreements among the central banks to lend foreign exchange reserves to one another to help them protect their currencies on foreign exchange markets.<sup>21</sup> Since then, there has been much discussion about creating an Asian Monetary Fund (AMF) and common currency baskets.<sup>22</sup> And in November 2000, heads of member countries gathered in Singapore to agree to explore the possibility of formalizing their ties and forming an East Asian Free Trade Area (EAFTA). Finally, the leaders of APT members agreed at a meeting in Laos in December 2004 to hold the first East Asian Summit in Kuala Lumpur in 2005. The launch of the EAS signified the beginning of an historic process transforming the ASEAN+3 arrangement into the East Asian Community.

### ***7.4.3 The Roh Moo-Hyun Government's Linkage Strategy***

Unlike the Kim Dae-jung government's regional strategy that sought to engage with states across East Asia, the geographical scope of the Roh Moo-hyun government's regional strategy shrank to Northeast Asia, breaking from the policies of the preceding governments. Upon its inauguration in February 2003, the Roh Moo-hyun government proposed an ambitious regional plan, the Northeast Asian Cooperation Initiative (NEACI). The initiative was intended to build a regional community of mutual trust, reciprocity, and symbiosis. Given developments in other regions of the world, the Roh government saw Northeast Asian regional integration as a justifiable solution to cope with the challenges of globalization or as a way to accomplish the globalization process more efficiently.

The Roh Moo-hyun government's initiative was much narrower in scope, focusing solely on Northeast Asia. The Roh government thought it inconceivable to assure an East Asian, Pacific, and global reach without settling down immediate political, economic, and socio-cultural challenges arising from Northeast Asia. However, unpredictable external events have prevented Roh's initiative from making meaningful progress. In December 2005, deteriorating Sino-Japanese relations culminated in a clash in Kuala Lumpur at the ninth APT summit. Seoul's relations with Tokyo have also deteriorated due to an eruption of the perennial territorial dispute over the Dokdo islands, as well as thorny issues such as Japanese history textbooks and Japanese Prime Minister Koizumi's visit to the Yasukuni shrine (Rozman 2006).

---

<sup>21</sup> For further details on the Chiang Mai Initiative, Park and Wang (2005).

<sup>22</sup> See for example, Lamberte, Milo and Pontines (2001).

#### 7.4.4 *The KORUS FTA: Toward a Comprehensive Alliance*

While the policy shift toward FTAs under President Kim Dae-jung had marked a dramatic departure from South Korea's traditional trade policy, it was not until President Roh entered office in 2003 that the roadmap for FTAs and detailed action plans were drawn up (Lee 2007, 116, The Ministry of Foreign Affairs and Trade of Korea (2006). The Roh administration consolidated Kim's FTA agenda by outlining a comprehensive roadmap for South Korea's multi-track FTAs. Under the roadmap, South Korea's FTA partners are classified into three broad groups: (1) immediate FTA partners such as Chile, Singapore, the EFTA, and Japan; (2) medium-term FTA partners such as Mexico, Canada, ASEAN, and China; and (3) long-term FTA partners such as the United States, the EU, and India. The roadmap emphasized that FTAs were an important part of South Korea's goal to become an "open trading state" (MOFAT 2006).

It was clear that in contrast to its rather peripheral status in President Kim's economic and strategic agenda, FTA policy emerged as a core element of President Roh's foreign economic policy vision, thereby departing from his initial vision for NEACI (Lee and Koo 2006, Koo 2009). A careful examination of Roh Moo-hyun government's FTA policy reveals two interesting anomalies. One is the lack of policy efforts to expedite an FTA among China, Japan, and South Korea, and the other is an unexpectedly early push for the KORUS FTA. One might expect rapidly rising intraregional trade and foreign direct investment (FDI) in Northeast Asia to encourage South Korea to prioritize institutionalized economic cooperation with China and Japan. South Korea is likely to realize significant tangible and intangible benefits from bilateral and/or trilateral FTAs among the three countries. Nonetheless, despite these countries' geographic proximity and economic interdependence, the trilateral FTA has made very little progress.

The move toward the KORUS FTA is the most illustrative example of the Roh administration's top-down, proactive FTA strategy. The Roh government suddenly revised the timetable for FTA negotiations and promulgated the FTA roadmap to announce its intention to start FTA negotiation with the US. As Northeast Asian regionalism stagnated, on February 3, 2006, the Roh government surprised the Korean public by announcing that it would embark on FTA negotiations with the United States, becoming the first Northeast Asian country to do so. Despite South Korean filmmakers' protests, the Roh government made a surprise move to cut South Korea's annual screen quota (which protected South Korean filmmakers from competition with their American counterparts), removing the last hurdle to the start of KORUS FTA negotiations.<sup>23</sup> Aside from the decision to reduce the screen quota, the Roh government also lifted the ban on US beef, proposed

---

<sup>23</sup> South Korea's screen quota system was designed to stem a flood of Hollywood blockbusters. South Korea cut the quota from the current 146 days or 40 % reserved for domestic films to 73 days or 20 % starting on July 1, 2006 (*The Chosun Ilbo*, January 26, 2006).



modifications to its pharmaceutical pricing system, and revised an automobile emissions regulation to provide a grace period for imported vehicles.

The pace of the negotiations reflected the Roh government's determination to pursue the KORUS FTA. The two countries held two rounds of official talks in summer 2006, targeting March 2007 as the intended date of conclusion despite criticism against its unusually tight timetable. After the first negotiation on June 5, 2006, the two countries completed eight rounds of negotiations within eight months. Finally, on April 2, 2007, the governments of the two countries signed the KORUS FTA.<sup>24</sup> All of these measures were intended to show the South Korean government's seriousness and commitment to a KORUS FTA (USTR 2006).

South Korea's entrance into the KORUS FTA negotiations signaled that the focus of its FTA policy has profoundly changed from a reactive and gradualist strategy designed to minimize the negative effects of FTAs to a proactive and aggressive strategy aimed to maximize their benefits. What accounts for the policy shift? The Roh government pushed for the KORUS FTA, believing that the KORUS FTA would serve both South Korea's economic and security interests. On the one hand, the KORUS FTA will increase South Korea's economic gains from liberalization of trade and investment. On the other hand, the KORUS FTA was the Roh government's hedging strategy to effectively cope with volatile strategic environments in the region by transforming the security alliance into a comprehensive alliance with the US (Sohn and Koo 2011).

First, facing the failure of its strategies to become East Asia's economic hub, the Roh government attempted to rejuvenate its vision by promoting the KORUS FTA.<sup>25</sup> The Roh government thought that the KORUS would boost South Korea's economic as well as strategic position in East Asia. Korea's deteriorating economic position in East Asia prompted the Roh government to seek FTAs with major economies outside the region. In the 2000s, South Korea's competitive advantage has seriously weakened as industrial structure of the three countries in Northeast Asia became competitive. The Roh government worried that South Korea's economic position would further weaken if China or Japan concluded an FTA with the US ahead of Korea (Moon and Rhyu 2010). The Roh government believed that the KORUS FTA had the potential to alter the dynamics of US-South Korean economic relations as well as the relations between the US, Japan, China, and South Korea.<sup>26</sup> President Roh stated:

---

<sup>24</sup> MOFAT FTA Homepage, <http://www.fta.go.kr>.

<sup>25</sup> For the concise summary of strategic effects of the KORUS FTA, see Chung (2007).

<sup>26</sup> With respect to spillover effects, some in Japan have already expressed concern that a prospective US-South Korean accord could put Japan at a competitive disadvantage in the US market. Such recognition might motivate Japan to seek an FTA with the US and this will in turn affect China's interest in an FTA with the US.

China is surging. South Korea is trapped between China and Japan, and thus needs to address this undesirable situation sooner rather than later. An effective way to realize this goal is to improve our country's competitive edge against China and Japan in the US market through a KORUS FTA.<sup>27</sup>

In this sense, the KORUS FTA was an offensive attempt for South Korea to sign an FTA with the US ahead of China and Japan. The Roh government's policy stance was reflected in the remarks of Trade Minister Kim Hyun-chong who argued:

The KORUS FTA is the key to the survival of our nation that is sandwiched between China and Japan... With the successful launching of the KORUS FTA, we will be able to emerge as an FTA hub in the region, as it will attract other neighboring countries to FTA negotiations with us.<sup>28</sup>

In a similar vein, Yoon Young-kwan, who served as the first Minister of Foreign Affairs and Trade of the Roh administration stressed that an FTA with the US was a useful means to promote South Korea's role as an economic hub country in East Asia. He argued that a KORUS FTA is compatible with South Korea's globalization strategy that began in the early 1990s under President Kim Young-sam. For Yoon, it was important for South Korea to improve its competitive edge in high value-added service industries.<sup>29</sup>

Second, the Roh government believed that the KORUS FTA has the potential to improve not only economic ties but also overall diplomatic and security relations between Seoul and Washington. In light of the volatile security outlook in Northeast Asia—China's growth, Japan's normalization, and most importantly North Korea's nuclear adventurism—the Roh government had few options but to strengthen its ties with the United States. Cementing diplomatic ties with the US is strategically important because South Korea's future lies in how to coordinate with the US to ensure the peaceful resolution of the current North Korean nuclear crisis.<sup>30</sup> The KORUS FTA was expected to bring out pacifying effects on the Korean peninsula as well as in East Asia.

The Roh government thought that the KORUS FTA would greatly contribute to bolstering diplomatic and security relations between the two traditional allies in the region.<sup>31</sup> It was considered necessary to remedy the deteriorating bilateral relationship by concluding an FTA with the US. After his inauguration, President Roh repeatedly argued that it was time for South Korea to turn the bilateral relationship into a more equal one. The Roh government made clear that the US

---

<sup>27</sup> A presidential speech delivered to the Korea Chamber of Commerce and Industry, March 28, 2006. [http://news.naver.com/news/read.php?mode=LOD&office\\_id=023&article\\_id=0000178504](http://news.naver.com/news/read.php?mode=LOD&office_id=023&article_id=0000178504).

<sup>28</sup> *Joongang Ilbo*, April 6, 2007.

<sup>29</sup> A speech delivered to a conference organized by the Association of Junior High and High School Teachers, Jeju Island, July 24, 2006.

<sup>30</sup> South Korea had to follow the path that China and Japan set as it signed an FTA with ASEAN.

<sup>31</sup> A speech delivered to a conference organized by the Association of Junior High and High School Teachers, Jeju Island, July 24, 2006.

should not impede South Korea's attempt at improving the inter-Korean relationship under the guise of the Sunshine Policy, which strained the robustness of the alliance. The KORUS FTA was seen as a way to restore the Korea-US alliance.

Third, the Roh government attempted to incorporate North Korea into the regional and global economy with the KORUS FTA. In FTA negotiations not just with the US, but with all FTA partners, the Roh government tried to insert a special provision about the rules of origins (ROOs) for products made by South Korean companies in Gaeseong, North Korea. The Korean government in part succeeded in FTAs with Singapore, ASEAN, and the EFTA. The Roh government expected that North Korea's increased economic integration into the regional and global economy would ultimately lead to the soft landing of the North Korean economy, easing uncertainty on the Korean peninsula.

## 7.5 Conclusion

While FTAs have mushroomed in East Asia in the 2000s, each country has demonstrated unique linkage strategies between FTAs and security. China was eager to assure neighboring countries, particularly Southeast Asian countries, of its peaceful rise. From China's standpoint, an FTA with ASEAN was an effective means to allay their growing security concerns as well as to stop them from aligning with the US. China's preemptive move pushed Japan to drastically change its FTA strategy from FTAs with individual countries to an FTA with ASEAN. Japan also attempted to attract extra-regional powers such as Australia to counter the growing influence of China. However, afraid of political opposition from the domestic agriculture lobby, the Japanese government could not extend this linkage strategy to the US.

South Korea's linkage strategy is unique, compared to other East Asian countries, given that it successfully transformed its security alliance into a comprehensive alliance. With its ambitious regional vision in trouble, the Roh government regarded FTAs as a more effective mechanism for realizing its strategic goals. The KORUS FTA vividly demonstrates the emergence of South Korea's linkage strategy. The Lee Myung-bak government further strengthened this linkage strategy, emphasizing the importance of economic ties and the security alliance with the United States. Recognizing that tension in the ROK-US alliance significantly increased under the previous Roh government, the Lee government presented the KORUS to the National Assembly, despite vehement oppositions from civil activist groups and opposition parties. At the request of the Obama government, the Lee government agreed to re-negotiate the KORUS to modify the initial agreement. Although the Trade Minister Kim Jong Hoon claimed that the outcome of the renegotiation was well balanced, as South Korea elicited some concessions in pork and pharmaceuticals from the US in return for its compromise

on the auto issue, (MOFAT 2010) it would have been difficult for South Korea to re-negotiate the KORUS from a purely economic point of view.

The examination of individual countries' linkage strategies reveals interesting points. First, great powers tend to avoid signing FTAs amongst themselves in the shadow of political and security considerations. Instead, they compete to attract small powers to establish a better strategic position in the region. At the same time, great powers do not attempt to impede the other party's vital interests. Japan does not seek an FTA with Taiwan, despite substantial economic interests. In this regard, FTAs serve a hedging strategy of great powers that aid them to play the simultaneous game of cooperation and competition. Small powers also implement a linkage strategy. The gist of their linkage strategy is to attract regional and extra-regional powers, depending on their security and strategic concerns.

Strategic competition between China and Japan facilitated the emergence of linkage strategy in East Asia. Security considerations prevent China and Japan from signing an FTA with each other, thereby blocking the formation of an East Asian FTA. As a result, both countries competed to attract Southeast Asian countries as their FTA partners that would greatly help them take regional leadership. China, with the benefit of a highly centralized policymaking structure, moved ahead of Japan in this race. China's attempt at an FTA with ASEAN was not just to assuage Southeast Asian countries' fear of the economic rise of China, but also to place Japan on the defensive diplomatically.

The rivalry generated a strategic and security externality of FTAs in the region. Southeast Asian countries could take advantage of the strategic competition among great powers for an economically better deal, as demonstrated in the EHP in the China-ASEAN FTA (Mochizuki 2009). Even more importantly, as an ASEAN+1 type of FTA has become a dominant pattern, Southeast Asian countries could emerge as a hub in the East Asian FTA network.

## References

- Aggarwal, Vinod K. 2006. *Bilateral trade agreements in the Asia-Pacific: Origins, evolution, and implications*. London: Routledge.
- Aggarwal, Vinod K., and Mingyo Koo. 2005. Beyond network power? The dynamics of formal economic integration in Northeast Asia. *The Pacific Review* 18(2): 189–216.
- ASEAN Homepage. <http://www.asean.org/15265.htm>. Accessed July 22, 2012.
- ASEAN Secretariat. 2002. Appendix 3 Specific products covered by the early harvest programme under article 6(3)(a)(iii). <http://www.asean.org/22199.pdf>. Accessed July 22, 2012.
- Baldwin, Richard. 1993. A domino theory of regionalism. NBER working paper no. W4465 (Sept).
- Cai, Kevin G. 2004. Chinese changing perspective on the development of an East Asian free trade area. *The Review of International Affairs* 3: 584–599.
- Calder, Kent, and Min Ye. 2004. Regionalism and critical junctures: Explaining the 'organization gap' in Northeast Asia. *Journal of East Asian Studies* 4(2): 191–226.

- Capling, Ann. 2008. Preferential trade agreements as instruments of foreign policy: An Australia–Japan free trade agreement and its implications for the Asia Pacific region. *The Pacific Review* 21(1): 27–43.
- China FTA Network. <http://fta.mofcom.gov.cn/english/index.shtml>. Accessed July 22, 2012.
- Chung, Jin Young. 2007. The security externalities of regional trading agreements: The case of the KORUS FTA. *National Defense Studies* 50(1): 61–80.
- deLisle, Jaques. 2006. *Free trade areas: Legal aspects and the politics of U.S., PRC, and Taiwan participation*. Philadelphia: Foreign Policy Research Institute. <http://www.fpri.org/pubs/20061110.asia.delisle.freetradeareasprctaiwan.html>. Accessed July 22, 2012.
- Feinberg, Richard. 2003. The political economy of United States' free trade arrangements. *World Economy* 26(7): 1019–1040.
- Green, Michael. 2010. American aims: Realism still prevails over community idealism. *Global Asia* 5(1): 32–36.
- Grieco, Joseph. 1997. Systemic sources of variation in regional institutionalization in Western Europe, East Asia, and the Americas. In *The political economy of regionalism*, ed. Edward D. Mansfield and Helen V. Milner, 164–187. New York: Columbia University Press.
- Gruber, Lloyd. 2000. *Ruling the world: Power politics and the rise of supranational institutions*. Princeton: Princeton University Press.
- Hemmer, Christopher, and Peter J. Katzenstein. 2002. Why there is no NATO in Asia: Collective identity, regionalism, and the origins of multilateralism. *International Organization* 56(3): 575–607.
- Higgott, Richard. 2004. US foreign economic policy and the securitisation of globalisation. *International Politics* 41: 147–175.
- Hufbauer, Gary, and Jeffrey Schott. 2009. Fitting Asia–Pacific agreements into the WTO System. In *Multilateralizing regionalism: Challenges for the global trading system*, ed. Richard Baldwin and Patrick Low. Cambridge: Cambridge University Press.
- Ikenberry, John, and Michael Mastunduno, eds. 2003. *International relations theory and the Asia–Pacific*. New York: Columbia University Press.
- Institute of International Trade of Korea. 2011. The current status of FTA expansion and its implications. *Trade Focus* 10(19).
- Jiang, Yang. 2010. China's pursuit of international political economy: Is China exceptional? *Review of International Political Economy* 17(2): 238–261.
- Katada, Saori, and Mireya Solís. 2007. Understanding East Asian cross-regionalism: An analytical framework. *Pacific Affairs* 80(2): 229–257.
- Katzenstein, Peter J. 1997. Introduction: Asian regionalism in comparative perspective. In *Network power: Japan and Asia*, ed. Peter Katzenstein and Takashi Shiraiishi. Ithaca: Cornell University Press.
- Koo, Min Gyo. 2009. South Korea's FTA: Moving from an emulative to a competitive strategy. In *Competitive regionalism: FTA diffusion in the Pacific Rim*, ed. Mireya Solís, Barbara Stallings, and Saori N. Katada, 181–197. London: Palgrave.
- Kurlantzick, Joshua. 2008. *Charm offensive: How China's soft power is transforming the world*. Yale University Press.
- Kwei, Elaine. 2006. Chinese trade bilateralism: Politics still in command. In *Bilateral trade agreements in the Asia–Pacific: Origins, evolution, and implications*, ed. Vinod K. Aggarwal and Shujiro Urata, 117–139. Routledge.
- Lamberte, Mario B., Ma. Melanie S. Milo and Victor Pontines. 2001. No to yes? Enhancing economic integration in East Asia through closer monetary cooperation. Discussion paper series no. 2001-16. Philippine Institute for Development Studies.
- Lee, Seungjoo. 2006. Singapore trade bilateralism: A two-track strategy. In *Bilateral trade arrangements in the Asia–Pacific: Origins, evolution, and implications*, ed. Vinod K. Aggarwal and Shujiro Urata, 184–205. London: Routledge.
- Lee, Seungjoo. 2007. The evolution of South Korea's trade policy and FTA. *Journal of Korean Political and Diplomatic History* 29(1): 103–134 (in Korean).

- Lee, Seungjoo. 2010. Creating a region? The evolution of free trade agreements in East Asia. East Asia Institute (EAI) security initiative working paper no. 7, Sept. 2010.
- Lee, Seungjoo. 2012. The emergence of an economic-security nexus and the diversity of FTA linkage strategies in East Asia. *Korean Journal of Policy Studies* 27(1).
- Lee, Seungjoo, and Min Gyo Koo. 2006. South Korea's multi-track FTA strategy: Moving from reactive to proactive. Presented at the 2006 annual meeting of the American Political Science Association, Aug 31–Sept 3, Philadelphia, PA, USA.
- Leifer, Michael. 2000. *Singapore's foreign policy: Coping with vulnerability*. London: Routledge.
- Ministry of Economy, Trade, and Industry of Japan (METI). 2008. *White paper on international economy and trade*. Tokyo: METI.
- Ministry of Foreign Affairs and Trade of Korea. 2006. *Key initiatives of year 2006*. Seoul: The MOFTA.
- Ministry of Foreign Affairs and Trade of Korea. 2010. Briefing on the results of the KORUS renegotiations.
- Ministry of Foreign Affairs and Trade of Korea (MOFAT). <http://www.fta.go.kr/new/index.asp>. Accessed July 22, 2012.
- Ministry of Foreign Affairs of Japan (MOFA). <http://www.mofa.go.jp/policy/economy/fta/index.html>. Accessed July 22, 2012.
- Mochizuki, Mike M. 2009. Political-security competition and the FTA movement: Motivations and consequences. In *Competitive regionalism: FTA diffusion in the Pacific Rim*, ed. Mireya Solis, Barbara Stallings, and Saori N. Katada, 54–73. Palgrave.
- Moon and Rhyu. 2010. Rethinking alliance and the economy: American hegemony, path dependence, and the South Korean political economy. *International Relations of the Asia-Pacific* 10: 441–464.
- Mulgan, Aurelia George. 2005. Where tradition meets change: Japan's agricultural politics in transition. *Journal of Japanese Studies* 31(2): 261–298.
- Pang, Eul-Soo. 2007. Embedding security into free trade: The case of the United States–Singapore free trade agreement. *Contemporary Southeast Asia* 29(1): 1–32.
- Park, Yung Chul, and Yunjong Wang. 2005. The Chiang Mai initiative and beyond. *World Economy* 28(1): 91–101.
- Pempel, T.J. ed. 2005. *Remapping East Asia: The construction of a region*. Cornell.
- Pempel, T.J. 2006. The race to connect East Asia: An unending steeplechase. *Asian Economic Policy Review* 1(2): 239–254.
- Pempel, T.J. 2010. Soft balancing, hedging, and institutional darwinism: The economic-security nexus and East Asian regionalism. *Journal of East Asian Studies* 10(2): 209–238.
- Ravenhill, John. 2008. The move to preferential trade on the Western Pacific Rim: Some initial conclusions. *Australian Journal of International Affairs* 62(2): 129–150.
- Ravenhill, John. 2010. The 'new East Asian regionalism': A political domino effect. *Review of International Political Economy* 17(2): 178–208.
- Rozman, Gilbert. 2006. South Korean–Japanese relations as a factor in stunted regionalism. Paper presented a conference entitled "Northeast Asia's economic and security regionalism: Old constraints and new prospects," Center for International Studies, University of Southern California, Mar 3–4.
- Sally, Razeen. 2006. Free trade agreements and the prospects for regional integration in East Asia. *Asian Economic Policy Review* 1(2): 306–321.
- Shirk, Susan. 2010. American hopes: An agenda for cooperation that serves U.S. interests. *Global Asia* 5(1): 27–31.
- Singapore Government. [http://www.fta.gov.sg/sg\\_fta.asp](http://www.fta.gov.sg/sg_fta.asp). Accessed July 22, 2012.
- Sohn, Yul, and Min Gyo Koo. 2011. Securitizing trade: The case of the Korea–US free trade agreement. *International Relations of the Asia-Pacific* 11.
- Solis, Mireya. 2009. Japan's competitive FTA strategy: Commercial opportunity versus political rivalry. In *Competitive regionalism: FTA diffusion in the Pacific Rim*, ed. Mireya Solis, Barbara Stallings, and Saori N. Katada, 198–215. Palgrave.

- Stubbs, Richard. 2002. ASEAN plus three: Emerging East Asian regionalism? *Asian Survey* 42(3): 440–455.
- Terada, Takashi. 2009. Competitive regionalism in Southern Asia and beyond. In *Competitive regionalism: FTA diffusion in the Pacific Rim*, ed. Mireya Solís, Babara Stallings, and Saori N. Katada, 161–180. Palgrave.
- Terada, Takashi. 2011. Japan and management of the transatlantic crisis: Interaction and domestic struggles. *Contemporary Politics* 17(2): 201–215.
- The U.S. Trade Representative (USTR). 2006. Remarks by USTR portman and Korea trade minister kim at the launch of US–Korea free trade agreement negotiations, 2 Feb. [http://ustraderep.gov/assets/Document\\_Library/Transcripts/2006/February/asset\\_upload\\_file804\\_8935.pdf](http://ustraderep.gov/assets/Document_Library/Transcripts/2006/February/asset_upload_file804_8935.pdf).
- Wesley, M. 2008. The strategic effects of preferential trade agreements. *Australian Journal of International Affairs* 62(2): 214–228.
- Yang, Mu and Siam-Heng Heng. 2010. Promoting China-ASEAN economic cooperation under CAFTA framework. *International Journal of China Studies* 1(3): 667–684.
- Yoshimatsu, Hidetaka. 2006. The politics of Japan's free trade agreement. *Journal of Contemporary Asia* 36(4): 479–499.
- Zhao, Suisheng. 2010. China's approaches toward regional cooperation in East Asia: Motivations and calculations. *Journal of Contemporary China* 20(6): 53–67.

# Chapter 8

## Bilateral Trade Agreements and Human Security in Asia

Atsushi Yamada

### 8.1 Introduction

This chapter discusses the linkage between international trade and human security in Asian bilateral free trade agreements (FTAs). It begins with an overview of human security issues in intra-Asian FTAs and shows that no substantial provisions on environmental protection and labor standards can be found in them. But one issue area stands out: the mobility of persons, a controversial agenda to give people greater opportunities to work abroad while protecting their workers' rights. The issue has been debated under the World Trade Organization (WTO) as a part of the liberalization of trade in services, but has deadlocked because it touches on the controversy surrounding immigration. The General Agreement on Trade in Services (GATS) has failed to enact any provisions that satisfy both the receiving and sending nations. Interestingly, though, Japan—a nation with an unusually small immigrant population—became the first country to conclude bilateral FTAs that could encourage freer transnational movement of workers, going beyond GATS.

This chapter examines the circumstances surrounding Japan's FTAs and how trade and human rights are intertwined in both intended and unintended ways. I focus on the Japan–Philippines Economic Partnership Agreement (JPEPA) signed in 2006, in which Japan agreed to open its gates to foreign-born workers. Following this agreement, up to 1,000 Filipino nurses and caregivers were expected to enter Japan's exceptionally restrictive labor market in nursing virtually for the first time. A close look at the JPEPA, however, reveals the complexity and instability of the linkage between trade and human security. The JPEPA talks were prolonged due to this linkage. Furthermore, the conclusion of the JPEPA was only the

---

A. Yamada (✉)  
Hitotsubashi University, Tokyo, Japan  
e-mail: a041374u@r.hit-u.ac.jp



beginning of the conflict between the two values, as pro-JPEPA groups emphasized the expected economic gains, while anti-JPEPA actors insisted that workers' rights would be harmed by the trade deal.

This chapter is organized into four sections. [Section 8.2](#) is an overview of human security issues in intra-Asian FTAs. The discussion moves on to the issue of mobility of persons, examining how it has been linked to trade in multilateral ([Sect. 8.3](#)) and bilateral ([Sect. 8.4](#)) settings. [Section 8.5](#) is a case study of the JPEPA, followed by the conclusion.

## 8.2 Human Security in Asian FTAs

Perhaps the most notable characteristic of Asian free trade agreements is the near absence of labor and environmental issues in their texts, at least in the explicit form in which they have been included in NAFTA and subsequent US free trade agreements. As shown below, some Asian FTAs have no provisions on labor and the environment at all. Others have only one or two articles in which a general principle for cooperation on those issues is vaguely mentioned. The only exception is the Korea-US (KORUS) FTA, which devotes an entire chapter to each of the two issues. However, this addition reflects the characteristics of US agreements, rather than the preferences of Korea; all recent US FTAs contain similar regulations. The South Korean government only reluctantly agreed to insert these potentially domestically contentious provisions in order to enhance its economic and security ties with the US.<sup>1</sup>

Table 8.1 shows major FTAs signed by Japan, China and South Korea that are listed in the online database produced by the Asia Regional Integration Center (ARIC) at the Asian Development Bank (ADB) (Asia Regional Integration Center 2011). This database enables us to compare the specific provisions in virtually all bilateral and regional trade agreements, ranging from various trade facilitation measures to investment, competition policy, intellectual property and other issues. While a glance at the database allows us to see which FTAs do or do not contain provisions for a certain issue, scrutinizing the text of each agreement reveals variations among the seemingly similar provisions. Table 8.1 illustrates these differences for three human security issues: labor standards, environmental protection, and mobility of persons.

Labor is the issue least frequently mentioned in Asian trade agreements. Some Asian FTAs, marked (X) in Table 8.1, refer only vaguely to cooperation on labor, while others do not mention it at all. Except for the KORUS FTA, only the Japan–Philippines EPA (marked  $\triangle$ ) has an explicit provision on labor in a single article.

---

<sup>1</sup> See Aggarwal's chapter in Aggarwal and Urata (2006) for a cross-issue analysis of US free trade agreements, and Seungjoo Lee's chapter in this volume for the Korea-US FTA in particular. See also Shon and Koo (2011).

**Table 8.1** Labor, environment, and mobility of persons in selected Asian FTAs<sup>2</sup>

|                      | Signed                         | Labor standards   | Environmental policy | Mobility of persons |
|----------------------|--------------------------------|-------------------|----------------------|---------------------|
| JAPAN                | ASEAN-Japan Comprehensive EPA  | 2008.04 (2008.12) | ×                    | ×                   |
|                      | Japan-Bruncei FTA              | 2007.06 (2008.7)  | △                    | ○                   |
|                      | Japan-Chile EPA                | 2007.03 (2007.9)  | △                    | ○                   |
|                      | Japan-Indonesia EPA            | 2007.08 (2008.7)  | △                    | ⊙                   |
|                      | Japan-Malaysia EPA             | 2005.12 (2006.7)  | △                    | △                   |
|                      | Japan-Mexico EPA               | 2004.09 (2005.4)  | ×                    | ○                   |
|                      | Japan-Philippines EPA          | 2006.09 (2008.12) | △                    | ⊙                   |
|                      | Japan-Singapore EPA            | 2002.01 (2002.11) | ×                    | ○                   |
|                      | Japan-Switzerland EPA          | 2009.02 (2009.9)  | ×                    | ○                   |
|                      | Japan-Thailand EPA             | 2007.04 (2007.11) | ×                    | ○                   |
|                      | Japan-Vietnam EPA              | 2008.12 (2009.10) | ×                    | ○                   |
|                      | ASEAN-China CEPA               | 2004.11 (2005.7)  | ×                    | ×                   |
|                      | Asia-Pacific Trade Agreement * | 1975.07 (1976.6)  | ×                    | ×                   |
|                      | New Zealand-China FTA          | 2008.04 (2008.10) | (×)                  | ×                   |
|                      | China-Chile FTA                | 2005.11 (2006.10) | (×)                  | ×                   |
| China-Costa Rica FTA | 2010.04 (2011.8)               | (×)               | △                    |                     |
| China-Hong Kong CEPA | 2003.06 (2004.1)               | ×                 | △                    |                     |
| China-Macao CEPA     | 2003.10 (2004.1)               | ×                 | △                    |                     |
| China-Pakistan FTA   | 2006.11 (2007.7)               | ×                 | ×                    |                     |
| China-Peru FTA       | 2009.04 (2010.3)               | (×)               | (×)                  |                     |
| China-Singapore FTA  | 2008.10 (2009.1)               | ×                 | ×                    |                     |

(continued)

<sup>2</sup> Author's evaluation, based on data from the Asia Regional Integration Center (ARIC) *Free Trade Agreement Database for Asia* (available online at <http://www.aric.adb.org/>). Accessed 7 March 2012.

Table 8.1 (continued)

|       | Signed  | Labor standards | Environmental policy | Mobility of persons |
|-------|---|-----------------|----------------------|---------------------|
| KOREA | ASEAN–Korea CEPA<br>2006.08 (2007.6)              | ×               | ×                    | ×                   |
|       | India–Korea Comprehensive EPA<br>2009.08 (2010.1) | ×               | (×)                  | ○                   |
|       | Korea–Chile FTA<br>2003.02 (2004.4)               | ×               | △                    | ○                   |
|       | Korea–European FTA<br>2005.12 (2006.9)            | ×               | ×                    | △                   |
|       | Korea–Singapore FTA<br>2005.08 (2006.3)           | (×)             | (×)                  | △                   |
|       | Korea–United States FTA<br>2007.06                | ⊙               | ⊙                    | ×                   |

× No provisions

(×) Cooperation agreements only, without explicit linkage to trade

△ Single Article(s) devoted to the issue

○ Entire Chapter devoted to the issue

⊙ Entire Chapter devoted to the issue, with substantial WTO-plus provisions

Article 103 of the JPEPA states, “The Parties recognize that it is inappropriate to encourage investment by weakening or reducing the protections afforded in domestic labor laws.” It acknowledges that the liberalization of trade and investment should not harm internationally recognized labor rights, such as the right of association, adequate work conditions (e.g., minimum wages, hours of work, and safety regulations) and a prohibition on forced and child labor. But it does not go beyond a general principle, and thus falls far short of including the specific provisions articulated in many US-led FTAs. For example, the KORUS FTA devotes one entire chapter (Chap. 19) to labor issues, beginning with a proclamation that “the Parties reaffirm their obligations as members of the International Labor Organization (ILO),” followed by the detailed procedures and institutional arrangements for implementing and enforcing the agreements on labor standards.

More environmental provisions can be found in Asian FTAs. But again, except for the KORUS FTA, they are either a mere cooperation statement or a single article stating a general principle. For example, Article 74 of Japan’s EPA with Indonesia establishes that “each Party recognizes that it is inappropriate to encourage investments by investors of the other Party by relaxing its environmental measures.” In contrast, Chap. 20, “Environment,” in the KORUS FTA is over 3,000 words long and defines procedural matters (Article 20.4), mechanisms to enhance environmental performance (20.5), institutional arrangements (20.6), opportunities for public participation (20.7) and others. It also includes an Annex that lists the multilateral environmental agreements under which each country should fulfill its obligations. Such detailed provisions can be found nowhere in intra-Asian FTAs. Apparently “greening” trade agreements has yet to come in Asia (Markell and Knox 2003).

What stands out in Table 8.1 is the third item, the mobility of persons. The WTO has attempted to promote it as a part of the liberalization of trade in services, for some types of service trade accompany the movement of service providers across borders. It is also an issue of economic development, as many developing nations that rely on remittances want richer nations to open their doors to foreign-born workers. It is a human security issue as well, because the agreement should secure the labor rights of transnational workers. Developed nations, however, have been reluctant to take this issue so far as to reconsider their own, often controversial, immigration policies. Japan, known for its reluctance to accept foreign workers, falls into this category (Douglass and Roberts 2000).

Nevertheless, almost all Japanese EPAs cover the issue, not in a small article but in a wider chapter. Moreover, two of them (marked ☉) have substantial WTO-plus provisions on workers’ mobility. The WTO and many Asian FTAs (marked ○) have agreements to facilitate the entry and temporary stay of business visitors and certain types of workers. They typically state that the agreement shall not apply to measures affecting people seeking access to the employment market of the Parties, measures regarding nationality or citizenship, or residence or employment on a permanent basis. Japan’s EPAs with the Philippines and

Indonesia, however, include a provision under which workers (nurses and caregivers) from those nations can enter Japan and apply for a permanent employment (and possibly residence) if they fulfill certain requirements like passing Japan's qualification exams for those professions. No other FTAs have such a provision.

Several reasons have been pointed out to explain the *absence* of human security issues in Asian FTAs.<sup>3</sup> First, Asian nations tend to pursue FTAs for purely economic reasons. Most Asian nations regard themselves as latecomers in the global network of bilateral trade agreements that has expanded rapidly since the 1990s. To “catch the bus” to reap the expected economic gains is their primary, and often their sole, aim in trade negotiations. Second, for most Asian nations, labor and the environment are politically too sensitive to be discussed between governments. China and some ASEAN members have been subject to international criticism for their non-democratic political regimes, environmental pollution, prison labor, child labor, human trafficking and other human rights violations. They resent the fact that these “domestic matters” are put on the table in negotiations. Because these issues are seen only as obstacles to trade negotiations, Asian nations have tried to separate politics from economics in their talks. Third, cooperation on the environment and other human rights issues has been left out to be discussed in the broader regional forums, especially in the framework of Asia–Pacific Economic Cooperation (APEC). Bilateral talks tend to focus on more immediate, less contentious economic matters. Fourth, the domestic policy-making process in many Asian nations has impeded the inclusion of human security issues in their trade negotiations. Those nations tend to lack the political institutions and mechanisms through which citizen groups, labor organizations, and other societal actors can exercise their influence effectively in the trade policy-making process.

These characteristics explain the virtual absence of labor and environmental provisions in intra-Asian FTAs. But why, then, is the mobility of persons so salient, especially in Japanese FTAs? Some would argue that the issue is more economic than human; Japan is eager to ease the procedures for Japanese businesspeople to enter Asian countries where they have invested, while developing countries want to expand the “export” of their most competitive asset—workers. But then again, what about the “import” side of human mobility? Developed countries in general, and perhaps Japan in particular, have been very cautious in opening their borders to foreign workers. How could Japan accept provisions for human mobility that go well beyond the WTO? What do those trade agreements mean for the rights of workers, and what do they imply for the linkage between trade and human security? These are the questions to be addressed below.

---

<sup>3</sup> For the characteristics of Asian FTAs, see for example Aggarwal and Urata (2006) and Dent (2010).

### 8.3 International Mobility of Persons as a Human Right and Trade Issue

International mobility of persons has at least two facets as a global issue: human and economic (Smith and Favell 2009). While its economic aspect links the issue directly with international trade, its significance as a human rights issue makes the link more controversial and less harmonious in international talks.

The ILO estimates that in 2010 there were about 105.4 million migrant workers (including refugees) across the world, representing 44 % of the total migrant population of 213.9 million. The number grew from 86.2 million in 2000, and is expected to increase steadily in the coming years. While the US still attracts the largest portion of those foreign-born workers, their destinations have expanded globally: in 2010 around 60.2 million were in Europe and North America, while about 39.1 million were in Africa and Asia. Nearly half of them are women (International Labor Organization 2010, 17–18).

*Human Security Now: Protecting and Empowering People*, published in 2003 by the Commission on Human Security, confirmed that the goal of the ILO is to promote “opportunities for women and men to obtain decent and productive work, in condition of freedom, equity, security and human dignity” should be a universal value.<sup>4</sup> Yet many factors that affect the human security of transnational workers—labor policy, immigration policy, and social welfare for foreigners, among other things—are far from universal. They are contingent on each nation’s history, culture, demography and other characteristics. Thus, their changes, if any, can only be incremental. Foreign-born workers, especially low-skilled ones, often face exploitative working conditions and enjoy only limited human and labor rights in their host countries. Also, barriers to their entry are mounting in countries where unemployment, terrorism, crime, social disintegration and other disruptions are widely attributed to increasing numbers of immigrants.<sup>5</sup>

It is noteworthy that the liberalization of international trade has been one of the driving forces behind the increase of migrant workers. The mobility of persons was explicitly linked to trade when the liberalization of trade in services became an international priority. Unlike trade in goods, most (though not all) trade in services is accompanied by the cross-border movement of people, because most services cannot be stocked (medicines can be stocked, while medical services cannot), and most services are supplied and consumed simultaneously (a patient receives medical care in a doctor’s office). Freer mobility of service workers was thus incorporated into the agenda for freer trade in services.

It was during the Uruguay Round (1986–1994) when trade in services was put on the table as one of the new areas for liberalization. During these negotiations, the mobility of workers was linked to trade and discussed intensively for the first

---

<sup>4</sup> Commission on Human Security 2003, 78–79.

<sup>5</sup> For the linkage between immigration and national security, see for example Fernandes (2007); Givens et al. (2009); LeMay (2006); Martinez and Valenzuela (2006); and Rudolph (2006).

time in multilateral trade talks. The liberalization of trade in services was eagerly pursued by the United States and other nations with a competitive edge in finance, transportation, telecommunications, construction, retail and other service sectors. Many developing nations, on the other hand, expected that their workers could find greater opportunities to work abroad (and send remittances home). Yet developed countries already facing a significant increase in immigrants were unwilling to further open their doors to foreign-born workers, especially low-skilled workers. They declined to commit themselves to changing their existing migration control schemes through the trade talks, although they admitted that cross-border labor should be incorporated into the new agreement on trade in services.

The harsh negotiations resulted in the General Agreement on Trade in Services (GATS) and its Annex on Movement of Natural Persons Supplying Services under the Agreement, and became effective in 1995 when the WTO was launched. GATS classified the traded services into four Modes. The issue of transnational workers was connected most explicitly to Mode Four, “Presence of Natural Persons,” which dealt with services delivered within the territory of the member with the supplier present as a natural person, (e.g. medical services by doctors and nurses in foreign countries).<sup>6</sup>

To what extent did GATS actually liberalize the mobility of workers? Not much. First, GATS applies only to the temporary entry of service workers who are already employed in member countries. Thus, neither people seeking new jobs in foreign countries nor people seeking permanent foreign residence can expect any benefits. The “natural persons” in GATS refers to temporary (non-immigrant) workers, and it is stated that the “agreement shall not apply to measures affecting natural persons seeking access to the employment market of a Member, nor shall it apply to measures regarding citizenship, residence or employment on a permanent basis” (World Trade Organization 2005).<sup>7</sup>

Second, the agreement left each country considerable leeway in its existing immigration policy. It stated:

[The] Agreement shall not prevent a Member from applying measures to regulate the entry of natural persons into, or their temporary stay in, its territory, including those measures necessary to protect the integrity of, and to ensure the orderly movement of natural persons across, its borders, provided that such measures are not applied in such a manner as to nullify or impair the benefits accruing to any Member under the terms of a specific commitment (World Trade Organization 2005).<sup>8</sup>

Third, the actual commitments members have made since GATS came into effect are quite limited. GATS takes a “positive list” approach: every member lists the service sectors and regulations that it agrees will be subject to GATS rules.

---

<sup>6</sup> For more information on the GATS, see World Trade Organization (2005).

<sup>7</sup> See Paragraph 2 in Annex on movement of natural persons supplying services under the Agreement. Available at [http://www.wto.org/english/tratop\\_e/serv\\_e/8-anmvnt\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/8-anmvnt_e.htm). Accessed 7 March 2012.

<sup>8</sup> See Paragraph 4, *ibid*.

Juan A. Marchetti, a counsellor at the WTO Trade in Services Division, reviewed the lists made public by August 2004 in 37 service sectors and concluded that, among the four Modes, the degree of commitments in Mode Four was significantly limited (Marchetti et al. 2004). In Mode Four, most members made “horizontal” commitments that apply to all service sectors, which are generally more restrictive than specific sector-based commitments. Most members only agreed to ease the entry and short stay for three types of Mode Four service suppliers: (1) intra-corporate transferees, (2) business visitors, and (3) independent professionals (e.g., independent computer engineers who have contracts with foreign customers and enter the country).

These commitments do not satisfy developing countries that have few large corporations with foreign subsidiaries and advanced technologies. In the ongoing Doha Round, they demand more openness for their low-skilled service workers. Developed countries, however, are reluctant to make any commitments that would limit their leeway in implementing their respective immigration policies, which have already been under great stress domestically.

#### **8.4 Trade and Transnational Workers in Bilateral Agreements**

While the liberalization of international movement of persons has shown only limited success in the multilateral GATS scheme, some bilateral/regional free trade agreements have been able to discuss “GATS plus” issues.

There are broadly two opposite types of bilateral/regional treaties regarding the mobility of persons. At one extreme is the European Union (EU), within which the free movement of workers is admitted in principle. But it should be understood in its own unique context: the mobility of persons in the EU has evolved in the longer history of its market integration, apart from the service trade talks under the GATT/WTO since the late 1980s. The European Free Trade Association (EFTA) also belongs to this type.

At the other end of the spectrum are the FTAs that were concluded after GATS but added almost nothing. The United States-Singapore Free Trade Agreement (signed in May 2003), for example, allows business visitors to stay for up to 90 days without working permits, but requires them to certify that their main source of income comes from their home country, in order to ensure that they are staying only temporarily and not coming into the labor market in the host country. The EU is also very cautious when negotiating with countries outside its region. The treaty with Algeria, signed in April 2002 and entered into force in January 2005, adds virtually nothing to GATS, except for additional cooperation for border control, which is mainly to address the EU’s concern about illegal immigrants, not to open the borders to foreign workers (European Union 2005).



Most FTAs are located somewhere between the two poles. Their “GATS plus” commitments include the following. One is expanded coverage of people to be admitted. Although only three types of people—intra-corporate transferees, business visitors and independent professionals—are included in the horizontal commitments in GATS, investors are added to the list in some FTAs. Most of Japan’s EPAs (with Singapore, Mexico, Malaysia, Switzerland and others) eased the temporary stay of foreign investors (Ministry of Economy, Trade and Industry 2011, 554). Another commitment is eased conditions for entry. The Japan–Vietnam EPA (signed in December 2008), for instance, gives working permit as “technology” personnel to Vietnamese engineers who have been certified by the Vietnamese information technology qualification exams, regardless of their educational backgrounds (Prior to the EPA, technology personnel were required to have college degrees or equivalent training).<sup>9</sup>

Still another “GATS plus” commitment is sector-based liberalization. As mentioned in the previous section, almost all Mode Four commitments under the GATS are made horizontally (across all sectors), not in specific sectors. The Japan–Thailand EPA, on the other hand, specifies that Thai chefs who hold Thailand’s national certificate will be granted a four-year stay. Chefs are included in the Australia–Thailand FTA (signed in July 2004), too. The Japan–Thailand EPA also gives temporary working permits (categorized as education-related) to instructors of Thai traditional art performances, boxing, cooking, and Thai spa services. The Japan–India EPA (signed in February 2011) does the same for instructors of yoga, Indian traditional art performances, cooking, and English language.<sup>10</sup>

The most notable sector-specific commitments are embodied in Japan’s EPA with the Philippines (and later followed by the one with Indonesia). The EPA specifies Japan’s commitment to receive up to 1,000 nurses and caregivers in 2 years from the Philippines. What is innovative is that it grants not only temporary permits but also long-term, possibly permanent, stays to foreign workers. It is novel not only for Japan—known for its restrictive labor market and immigration control—but also for the existing “GATS plus” commitments other members have cautiously made. Why Japan agreed to make such a move, what the trade talks brought (or failed to bring) to the cross-border workers, and how trade and the human security of those workers are intertwined are questions that will be addressed in the next section.

---

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

## 8.5 Case Study: Japan's EPA with the Philippines

The Japan–Philippines Economic Partnership Agreement (JPEPA) was signed in September 2006 and took effect in December 2008. It was the first EPA that specified the terms under which Japan would accept foreign workers. Japan agreed to accept up to 400 nurses and 600 care workers in 2 years from the Philippines.

The Japanese government defines its EPAs as bilateral or regional agreements that encompass broader economic cooperation than FTAs, including trade, investment, government procurements, taxation, intellectual property rights, technology assistance, cultural exchange, education and human communication. Until the mid-1990s, at least publicly, the Japanese trade negotiation strategy focused almost exclusively on multilateral endeavors under the WTO. In the late-1990s, however, Japan started pursuing multi-layered strategies, seeking to negotiate simultaneously at the bilateral and regional levels to conclude EPAs with some of its major trading partners. Japan's foremost motivation to seek EPAs is to promote its exports and investments to those nations with higher barriers and to help Japanese corporations build their production networks effectively and operate globally. The rapid expansion of FTAs around the globe since the 1990s has further pushed Japan to have its own bilateral agreements (Solís et al. 2009).

Japan's partners, on the other hand, have their own reasons for pursuing the agreements. Since Japan's tariffs on industrial goods are already very low (2 % on average), they challenge Japan to liberalize two critical markets that it has long been reluctant to open up: agriculture and labor. The negotiations with the Philippines raised the question, for the first time in Japan's trade talks, of whether Japan would be willing to accept not only foreign products but also foreign workers.

Negotiations for JPEPA started in December 2003 when the summit meeting between Japanese and ASEAN leaders was held in Tokyo. The Filipino negotiators did not conceal from the beginning that one of their primary concerns was their largest “export”—workers. More than 20 % of the Philippines' working age population live and work abroad. In 2009, overseas remittances totaled US\$19,766 million, or 12.3 % of the nation's gross national income (World Bank 2011, 205).

Soon after the launch of preliminary negotiations, the Japanese negotiators were told that priority should be given to nurses and caregivers whom Philippine President Gloria Macapagal-Arroyo called “the best trained and dedicated workers in the world.” Philippine nurses and caregivers are indeed highly reputed in their host countries. About 70 % of the new graduates of Philippine nursing schools each year choose to work abroad. Their main destinations are Saudi Arabia, the United States, the United Kingdom, Libya, the United Arab Emirates, Ireland and Singapore (Ronquillo et al. 2005).

Japan, on the other hand, had accepted virtually no foreign nurses and caregivers prior to the EPA talks. Since the revision of its Immigration Control and Refugee Recognition Act in 1990, Japan has retained a remarkably selective

immigration policy: it welcomes highly-skilled workers, while deliberately controlling the entry of low-skilled workers. Such a selective stance is not unique to Japan, as many European nations maintain similar immigration controls.<sup>11</sup> But Japan's actual record is unparalleled by any other industrialized nations: while immigrants exceed ten percent of the total population in Germany, France, the UK and other European nations, registered foreign-born residents in Japan make up less than two percent of the total population, and almost none of them hold working permits as registered nurses or caregivers.<sup>12</sup>

Before the trade talks started, however, there had already been debates in Japan about whether the nation, with its low fertility rate and aging society, should rely more on foreign workers to ameliorate its medical and care labor shortages. Yet various concerns hindered the government from taking any significant steps forward. Japan's nurses and caregivers associations insisted that the policy priority should be given to improving the wages and benefits for Japanese workers to discourage them from leaving their jobs and to encourage those who had already left to return. The associations also claimed that increasing foreign workers would cause the current working conditions for domestic workers to deteriorate even further. Their position was backed by the Ministry of Health, Labor and Welfare (MHLW), which oversees both labor and health care policies. MHLW, along with the Ministry of Justice (MOJ), which oversees immigration policy, were also concerned about the possible entry of low-skilled workers, as many caregivers were engaged in maid-like work in other countries.

Japanese business leaders, represented by *Keidanren* (Japan Business Federation), were the most vocal advocates of JPEPA. Their interest was in the expansion of exports and investment and the protection of intellectual property rights. *Keidanren* had also published several policy recommendations for attracting skilled foreign workers.<sup>13</sup> The Ministry of Economy, Trade and Industry (METI) backed the business lobby's pro-EPA position. The Ministry of Foreign Affairs (MOFA) also supported the series of EPA initiatives to promote bilateral and regional diplomatic cooperation.

Japanese hospital staffs were ambivalent: they believed foreign-born nurses and caregivers could help ease their serious labor shortage, but were also worried that the newcomers did not have the necessary Japanese language skills for daily medical operations and communication with staff and patients. Prime Minister Junichiro Koizumi's cabinet took an ambivalent position: Filipino nurses and caregivers would be accepted, as the Philippine government requested, but with some strict requirements to secure skilled workers. The proposal required that the applicants hold medical college degrees, have some work experience, and pass the

---

<sup>11</sup> On the mobility of highly-skilled workers, see for example Cornelius et al. (2001).

<sup>12</sup> For Japan's immigration policy, see for example Douglass and Roberts (2000); Kondo (2008); Tsuda (2006); and Tsuda and Cornelius (2004).

<sup>13</sup> *Keidanren's* policy proposals in English are available at <http://www.keidanren.or.jp/english/policy/index.html>. Accessed 1 March 2012.

Japanese qualification exams for registered nurses and caregivers. Their number was also to be restricted.

The Philippines wanted a much less restrictive scheme. Nurses and caregivers were discontent with being treated as mere “interns” before passing the exams that seemed extremely demanding for non-Japanese. The Philippine government first requested the mutual recognition of nurse and caregiver licenses. Japan had only allowed mutual license recognition with some Asian nations in the information technology field. MHLW rejected it for nursing on the grounds that, as one MHLW official said, “patients and elderly people are not machines and cannot be treated in the universally standardized way.”<sup>14</sup> The focus of negotiations shifted to numerical limits: MHLW initially proposed that 100 nurses or caregivers be allowed to enter per year, but that number was too small to satisfy the Philippines.

The final deal was made in September 2006, when Prime Minister Koizumi and President Arroyo met in Helsinki, where they were attending the sixth summit talks of the Asia–Europe Meeting (ASEM). Japan agreed to accept up to 1,000 nurses and caregivers in two years, but imposed some strict requirements on those entering. The Philippines agreed to those requirements, but reduced Japan’s economic gains: although Japan demanded the removal of tariffs on all Japanese cars, only small cars (with engine size of 3,000 cc or less) were exempted from the final deal. Still, both sides agreed to a deal that was expected to abolish tariffs on 94 % of all goods traded between the two nations.

Yet the case was not concluded there. The end of interstate talks only ignited serious concerns about Filipino workers’ rights. The Philippine Nurses Association (PNA) was especially discontent with the JPEPA requirements: their nurses/caregivers could start working only as candidates (interns), regardless of their prior work experience, and would be required to pass exams to be registered nurses/caregivers. Nurses had to pass the exam (full of medical terms written in Japanese) within 3 years of their stay as candidates and caregivers within 4 years. Candidates who failed had to leave Japan.

When the Philippine Senate opened the hearings for the JPEPA ratification in 2007, PNA issued a position statement against it. The statement insisted that while Filipino nurses “are dubbed to be the best nurse in the world,” the JPEPA “shortchanges the professional qualifications of Filipino nurses and exposes to potential abuse and discrimination those who may be unwittingly enticed to seek Japanese employment under its bilateral channel.” With the JPEPA, “Japan slightly opened the gate to the yard, but double-bolted the door to the house.” PNA did acknowledge that communication skills form an integral part of health care service delivery, but claimed that “the language skills required by the JPEPA are so high as to constitute an almost impregnable barrier to our entry. Filipino nurses, given the unnecessarily stringent requirements, will most likely end up providing cheap labor and quality nursing care as nursing trainees in Japanese health care facilities.” The statement concluded, “The economic values of JPEPA should

---

<sup>14</sup> Author’s interview in Tokyo, November 15, 2011.

exclude nurses for the issue is beyond just the influx of economic variables but the dignity of professionals” (Philippine Nurses Association 2007).

Senate ratification was further delayed as environmental activists joined the anti-JPEPA coalition. They claimed that the agreement would allow the tariff-free entry of incinerator ash, residues containing mercury and arsenic, sewage sludge, clinical waste and other toxic waste. Thus, the Philippines would become a “trashcan” for Japan’s hazardous waste. They also argued that the JPEPA would cause serious harm to the Philippines’ marine reserves and ecosystems since it allows more exports of marine products such as tuna. Environmentalists, PNA, and other civic groups formed Magkaisa Junk JPEPA Coalition (MJJC) and demanded the government and the Senate abolish the signed agreement or re-negotiate it.<sup>15</sup>

The Arroyo government continued its efforts to persuade the Senate of the benefits of JPEPA. The government argued that JPEPA would boost the economy as it would allow Philippine pineapples, bananas, tuna, and other products greater access to Japan’s markets. It also said that tourism, medical and other service-related industries would benefit. Since Japan had already ratified JPEPA in its Diet, it said, the agreement could not be renegotiated and would become effective once the Philippine Senate ratified it. The government also warned of the costs of lost opportunities. Nearly one year after the signing of JPEPA, Japan and Indonesia signed the Japan–Indonesia Economic Partnership Agreement (JIEPA); it went into effect in July 2008. JIEPA had a similar nurse/caregiver program and the first group of Indonesian nurses and caregivers arrived in Japan in August 2008, while JPEPA was still on the Senate floor.<sup>16</sup>

The Senate finally ratified JPEPA in October 2008 with a 16-4 vote. The agreement became effective in December, more than two years after it was signed. The first group of 310 Filipino nurses and caregivers arrived in Japan in May 2009, and the second 128 in May 2010. In total, more than 1,100 nurses and caregivers came to Japan under the JPEPA and JIEPA by mid-2011.<sup>17</sup>

The EPAs lured many workers with higher salaries, geographical proximity, safe and clean working environments, and new opportunities in Japan. Once qualified, immigrant workers would be entitled to work as registered nurses and caregivers with salaries and other benefits equivalent to what their Japanese colleagues get. Because their working permits can be extended repeatedly, they would be able to work and live in Japan as long as they liked.

---

<sup>15</sup> *Philippine Daily Inquirer*, various articles, available online at <http://newsinfo.inquirer.net/> (accessed December 1, 2011).

<sup>16</sup> In JIEPA Japan agreed to launch the JPEPA-type program (up to 1,000 nurses and caregivers in 2 years) in exchange for the long-term supply of liquefied natural gas from Indonesia, which was vital for Japan’s energy security. Apparently its ratification in Indonesia was less troubled because: domestic debate over trade was not ripe yet as it was Indonesia’s very first FTA; Indonesians knew their gains were not smaller than their precedence, JPEPA, and; their terms were slightly better (Philippine nurse candidates were required to have three year work experience, while Indonesian candidates needed two).

<sup>17</sup> *Philippine Daily Inquirer*, various articles.

However, the reality was as harsh as Filipino activists had forecasted. None of the 82 candidates who sat in the qualification exam for nurses in February 2009 (the first chance for the EPA candidates) passed. In the February 2010 exam, only two Indonesian nurses and one Filipino nurse passed, while 251 candidates failed. The nurse candidates must pass the exam within 3 years; if they fail three times, they go home. About 90 % of Japanese applicants pass the exam, which suggests that the language is a major obstacle for foreigners. The caregiver candidates are facing even a tougher challenge: they have only one chance to take the exam within 4 years. Half of Japanese caregiver candidates fail each year, but they can try again.

For the first group of Indonesian nurse candidates who came to Japan in 2009, the February 2011 exam was the last chance. If most of the 100 candidates failed and were forced to leave, it would result in a “diplomatic confrontation,” said a Japanese official engaged in the EPA talks.<sup>18</sup> Facing growing anxiety and discontent, MHLW announced that it would provide English translations for the names of diseases and simplify the wording of some of the questions. The 2011 exam was held on February 20 with 398 Indonesian and Filipino candidates taking seats. Although more people passed compared to the previous two exams, only 16 candidates (15 Indonesian and one Filipino) made it through.<sup>19</sup> After the exam, the government announced that those who scored 102 or higher out of 300 are entitled to stay and try again. While 68 out of 78 candidates who failed the examination were to be given another chance, 25 had reportedly already left Japan.<sup>20</sup>

In retrospect, because the foremost goal in the interstate negotiations was to strike a package deal rather than to discuss the issue of transnational workers per se, the nurse and caregiver program in JPEPA (and JIEPA which modeled it) was not well prepared, which later distressed individual workers. Their employers were discouraged as well: it was mostly left to Japanese hospitals to determine what nursing duties would be given to the foreign workers while they were interns and how to help them pass the exams within a few years. It appears that Japanese hospitals are becoming less enthusiastic about hiring these foreign workers.<sup>21</sup>

The EPA talks also left out other issues concerning the mobility of persons and human rights. One such issue was the “brain drain” in the medical field. One study estimates that there is a shortage of approximately 30,000 nurses in the Philippines, as richer nations draw more and more medical personnel from across the globe to fulfill their own needs. The JPEPA talks failed to address the likelihood

---

<sup>18</sup> *Mainich Shimbun*, July 8, 2010, 1.

<sup>19</sup> *Nihon Keizai Shimbun* (online), March 25 and 26, 2011.

<sup>20</sup> *Asahi Shimbun* (Online), June 14, 2011.

<sup>21</sup> To a questionnaire sent to major Japanese hospitals in early 2008, while nearly half (46 %) responded that they were willing to hire the nurses if they had already passed the exam, 62 % answered that they were hesitant to accept the EPA “candidates.” Kawaguchi et al. (2009).

that the “brain drain” could impoverish the health and lives of the sending nations.<sup>22</sup> Another untouched issue was human trafficking. Although it is widely recognized that a large amount of transnational migration occurs outside the rules, the negotiators simply assumed the issue was not fit for a trade agreement and left it to other multilateral forums for humanitarian cooperation.<sup>23</sup>

## 8.6 Conclusion

Dealing with human security issues in trade talks is not an easy task. The near absence of human security issues in Asian FTAs suggests that linking trade and human security is by no means easier than linking trade and traditional security, although further research would be necessary to substantiate this claim. The conventional distinction between high and low politics would be misleading for our effort to understand the linkage between trade and security.

One of the few exceptions to this missing link in Asia is Japan’s EPA with the Philippines, but even this case illustrates the difficulty of such a linkage. The negotiations between the two governments were prolonged because they had to link a human security issue to trade, without fully acknowledging the complex nature of that linkage. A human security issue has multiple links: the mobility of workers is connected not only to the freer trade in services (as being discussed in the WTO), but also to the host nation’s labor conditions, immigration policy, the sending nation’s economic development, and of course the well-being of workers themselves. The linkage between trade and human security, therefore, would not be a simple one-to-one relationship.

The JPEPA case also illustrates the need to recall what seems to be obvious: human security is a “human” matter, while trade is essentially an economic one. JPEPA added some substantial “GATS plus” elements for the mobility of persons, but the two governments addressed the economic aspect of the issue without carefully examining its human side; the foremost concern was the economic value of JPEPA that promoted the “export” of workers, and less attention was paid to what would happen *after* the workers got into the market. Exported goods are only to be consumed in the foreign market, but individual workers are not. In this sense, the linkage between trade and mobility of persons was only half done, and remained unstable even after the two governments signed the deal.

---

<sup>22</sup> For the global brain drain problem in medical and health services, see for example Bach (2003); Blouin et al. (2006); and Simoens (2005).

<sup>23</sup> The author thanks Lonny Carlile for his comment on this point.

## References

- Aggarwal, Vinod K., and Shujiro Urata, eds. 2006. *Bilateral trade agreements in the Asia-Pacific: Origins, evolution and implications*. London: Routledge.
- Asia Regional Integration Center. 2011. Free trade agreement database for Asia. [www.aric.adb.org](http://www.aric.adb.org). Accessed 1 Mar 2012.
- Bach, Stephen. 2003. International migration of health workers: Labour and social issues. Working paper 209. Geneva: International Labour Office. [http://www.medact.org/content/health/documents/brain\\_drain/Bach%20Health%20worker%20Migration%20WP%202009.pdf?](http://www.medact.org/content/health/documents/brain_drain/Bach%20Health%20worker%20Migration%20WP%202009.pdf?). Accessed 15 Mar 2012
- Blouin, Chantal, et al., eds. 2006. *International trade in health services and the GATS: Current issues and debates*. Washington: World Bank.
- Commission on Human Security. 2003. *Human security now: Protecting and empowering people*. New York: United Nations.
- Cornelius, Wayne A., et al., eds. 2001. *The international migration of the highly skilled: Demand, supply, and development consequences in sending and receiving countries*. San Diego: Center for Comparative Immigration Studies.
- Dent, Christopher. 2010. Free trade agreements in the Asia-Pacific a decade on: Evaluating the past, looking to the future. *International Relations of the Asia-Pacific* 10(2):201-245.
- Douglass, Mike, and Glanda S. Roberts, eds. 2000. *Japan and global migration: Foreign workers and the advent of a multicultural society*. Honolulu: University of Hawai'i Press.
- European Union. 2005. Euro-Mediterranean agreement establishing an association between the European Community and its member states, of the one part, and the People's Democratic Republic of Algeria of the other part. <http://ec.europa.eu/world/agreements/downloadFile.do?fullText=yes&treatyTransId=1241>. Accessed 7 Mar 2012.
- Fernandes, Deepa. 2007. *Targeted: Homeland security and the business of immigration*. New York: Seven Stories Press.
- Givens, Terri E., et al., eds. 2009. *Immigration policy and security: U.S., European, and commonwealth perspectives*. New York: Routledge.
- International Labor Organization. 2010. *International labor migration: A rights-based approach*. Geneva: ILO.
- Kawaguchi, Yoshichika, et al. 2009. Nihon Zenkoku no Byoin ni okeru Gaikoku-jin Kangohu Ukeire ni Kansuru Chosa (Dai Ippou): Kekka no Gaiyou (A nationwide survey on acceptance of foreign nurses in Japan's hospitals (1): An outline of the results). Kyushu University Asia Sogo Seisaku Center Kiyo, No. 3, 53-58.
- Kondo, Atsushi. 2008. New challenges for managing immigration in Japan and comparison with western countries. In *Migration and globalization: Comparing immigration policy in developed countries*, ed. Kondo. Tokyo: Akashi Shoten (ch. 1).
- LeMay, Michael G. 2006. *Guarding the gates: Immigration and national security*. Westport: Praeger Security International.
- Marchetti, Juan A. 2004. Developing countries in the WTO service negotiations. WTO staff working paper ERSD-2004-06. Geneva: WTO.
- Markell, David L., and John H. Knox, eds. 2003. *Greening NAFTA: The North American commission for environmental cooperation*. Stanford: Stanford Law and Politics.
- Martinez Jr., Ramiro, and Abel Valenzuela Jr., eds. 2006. *Immigration and crime: Race, ethnicity, and violence*. New York: New York University Press.
- Ministry of Economy, Trade and Industry. 2011. *Report on compliance by major trading partners with trade agreements: WTO, FTA/EPAs, BITs*. Tokyo: METI.
- Philippine Nurses Association. 2007. Position Statement on the JPEPA (29 Oct). [www.pna-ph.org/press\\_releases/8.pdf](http://www.pna-ph.org/press_releases/8.pdf). Accessed 1 Dec 2011.
- Ronquillo, Kenneth, Fely Marilyn Elegado-Lorenzo, and Rodol Nodora. 2005. Human resources for health migration in the Philippines: A case study and policy directions. Paper for ASEAN



- learning network for human resources for health, Aug 2–5, 2005, Bangkok, Thailand. <http://aaahrh.org/reviewal/Philippines%20-%20draft.pdf>. Accessed 1 Mar 2012.
- Rudolph, Christopher. 2006. *National security and immigration: Policy development in the United States and Western Europe since 1945*. Stanford: Stanford University Press.
- Shon, Yul, and Min Gyo Koo. 2011. Securitizing trade: The case of the Korea–US free trade agreement. *International Relations of the Asia-Pacific* 11(3): 433–460.
- Simoens, Steven, et al. 2005. Tackling nurse shortages in OECD countries. OECD health working papers. <http://www.oecd.org/dataoecd/11/10/34571365.pdf>.
- Smith, Michael Peter, and Adrian Favell, eds. 2009. *The human face of global mobility: International highly skilled migration in Europe, North America and the Asia–Pacific*. New Brunswick: Transaction Publishers.
- Solis, Mireya, Barbara Stallings and Saori N. Katada, eds. 2009. *Competitive Regionalism: FTA Diffusion in the Pacific Rim*. New York: Palgrave Macmillan.
- Tsuda, Takeyuki, eds. 2006. *Local citizenship in recent countries of immigration: Japan in comparative perspective*. Lanham: Lexington Books.
- Tsuda, Takeyuki, and Wayne A. Cornelius. 2004. Japan: Government policy, immigrant reality. In *Controlling immigration: A global perspective*, 2nd edn, ed. Cornelius, et al. Stanford: Stanford University Press (ch. 11).
- World Bank. 2011. *Migration and remittances factbook 2011*, 2nd edn. Washington: World Bank.
- World Trade Organization. 2005. *A handbook on the GATS agreement: A WTO secretariat publication*. Cambridge: Cambridge University Press.

# Chapter 9

## Linking Traditional and Non-Traditional Security in Bilateral Free Trade Agreements: The US Approach

Vinod K. Aggarwal

### 9.1 Introduction

Although many commentators bemoan the politicization of trade negotiations over market opening, such efforts have always been used, at least in part, as instruments to promote state goals. This chapter focuses specifically on US efforts to link both traditional and non-traditional security issues to trade in their negotiation of bilateral free trade agreements (FTAs).<sup>1</sup> Such accords have become increasingly common in the wake of the moribund Doha Development Round (DDA) of the World Trade Organization (WTO). With other countries pursuing such accords, particularly in Asia, understanding how countries engage in issue linkages to trade is particularly timely.

Prior to the 2000s, the US concluded only two FTAs. In 1985, the US inked an agreement with Israel, which was driven by strategic and political factors. In 1988, the US and Canada signed an FTA (Canada–US Free Trade Agreement or CU-FTA) that proved to be a forerunner to the North American Free Trade Agreement (NAFTA), which was concluded in 1993. Shortly before he left office, President Clinton agreed to negotiate FTAs with Jordan, Singapore, and Chile. Despite lacking fast track authority, President Bush was able to secure Congressional

---

I would like to particularly thank Ren Yi Hooi and Alexander Newhall for their diligent research assistance. Sonia Aggarwal, Kathy Bowen, Michelle Chang, Lauren Dansey, Do-Hee Jeong, Cindy Li, Natalia Li, Robert Nelson, and Viola Tan also provided background assistance on this paper. I am indebted to Sara Newland and Stuart Chemtob for their valuable comments.

---

<sup>1</sup> Although these agreements are sometimes referred to as preferential trade agreements, I use the more popularly used term of FTAs.

---

V. K. Aggarwal (✉)  
University of California, Berkeley, USA  
e-mail: vinod@berkeley.edu

approval for the Jordan agreement. In the wake of 9/11, he was able to receive fast track authority (now known as Trade Promotion Authority, or TPA) in August 2002 by drawing on the link between trade and security. USTR Robert Zoellick then proceeded to negotiate a large number of FTAs, albeit with relatively small countries. For his part, President Obama has yet to obtain TPA, and thus US negotiation of further FTAs is likely to be slow, aside from the Trans-Pacific Partnership (TPP) effort that we will discuss in the conclusion. (For a list of US FTAs, see Table 9.1).

This chapter focuses primarily on the process of linkage formation in the US in its FTAs. To this end, Sect. 9.2 reviews the driving factors involved in the choice of trade partners and issues for US accords, drawing on political economy arguments and linkage theory, as discussed in the framing chapter. Section 9.3 considers US policy efforts historically to link traditional security to trade negotiations prior to the 9/11 attack (after which security concerns became paramount in FTA trade policy). Section 9.4 then turns to efforts to link trade to the non-traditional security issues of labor and the environment, focusing in particular on the aftermath of NAFTA negotiations. Section 9.5 looks at developments from the Cambodian 1999 bilateral textile agreement to the Seattle WTO Ministerial Conference failure in 1999 and ends with the May 2007 TPA agreement in Congress on linking trade and non-traditional security issues. Section 9.6 of the paper then summarizes US FTAs in the 2000s from an empirical standpoint, with attention to the driving forces for different accords. Section 9.7 concludes with likely directions for US trade policy.

## 9.2 Analytics: Partner Choice and Linkages

I focus on two key inter-related questions with respect to the negotiation of FTAs. First, how does the executive decide on the countries it will negotiate agreements with and the issues that will be on the agenda? Second, at the international level, how do negotiators attempt to convince their counterparts to agree to various tradeoffs involved in negotiations, potentially involving traditional security, non-traditional security, and economic considerations? The first question on choosing partners and issues is related to two processes: the domestic agenda-setting process from a top-down (state-led) perspective and a bottom-up process of lobbying by business and a variety of societal groups. The most important overarching linkage concerns, from both a theoretical and empirical standpoint, can be divided into traditional security, political/non-traditional security, and economic drivers. To make the discussion more concrete I focus on the driving forces for US policy on FTAs.<sup>2</sup> With these broad categories, it is useful to consider a variety of elements. These include:

---

<sup>2</sup> Feinberg (2006) focuses on the official US rationale for FTAs, namely: asymmetric market reciprocity, precedents for wider accords, rewarding market reformers, and strategic partnerships. My analysis specifies a larger set of factors and differentiates the driving forces further. Many of the factors discussed here are examined in Aggarwal (2006).

**Table 9.1** US Free Trade Agreements

| FTAs in force                                |  |
|--|--|
| US-Israel FTA                                | Negotiations concluded February 1, 1985<br>Passed House: 422-0<br>Passed Senate without amendment by voice vote<br>June 11, 1985: Signed by the President.<br>Entered into force September 1, 1985   |
| US-Canada FTA                                | Negotiations concluded October 3, 1987<br>Suspended with implementation of NAFTA<br>August 9, 1988: Passed House by Voice vote 366-40<br>September 19, 1988: Passed Senate without amendment<br>by voice vote 83-9<br>September 28, 1988: Signed by the President<br>Negotiations concluded August 12, 1992<br>November 17, 1993: Passed House 234-200<br>November 20, 1993: Passed Senate without amendment<br>by voice vote 61-38<br>December 8, 1993: Signed by the President<br>Entered into force January 1, 1994 |
| North American Free Trade Agreement<br>(FTA) | Negotiations concluded October 24, 2000<br>July 31, 2001: Passed House as amended by voice vote<br>September 24, 2001: Passed Senate without amendment by voice vote<br>September 28, 2001: Signed by the President<br>Entered into force December 17, 2001  |
| US-Jordan FTA                                | Negotiations concluded December 11, 2002<br>July 24, 2003: Passed House by recorded vote: 270-156<br>July 31, 2003: Passed Senate without amendment by voice vote 65-32<br>September 3, 2003: Signed by the President<br>Entered into force January 1, 2004  |
| US-Chile FTA                                 |  |

(continued)

Table 9.1 (continued)

|   |   |
|---|---|
| FTAs in force   |   |
| US–Singapore FTA                                      | Negotiations concluded January 16, 2003<br>July 24, 2003: Passed House 272-155<br>July 31, 2003: Passed Senate by voice vote 66-32<br>September 3, 2003: Signed by the President<br>Entered into force January 1, 2004  |
| US–Australia FTA                                      | Negotiations concluded February 8, 2004<br>July 14, 2004: Passed House by voice vote 314-109<br>July 15, 2004: Passed Senate without amendment by voice vote 80-16<br>August 3, 2004: Signed by the President<br>Entered into force January 1, 2005   |
| US–Morocco FTA  | Negotiations concluded March 2, 2004<br>July 22, 2004: Passed House by voice vote 323-99<br>July 22, 2004: Passed Senate, read twice, considered, read third time, passed without amendment by Unanimous Consent<br>August 17, 2004: Signed by the President<br>Entered into force January 1, 2006  |
| US–Dominican Republic–Central American FTA (DR-CAFTA) | Negotiations concluded March 15, 2004<br>July 28, 2005: Passed House by recorded vote 217-215<br>July 28, 2005: Passed Senate without amendment by voice vote 55-45<br>August 2, 2005: Signed by the President.<br>Entered into force with El Salvador (March 1, 2006), Honduras and Nicaragua (April 1, 2006), Guatemala (July 1, 2006), the Dominican Republic (March 1, 2007) and Costa Rica (January 1, 2009) |
| US–Bahrain FTA  | Negotiations concluded May 27, 2004<br>December 7, 2005: Passed House by voice vote 327-95<br>December 13, 2005: Passed Senate without amendment by unanimous Consent<br>January 11, 2006: Signed by the President<br>Entered into force August 1, 2006   |

(continued)

**Table 9.1** (continued)

|                    |  |
|--------------------|--|
| FTAs in force      |  |
| US–Oman FTA        | Negotiations concluded October 3, 2005<br>Signed January 19, 2006<br>July 20, 2006: Passed House by voice vote 221-205<br>September 19, 2006: Passed Senate without amendment by voice vote 62-32<br>September 26, 2006: Signed by the President<br>Entered into force January 1, 2009 |
| US–Peru FTA        | Negotiations concluded December 7, 2005<br>Signed April 12, 2006<br>November 8, 2007 Passed House by voice vote 285-132<br>December 4, 2007 Passed Senate without amendment by voice vote 77-18<br>December 14, 2007 Signed by the President<br>Entered into force February 1, 2009    |
| US–Colombia FTA    | Agreement signed November 22, 2006. Passed House (262-167) and Senate (66-33) October 12, 2011.<br>Entered into force May 15, 2012   |
| US–Panama FTA      | Agreement signed June 28, 2007. Passed House (300-129) and Senate (77-22) on October 12, 2011  |
| US–South Korea FTA | Agreement signed June 30, 2007. October 12, 2011 passed by Senate (83-15) and House (278-151) October 12, 2011.<br>Entered into force March 15, 2012   |

### Traditional Security

- promotion and support of allies (with goals such as the war on terror)
- balance of power considerations vis-à-vis other powers
- political support for economic reforms<sup>3</sup>

### Non-traditional security (both motivations and constraints)

- democracy promotion and the rule of law
- the environment
- human rights
- labor laws

### Economic considerations

- classical gains from trade and investment
- losses to specific groups from FTA
- incorporate economic issues beyond trade onto the agenda
- catalyze broader negotiations
- counter economic discrimination

Both US policymakers and specific interest groups have focused on these considerations as a rationale for pursuing FTAs.<sup>4</sup> Within the traditional security category, supporting allies or seeking new ones was an important motivating force for the US–Israel FTA as well as many accords pursued in the wake of 9/11. In some cases, countering rising powers such as China with FTAs (balance of power considerations) have come to the fore. More politically, support for economic reforms has often been used in FTAs to bind countries to more market-friendly policies.

With respect to non-traditional security, the US began to include these issues in its negotiations with countries beginning with its unilateral Generalized System of Preferences (GSP) program (focusing on labor). Other issues such as the environment came onto the agenda in the NAFTA debate. Democracy promotion and human rights have also been a common theme in discussions about FTAs, but except for labor related provisions, US FTAs do not contain provisions on these two elements.

In terms of economic considerations, although the US has sought FTAs to promote trade liberalization, in many cases the direct trade benefits are either marginal because other countries are already open (e.g. Singapore) or because the countries are so small (e.g. Bahrain). As a negative driver or constraint, many industries, such as textile and apparel groups, and agricultural lobbies, like sugar, have attempted to block FTA negotiations. Agreements have also been sought in the context of pushing forward the GATT negotiations (with Israel or with

---

<sup>3</sup> Political support for economic reforms could also partially fit under economic considerations.

<sup>4</sup> See for example USTR's Robert Zoellick's rationale for the pursuit of FTAs in many public statements.

**Table 9.2** Some key non-economic events that influenced trade negotiations (by issue)

| Year      | Security                | Labor                               | Environment   |
|-----------|-------------------------|-------------------------------------|---|
| 1947      |                         | GATT rules on forced labor          |   |
| 1949      | Cold War                |                                     |   |
| 1982–1984 |                         | Pre-GSP renewal lobbying            |   |
| 1989      | Fall of the Berlin Wall |                                     |   |
| 1990      |                         |                                     | Earth Institute lawsuit on Marine Mammal Protection Act |
| 1991–1993 |                         | NAFTA Debate<br>GATT panel ruling   | NAFTA Debate  |
| 1999      |                         | US–Cambodia Textile Agreement       |   |
| 2001      | September 11 attacks    |                                     |   |
| 2002      |                         | Trade Promotion Authority debate    | Trade Promotion Authority debate                        |
| 2007      |                         | May Congressional compromise debate | May Congressional compromise debate                     |

Canada) or to promote broader agreements, such as the Free Trade Area of the Americas (FTAA) through an accord with Chile. Finally, firms may also lobby for accords to counter discrimination that arises when others (such as the EU) negotiated their own FTAs, giving their firms preferential access.

With respect to the agenda-setting process, for the most part, the executive, based on systemic considerations, generally drives concerns for bolstering allies or balance of power goals.<sup>5</sup> Beyond state-driven considerations, however, lobbies for particular countries (the American Israel Public Affairs Committee or the Taiwan lobby) can also drive choices.

With respect to non-traditional security considerations, the dynamics of agenda setting in the US context revolve around the interplay of activist NGO groups, the Congress, and the Executive branch, a process that I consider in detail in [Sect. 9.5](#). Finally, the inclusion of economic issues and concerns about economic discrimination are the classic political economy interplay of firms and the government, with those who stand to gain pressing for negotiations with both particular partners and issues, and others resisting negotiations or attempting to exclude their sector from discussion.

I next turn to key developments in security and then non-traditional security, with an emphasis on the use of substantive and tactical linkages and variants as discussed in the framing chapter. My focus is on both the domestic agenda setting process as well as international negotiations. To that end, [Table 9.2](#) provides

<sup>5</sup> On the “securitization” of US trade policy, See Higgott (2004).



highlights of key events as a guidepost to the discussion in [Sect. 9.3](#) on traditional security and [Sect. 9.4](#) on non-traditional security (with the 2007 Congressional Accord being discussed in [Sect. 9.5](#)).

### 9.3 Linking Trade to Traditional Security Prior to 2000

Historically the US has linked security substantively, either explicitly or implicitly, in its trade agreements. Although trade liberalization was seen as an end in itself, US presidents also sought to use trade to achieve important security goals in the post World War II era. The General Agreement on Tariffs and Trade (GATT), created in 1947, proved to be an effective substitute for the failed effort to create an International Trade Organization (ITO). In Asia, the 1951 San Francisco Peace Treaty between the Allies and Japan promoted a multilateral approach to trade and offered America's Asian allies access to its market in return for a bilateral security alliance with the US. For example, the US helped Japan secure entry into the GATT to allow it to bolster its economy. This clearly has strong security elements, and the US pressured the Europeans to accept Japan into this organization, despite their efforts to block its entry.

But when Japanese imports of textiles and apparel became a domestic political issue in the 1950s, the US negotiated a bilateral agreement with Japan to encourage them to pursue "Voluntary Export Restraints"—an effort that was implicitly linked tactically to the security guarantees that the US was providing Japan. The Japanese clearly perceived this link correctly, leading them to restrain their exports in 1955 in view of their weakness.<sup>6</sup> At the same time, the US government was able to successfully counter undue pressure from domestic lobbies by pointing to the importance of Japan and Hong Kong as bulwarks against communist expansion in Asia. Other countries also faced American pressures to restrain "excessive" export growth in the 1960s, including South Korea, Hong Kong, Taiwan, and others. From 1969 to 1971, the US and Japan engaged in very difficult negotiations to restrain Japanese exports of man-made fiber and wool products as a result of strong domestic lobbying by textile and apparel interests. When the Japanese resisted, the US threatened to invoke the "Trading with the Enemy Act" in September 1971 (an obvious tactical use of linkages), which caused great consternation in Japan and ultimately led the Japanese to agree to US demands because of asymmetrical power considerations.

In the case of relations with Europe in the early post-WWII era, the US also substantively linked trade to fostering growth and economic security as a bulwark against Soviet expansion. It supported European efforts to create the preferential European Coal and Steel Community (ECSC) in 1951. From the start, the ECSC faced criticism for its inconsistency with Article 24 of the GATT, which calls for

---

<sup>6</sup> See Aggarwal (1985), Chap. 3 for a detailed discussion.

liberalization on a multiproduct basis, rather than only for a few products. Although Czechoslovakia challenged the ECSC as being inconsistent with the GATT, the ECSC members managed to obtain a GATT waiver of obligation with US support, as the US was more concerned about the need to resist Soviet expansion than about maintaining strict GATT consistency (Curzon 1966, 266–268).

After years of relatively successful multilateral international trade negotiations under GATT auspices, the effort to start what would eventually become the Uruguay Round encountered serious problems. In 1982, the US sought a new round of trade negotiations, but this effort failed as many countries criticized the US for attempting to include services and other new issues on the agenda. Frustrated by this rejection, the US began to consider the option of pursuing bilateral accords to introduce other issues in a new GATT round. The US created a preferential trading agreement for the Caribbean countries in 1984, its first bilateral agreement with Israel in 1985, and began talks on a possible bilateral accord with Canada.

Aside from the effort to encourage progress in the GATT, the US–Israel FTA, which was signed in June 1985 and took effect in September, had significant security overtones. The Israelis took the initiative to conclude an FTA as early as the late 1970s. From an economic standpoint, Israel faced the likely prospect of being graduated from the General System of Preferences (GSP) that allowed it tariff-free access to the US market, and in many product lines it faced tariffs when its exports exceeded the quota levels under GSP (Rosen 2004, 52–53). Most importantly, Israel faced serious economic problems at the time, and was pushing for a significant aid package from the US. The Israelis saw the FTA at least in part as a means of decreasing their need for aid, with Israeli Minister of Trade and Industry Gideon Patt noting in 1983, “We want to develop exports to the point where we are in a position not to request aid from the United States.”<sup>7</sup>

For its part, the US was also somewhat concerned about the trade diversion created by the 1975 Israel–EEC agreement. Concluded after 15 months of negotiations, the administration very much saw this agreement as a means of supplementing its military aid to Israel with an economic package. More practically, this tactical linkage allowed the “Reagan administration ... to give additional aid to Israel without facing annual review by Congress.”<sup>8</sup> As William Cooper of the Congressional Research Service notes, the US–Israel FTA (and later, the US–Jordan FTA) was undertaken due to “political considerations” in order “to reaffirm American support for those countries and to strengthen relations with them” (Cooper 2006, 4). Indeed, President Reagan was explicit in underscoring the security importance of the agreement for Israel.<sup>9</sup> Although Israel claimed that the FTA and aid were substantively linked, arguing that such an accord negotiation would place it “in a position not to request aid from the United States,”<sup>10</sup> such aid

<sup>7</sup> *United Press International*, 20 December 1983.

<sup>8</sup> *Journal of Commerce*, 8 October 1987.

<sup>9</sup> *The Globe and Mail*, November 11, 1985.

<sup>10</sup> *United Press International*, December 20, 1983.

continued long after the FTA was signed. In the end, Israel received both the foreign aid as well as the economic boost from the FTA.

Meanwhile, a high level of contentiousness continuously threatened the conclusion of the GATT Uruguay Round once it got under way in 1986. In part, this reflected the changing economic balance of power among more actors in the system. But the subsequent end of the Cold War weakened the security argument for linking continuing economic concessions to allies in broad-based trade negotiations and providing public goods to the trading system through open US markets, making negotiations even more difficult. Although the Uruguay Round came to a successful conclusion in 1993, the US was no longer solely committed to the multilateral route.

In 1987, the US signed a free trade agreement with Canada, its largest trading partner. And in 1989, it was a cofounder of APEC, and soon thereafter, began negotiations with Mexico that led to the 1993 NAFTA agreement. The NAFTA agreement was primarily economically focused, with few military security implications but clear connections to political stability in Mexico and economic reform, as well as North American stability writ large.

## 9.4 US Linkages to Non-Traditional Security: Origins

With respect to non-traditional security, NAFTA proved to be a watershed by activating a large coalition of environmental and labor groups that would push for linkages in NAFTA.<sup>11</sup> Some also pushed for the inclusion of broader human rights issues and democracy in trade agreements, although these efforts have so far proven unsuccessful, with the exception of labor-related issues such as child labor.<sup>12</sup> But NAFTA was hardly the only stimulus to this change. Developments in the GATT with respect to its rulings on the 1996 shrimp-turtle and 1991 tuna-dolphins disputes also politicized trade negotiations and led to a sharp rise in environmental activism.<sup>13</sup>

It is worth noting that labor had been substantively linked to trade since the turn of the twentieth century. Examples of this linkage included the 1890 US McKinley Act and 1930 Tariff Act that restricted imports of goods made by prisoners; GATT rules that allowed countries to block imports made by forced labor; and US implementation of the Generalized System of Preferences (GSP), among others. The latter effort was led by labor with the aid of religious and human rights

---

<sup>11</sup> See Aggarwal (1994), Mayer (1998), Hufbauer and Schott (2002), Hufbauer and Goodrich (2004), and Cameron and Tomlin (2002).

<sup>12</sup> Hafner-Burton (2009) uses the term “human rights” to refer to US linkage efforts on labor, but this terminology is misleading. In contrast to the EU, the US had never explicitly linked human rights to trade. Thus, although used as a vehicle to compare the US and European policy in her book, the term “human rights” as a way of describing linkages to labor standards creates conceptual difficulties.

<sup>13</sup> See Vogel (1999) for an excellent analysis of these cases.

activists in the early 1980s to reframe their protectionist efforts in trade substantively with human rights.<sup>14</sup> This successful substantive linkage bore fruit with the introduction of a labor rights clause into the bill to renew GSP in the fall of 1984. Yet President Reagan reacted with a mix of tactical and substantive perceptions to this linkage. Although his administration was willing to go along with this linkage effort, it also was concerned about damaging relations with important oil-supplying Muslim countries that discriminate against women with such linkages. It also was concerned about possible use of linkages that might lead to criticism of Israel's treatment of Palestinian workers. To solve these potential problems that might cause both domestic and international fall out, President Reagan asked for discretion in applying any sanctions for non-compliance.

In the end, the elements that were included in the renewal of GSP found their way into most FTAs that the US has negotiated since that time. These provisions were:

1. the right of association;
2. the right to organize and bargain collectively;
3. a prohibition on the use of any form of forced or compulsory labor;
4. a minimum age for the employment of children; and,
5. acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

With respect to negotiated rather than unilateral actions (GSP was provided to developing countries unilaterally), NAFTA provided a key step toward including these provisions in accords. After the conclusion of the US–Israel FTA in mid-1985, Prime Minister Mulroney announced that Canada wished to enter a free trade agreement with the US. Negotiations began on May 21, 1986 and concluded relatively rapidly, with the CUFTA being signed on January 2, 1988 and taking effect on January 1, 1989. In August 1990 Salinas officially proposed a US–Mexico free trade zone and in February 1991 the Canadian government requested a trilateral trade agreement with Mexico and the US, leading to the start of trilateral negotiations in June 1991. Negotiations again concluded relatively rapidly, with an official signing of NAFTA on December 17, 1992.

Environmental groups had become increasingly active in the early 1990s, beginning initially with criticism of NAFTA by the US-based Friends of the Earth, and then followed by a large coalition of interest groups from all three countries.<sup>15</sup> These developments forced President Bush to address environmental concerns by setting up an advisory committee for USTR with environmental representatives from NGOs. This action appears to be primarily tactical on Bush's part in view of concerns about getting NAFTA passed. However, members of Congress began to support this linkage in large numbers (although it is unclear if they did this for only tactical reasons). But by the fall of 1992, the baton had been passed to Clinton.

---

<sup>14</sup> See Compa and Vogt (2001). The remainder of the paragraph draws on their discussion.

<sup>15</sup> The review of facts in this paragraph draws on Vogel (1999) but not the interpretation of linkages.

NAFTA became politically contentious with respect to labor as US presidential elections got underway. Candidate Ross Perot argued that NAFTA would create a “giant sucking sound” as jobs would be lost to Mexico, President Bush strongly endorsed NAFTA, while candidate Bill Clinton announced on October 4, 1992 that he supported NAFTA but would not sign the accord unless side agreements on labor and the environment were concluded. This position allowed Clinton to curry the backing of big business as well as the endorsements of labor and environmental groups (Charnovitz 1994). When he was elected, labor groups and environmentalists did not wholeheartedly support his negotiation of side agreements. President Clinton signed these into law in September 14 and after passing the House and Senate in November 2003, NAFTA took effect on January 1, 1994.

Ironically, just as US–Mexican negotiations were getting underway in the fall of 1990, a US District Court ruled in favor of the Earth Institute’s lawsuit against the Commerce Department in connection with the Marine Mammal Protection Act (MMPA).<sup>16</sup> The accord affected the number of dolphins that could be killed as a result of tuna fishing through the use of nets by US and foreign fisherman. After the ruling, the US ban on imports from Mexico (as well as Venezuela and Vanatu) led the Mexicans to file a complaint in the GATT in February 1991, and a dispute panel found against the US in August of that year. The panel argued that the US could not restrict imports based on the production process used in other countries, leading to an outcry by environmentalists and their supporters in Congress, with the latter calling for changes in GATT rules. Additional cases in the GATT, including corporate average fuel economy (CAFE) standards, food standards, reformulated gasoline, and the turtle-shrimp case would continue to strengthen the interest of environmentalists in linking these issues to trade.

## **9.5 Traditional and Non-Traditional Security Linkages: The Domestic Politics of FTAs in the 2000s**

Despite successful ratification of the WTO and NAFTA agreements, President Clinton failed to secure fast track authority. Several significant developments involving US efforts did take place, however, which directly affected the linkages between trade and non-traditional security. These included negotiation of an agreement in textiles with Cambodia, the 1999 Seattle debacle, and the negotiation of an FTA with Jordan (ratified in 2001 after Clinton left office). For the Bush Administration, the most crucial developments involved the impact of traditional security with the 9/11 attacks in 2001 that facilitated the passage of both the Jordan agreement and the 2002 Trade Promotion Authority act. Following the granting of TPA, USTR Robert Zoellick negotiated a host of FTAs until President Obama took office. Ratification of these accords was not always easy. In 2007, as a prelude to

---

<sup>16</sup> See Vogel (1999).

securing renewal of TPA, a Congressional compromise in May of that year linked trade to the environment and labor more closely, but TPA was still not renewed.

### ***9.5.1 The Cambodia–US Textile Agreement***

As a result of the Clinton Administration’s extension of Most Favored Nation (MFN) status to Cambodia in 1996, followed in 1997 with Cambodia’s inclusion in the GSP program, Cambodian textile exports grew rapidly. Exports of garments to the US grew rapidly from zero in 1995 to \$288 million as investors set up factories in Cambodia to take advantage of its open access to the American market, in contrast to the quotas faced by most countries under the Multi-Fiber Arrangement.<sup>17</sup> With growing pressure from labor unions on the Clinton Administration to restrict imports from Cambodia on the one hand, and its interest in promoting more open trade (with the upcoming Seattle summit in November 1999) on the other, the Clinton Administration took an innovative path to steer between its politically powerful union allies and business pressures.

In 1998, the US textile negotiator approached Cambodia to secure a bilateral textile agreement that would link good labor policies to large textile quotas. The AFL-CIO had been organizing workers in Cambodia and thus found itself reluctantly supporting such an approach.<sup>18</sup> The subsequent agreement reached on January 20, 1999 gave Cambodia a 14 % growth rate in its quota—rather than the standard 6 % growth rate common to countries party to the MFA.<sup>19</sup> In return, Cambodia had to meet ILO labor standards and allow inspections by the ILO.<sup>20</sup> This agreement was subsequently extended in 2001 until the textile quota system expired at the end of 2004.

### ***9.5.2 The 1999 Seattle WTO Debacle***

The increasing politicization of trade originating from the NAFTA debate and WTO dispute panels further manifested itself in 1999 when activists’ protests turned violent at the Seattle WTO ministerial meeting in early December 1999. In a speech before the International Labor Organization at the United Nations in

---

<sup>17</sup> Data cited in Abrami (2003). The following discussion of the Cambodian agreements draws on this case as well as Gresser (2010), Wells (2006), and Kolben (2007). The MFA, created in 1974, was the successor agreement to the Long Term Agreement on Cotton Textiles. It generally restricted import growth to 6 % a year (Aggarwal 1985).

<sup>18</sup> See *New York Times*, 12 July 2001.

<sup>19</sup> Cambodia was not a member of the WTO or the MFA.

<sup>20</sup> See Wells (2006) for a thorough review of the mechanism and evaluation of the agreement’s success.

Geneva, Switzerland on June 16, 1999, President Clinton recognized the growing opposition to free trade in the United States, noting:

Let me begin by stating my firm belief that open trade is not contrary to the interest of working people. ... No, we need more trade, not less. Unfortunately, working people the world over do not believe this. Even in the United States, with the lowest unemployment rate in a generation, where exports accounted for 30 percent of our growth until the financial crisis hit Asia, working people strongly resist new market-opening measures.<sup>21</sup>

In mid-September forty Canadian organizations and over a thousand organizations from eighty-seven countries demanded that the World Trade Organization halt all proposed WTO conferences. Sen. Patty Murray (D-WA) sent a letter to President Clinton requesting that he forestall the planned disruption of the ministerial meeting by assuring anti-globalists that their concerns regarding environmental and labor rights would be addressed at the Seattle conference.

In mid-October, Clinton announced that he “strongly advocated linking labor and environment to the international trading system to ensure that new multilateral trade negotiations will improve the quality of life and work around the world.”<sup>22</sup> But European and American environmental and consumer rights organizations were unconvinced and responded by arguing that the WTO had a record of eroding food safety measures and environmental laws<sup>23</sup> and went on to criticize the WTO’s Committee on Trade and Environment as blatantly ineffective.<sup>24</sup>

On November 16th, Clinton issued Executive Order 13141, Environmental Review of Trade Agreements, which stated that the “environmental consequences of trade agreements must be assessed and considered in trade policy.”<sup>25</sup> Democrats in Congress requested that Clinton “use the United States’ greatest

---

<sup>21</sup> “Clinton Speech to ILO,” *Inside US Trade*, 17 June 1999. Available from <http://insidetrade.com/WTO-Doc-Archive/Text-Document/clinton-speech-to-ilo/menu-id-618.html>. Accessed 25 April 2012.

<sup>22</sup> “Clinton Stresses Labor, Environment as Elements of WTO Agenda,” *Inside US Trade*, 15 October 1999. Available from <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-10/15/1999/clinton-stresses-labor-environment-as-elements-of-wto-agenda/menu-id-710.html>. Accessed 25 April 2012.

<sup>23</sup> “Transatlantic Consumer Organizations Call for a Cease-fire on Environment,” *Inside US Trade*, 21 October 1999. Available from <http://insidetrade.com/WTO-Doc-Archive/Text-Document/transatlantic-consumer-organizations-call-for-a-cess-fire-on-environment/menu-id-618.html>. Accessed 25 April 2012.

<sup>24</sup> “Environmental Groups Respond to Announced US Position on Environment,” *Inside US Trade*, 10 August 1999. Available from <http://insidetrade.com/WTO-Doc-Archive/Text-Document/environmental-groups-respond-to-announced-us-position-on-environment/menu-id-618.html>. Accessed 25 April 2012.

<sup>25</sup> “The Green Side of Protectionism: How Environmental Attitudes Shape Different Facets of Trade Policy Preferences,” *ETH Zurich*, 27 February 2011. Available from [http://www.ib.ethz.ch/docs/currentpapers/Green\\_Determinant.pdf](http://www.ib.ethz.ch/docs/currentpapers/Green_Determinant.pdf). Accessed 25 April 2012.

negotiating leverage—access to the US market—to improve the rights and living standards of workers in the US and around the world.”<sup>26</sup>

As negotiations got underway at the end of November 1999, Seattle Mayor Paul Schell imposed a 25-block no-protest zone and called out the National Guard to assist the city police to halt demonstrations.<sup>27</sup> With violence increasing, the effort to start a new round was doomed.

### 9.5.3 The “Jordan Standard”

With the emphasis on linking trade to labor and the environment, 2000 marked an important turning point in US trade policy. WTO negotiations did not look promising and trade policy looked moribund. In this context, the opportunity to pursue an FTA with Jordan came at an opportune time. It created an opportunity to promote a long-standing bipartisan security interest to reward Jordan for signing the July 1994 Washington Declaration, which normalized relations with Israel

The initial effort to conclude an agreement with Jordan actually began with Congressional support for an FTA in July 1994, but neither the Jordanians nor Americans seemed keen on pursuing such an accord. But when King Abdullah succeeded his father in February 1999 and called for an FTA, the US sought to bolster his economic reform efforts. From 1995 to 1999, the US provided Jordan with extensive military and economic aid and considerable debt forgiveness in the wake of the Washington Declaration.<sup>28</sup> From March to May 2000, forty-five members of Congress signed a formal letter addressed to President Clinton urging him to enter trade negotiations with Jordan (Ruebner 2001). The key arguments in favor of such an accord were the strengthening of the bilateral relationship, economic growth and security in the region, and economic reform. The lack of an economic rationale from the US perspective was clear: a USITC study concluded that a FTA with Jordan would “have not measurable impacts on total US exports, total US imports, US production, or US employment.”<sup>29</sup>

The negotiations moved quickly: they began on June 6, 2000 and the accord was signed on October 24. The agreement was the first broad FTA that explicitly included labor and environmental provisions in the text of the agreement. On labor, parties to the accord were asked to “strive to” comply with the ILO’s 1998 Declaration on Fundamental Principles and Rights of Work as well as the NAFTA

<sup>26</sup> “House Democrats Letter to Clinton on Labor Rights in WTO,” 17 November 1999. Available from [http://commercialdiplomacy.org/sample\\_documents/government/sd\\_gov\\_democrats.htm](http://commercialdiplomacy.org/sample_documents/government/sd_gov_democrats.htm). Accessed 25 April 2012.

<sup>27</sup> “Police Enforce a “No Protest Zone” around the WTO Meeting in Seattle and Arrest Hundreds of Demonstrators,” *History Link*, 1 December 1999. Available from [http://www.historylink.org/index.cfm?DisplayPage=output.cfm&File\\_Id=2141](http://www.historylink.org/index.cfm?DisplayPage=output.cfm&File_Id=2141). Accessed 25 April 2012.

<sup>28</sup> See Bolle (2001) for a review of key issues in this agreement.

<sup>29</sup> Quoted by Bolle (2001) from the USITC and analyzed by her.



labor standards which came from the Trade Act of 1974. The major difference between these two approaches was that US standards refer to acceptable conditions such as minimum wages, hours, and occupational safety and health, while the ILO standard includes a prohibition against employment discrimination (Bolle 2003). But the most important development was that all of these provisions could potentially be enforced through a dispute settlement procedure.

The issue of what penalties might be imposed in the event of a purported breach of the agreement became controversial with Democrats arguing for further regulation and Republicans worried about the use of sanctions. In the end, ratification was facilitated by an exchange of letters between Zoellick and the Ambassador of Jordan that “pledged to resolve any differences that might arise between the two countries under the agreement, without recourse to formal dispute settlement procedures” (Bolle 2003, 3). The accord became effective on December 17, 2001.

#### ***9.5.4 Key Developments: 9/11, the Path to 2002 TPA, and the 2007 Congressional Accord***

When the Bush Administration came into office in January 2001, it sought fast track authority. At his confirmation hearing to become USTR, Robert Zoellick was pressed by Sen. Max Baucus (D-MT) who urged him to include labor and environmental issues in trade agreements. But Zoellick demurred, arguing that President Bush did not want to impose such requirements because they were protectionist. Rather than impose such standards, Zoellick countered that the United States should instead “plant ideas” that would be more receptive to “local interests.” But Baucus warned that without such provisions, fast-track legislation would be defeated. At the same time Sen. Phil Gramm (R-TX) “emphasized that he would oppose any fast-track legislation that includes labor and environment provisions.” To defuse tensions, Zoellick promised to “[reach] out to organized labor and environmental groups to discuss their views on fast-track.”<sup>30</sup>

Business, however, actively pressed for fast track. In March 2001, the National Association of Manufacturers (NAM) urged President Bush to support fast-track; the American Farm Bureau Federation and other agricultural lobbies joined it.<sup>31</sup> Labor unions, by contrast, were unhappy when Zoellick chose not to penalize

---

<sup>30</sup> “Zoellick Sees Alternatives to FTAA if Mercosur Fails to Move,” *Inside US Trade*, 2 February 2001. Available from <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-02/02/2001/zoellick-sees-alternatives-to-ftaa-if-mercosur-fails-to-move/menu-id-710.html>. Accessed 25 April 2012.

<sup>31</sup> “Draft Agriculture Letter,” *Inside US Trade*, 23 March 2001. Available from <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-03/23/2001/text-draft-agriculture-letter/menu-id-710.html>. Accessed 25 April 2012.

Guatemala for its labor practices. They warned that the “decision will undermine his drive to build support for trade promotion authority in Congress.”<sup>32</sup>

On August 17th, less than a month before the terrorist attacks on the World Trade Center, battle lines were drawn in Washington between the two factions: on one side stood the US Chamber of Commerce, the Business Roundtable, and the National Association of Manufacturers and their Republican allies; on the other, the AFL-CIO, United Auto Workers, the Teamsters, Sierra Club, Public Citizen and their Democratic allies. The 9/11 attacks in New York and Washington D.C. altered the balance with a key security linkage. On September 18, House Ways and Means Chairman Bill Thomas (R-CA) pushed forward a bill to promote the *immediate* economic recovery of America. To this end, House Republicans tacked fast-track legislation onto “an economic stimulus package.” But rather than link TPA to stimulus, *Inside US Trade* reported that some “business groups argue a better strategy would cast fast track not as an imperative to spur the economy, but as a key piece of the US foreign policy agenda in the wake of last week’s terrorist attacks.”<sup>33</sup>

Thus began an all-out push to link trade to security and reduce the linkage between trade and the environment. On September 20, US Trade Representative Robert Zoellick argued that Congress should respond to the attacks by making a statement in favor of open markets and the spread of democracy and development: namely, by passing trade promotion authority. Alan Greenspan, Chairman of the Federal Reserve noted “A successful round would not only significantly enhance world economic growth but also answer terrorism with a firm reaffirmation of our commitment to open and free societies.”<sup>34</sup> And on October 19th, Secretary of State Colin Powell wrote “for America to continue to lead today’s world to security and greater prosperity, we need TPA [trade promotion authority].”<sup>35</sup>

In the meantime, Representative Thomas introduced H.R. 3005 as a TPA bill on October 3, a bill to extend trade negotiating authority with the support of some New Democrats. The next day, however, on October 4, Representative Rangel and Representative Levin, from the House Ways and Means Subcommittee on Trade countered with their own bill, H.R. 3019, which called for more significant enforcement of environmental and labor standards. In the end, the Thomas bill

---

<sup>32</sup> “Labor Groups Criticize USTR Decision to Keep Benefits for Guatemala,” *Inside US Trade*, 8 June 2001. Available from <<http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-06/08/2001/labor-groups-criticize-ustr-decision-to-keep-benefits-for-guatemala/menu-id-710.html>>. Accessed 25 April 2012.

<sup>33</sup> “White House Warned Against Tying Fast Track to Stimulus Package,” *Inside US Trade*, 21 September 2001. Available from <<http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-09/21/2001/white-house-warned-against-tying-fast-track-to-stimulus-package/menu-id-710.html>>. Accessed 25 April 2012.

<sup>34</sup> “Testimony of Chairman Alan Greenspan,” *The Federal Reserve Board*, 20 September 2001. Available from <<http://www.federalreserve.gov/boarddocs/testimony/2001/20010920>>. Accessed 25 April 2012.

<sup>35</sup> “Trade Belongs in Our Diplomatic Tool Kit,” *US Department of State*, 16 October 2001. Available from <<http://2001-2009.state.gov/secretary/former/powell/remarks/2001/22529.htm>>. Accessed 25 April 2012.

passed 215-214 after a series of concessions including one to Republican opponents to protect the textile industry by limiting imports from Central American and Caribbean countries.<sup>36</sup>

The final bill contained provisions to include labor and environmental standards in trade agreements as a central element, but these provisions were weaker than the Jordan Standard. As Kimberly Ann Elliott notes in her analysis of labor provisions, FTAs after Jordan only had a proviso calling on countries to enforce their *own* laws, and this was the only element subject to dispute settlement. As she notes, this new approach creates “perverse incentives to avoid raising standards or to lower them if they cannot be effectively enforced” (Elliott 2007).

### ***9.5.5 The May 2007 Bipartisan Agreement on Trade Policy***

Under the 2002 TPA, the Bush Administration negotiated and secured ratification for a host of FTAs, but as of early May 2007, two remained unratified (Colombia and Peru) and two were nearing the end of negotiations (Panama and South Korea). With Democrats gaining the upper hand following their victories in the November 2006 midterm congressional elections, the opportunity to press the Bush Administration on moving further on non-traditional security linkages to FTAs was now at hand. Republicans now feared Congressional approval of pending free trade agreements would grind to a halt (Destler 2007).<sup>37</sup> More crucially, the Bush Administration was under time pressure, as its 2002 presidential Trade Promotion Authority would expire by the end of June 2007. When the 110th Congress convened in January 2007, prospects for Congressional approval of ongoing free trade agreement negotiations or reauthorization of Bush’s fast-track authority appeared dim.

The Democratic majority immediately moved forward their agenda: Senate Majority Leader Harry Reid (D-NV) indicated he did not look favorably upon Congress renewing the Bush administration’s fast-track authority. At the same time, Senate Finance Committee Chairman Max Baucus (D-MT) called for Congress to approve a new fast-track law with stronger labor and environmental provisions.<sup>38</sup> In short, Democrats lined up for their offensive.

---

<sup>36</sup> “House Fast-Track Textile Votes Won by Limiting CBI Fabric Benefits,” *Inside US Trade*, 7 December 2001. Available from <<http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-12/07/2001/house-fast-track-textile-votes-won-by-limiting-cbi-fabric-benefits/menu-id-710.html>>. Accessed 25 April 2012.

<sup>37</sup> This article provides a thorough analysis of the May 2007 outcome.

<sup>38</sup> “House, Senate Democrats May Seek Andean Preference Extension,” *Inside US Trade*, 22 December 2006. Available from <<http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-12/22/2006/house-senate-democrats-may-seek-andean-preference-extension/menu-id-710.html>>. Accessed 25 April 2012.

In this politically charged context, House Ways and Means Committee Chairman Charles B. Rangel of New York attempted to pursue a bipartisan compromise between Republicans and Democrats (Destler 2007). Rangel indicated he was flexible regarding the extension of fast-track negotiating authority and “renewal of trade preferences for Andean countries.”<sup>39</sup> But Rangel also stated he was committed to the development of “a new trade policy that works for working Americans” that would include “enforceable basic labor rights and environmental protection in the text of US free trade agreements” (Rangel 2009). The key sticking points were the lack of labor and environmental provisions in the FTAs negotiated in the 2000s, which did not have a significant enforcement mechanism beyond the one provision to enforce one’s own laws.

On May 10, 2007, these Democratic objectives resulted in “A New Trade Policy For America,”<sup>40</sup> which was viewed as a template for future FTAs.<sup>41</sup> It called for a closer link to the 1998 ILO standards, forbade countries from lowering standards, and made this stipulation as well as all chapters on labor and environment in FTAs subject to dispute settlement.<sup>42</sup> The new standards found their way into the agreement signed with Peru, and its ratification went forward by December 2007. In contrast to previous agreements, which encouraged signatories to “striv[e] to ensure compatibility” with the ILO standards, the agreement with Peru required them to “adopt and maintain” the rights therein. And with respect to the environment, the agreement with Peru specifically mentions international environmental accords to which the US is a party including the convention on endangered species, the Montreal protocol on ozone depleting substances, and five others.

## 9.6 Negotiating FTAs in the 2000s: An Empirical Assessment

Turning more directly to the international negotiations process, we can examine the agreements discussed to this point as well as those negotiated by the Bush Administration in summary form. These include accords with Singapore, Chile, Australia, Oman, Morocco, Bahrain, DR-CAFTA, Peru, Colombia, Panama, and South Korea. It is useful to categorize all of the FTAs accords based on their primary driving and constraining forces.

---

<sup>39</sup> “House Republicans Appoint Two New Ways and Means Members,” *Inside US Trade*, 5 January 2007. Available from <<http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-01/05/2007/house-republicans-appoint-two-new-ways-and-means-members/menu-id-710.html>>. Accessed 25 April 2012.

<sup>40</sup> “Congress, Administration Trade Deal,” *Inside US Trade*, 11 May 2007. Available from <<http://insidetrade.com/Inside-US-Trade/Inside-US-Trade-05/11/2007/text-congress-administration-trade-deal/menu-id-710.html>>. Accessed 25 April 2012.

<sup>41</sup> “Peru & Panama FTA Changes,” *Committee on Ways and Means*, 10 May 2007. Available from <<http://waysandmeans.house.gov/Media>>. Accessed 25 April 2012.

<sup>42</sup> See Elliott (2007) for analysis of the implications of the 2007 accord as well as the Peru agreement.

As we have seen, the US has negotiated a host of FTAs since 1985, when it first concluded an agreement with Israel; more recently, it has ratified agreements with Colombia (2011), Panama (2011) and Korea (2011). To summarize the driving forces and constraints negotiations have faced, Table 9.3 presents an analysis of these accords based on the different elements in the categories of traditional security, non-traditional security, and economic issues. The coding of this chart is based on my own assessment of the literature on the accords, including my own research on the most important factors driving the FTAs. It is important to note that the coding scheme should properly be seen as ordinal data rankings rather than cardinal ones in light of the difficulty in specifying weights for each factor that affect agreements.

**Table 9.3** FTA driving forces from a US perspective

| US FTA partner<br>(year negotiations concluded) | Tradl. Security           |                             |                       | Human Security                  |             |       |              | Economic                         |                                     |                   |                                  |                           |
|---|---------------------------|-----------------------------|-----------------------|---------------------------------|-------------|-------|--------------|----------------------------------|-------------------------------------|-------------------|----------------------------------|---------------------------|
|   | Allies (reward or secure) | Bal. of Power/Regional Sec. | Support Econ. Reforms | Democracy Promotion/Rule of Law | Environment | Labor | Human Rights | Classical Trade Gains/Investment | Objections by US Domestic Producers | Widen issue scope | Catalyze broader negot./Template | Counter Economic Discrim. |
| Israel 1985                                     | +++                       | ++                          | +++                   | 0                               | 0           | 0     | 0            | 0                                | -                                   | +++               | +++                              | +++                       |
| Canada 1987                                     | +                         | 0                           | 0                     | 0                               | 0           | 0     | 0            | ++                               | -                                   | +++               | +++                              | 0                         |
| NAFTA 1992                                      | +                         | 0                           | +++                   | ++                              | ---         | ---   | -            | +++                              | ---                                 | +++               | +++                              | 0                         |
| Jordan 2000                                     | +++                       | +++                         | +++                   | 0                               | ---         | ---   | 0            | 0                                | -                                   | +++               | 0                                | 0                         |
| Chile 2002                                      | +                         | 0                           | +                     | +++                             | --          | --    | 0            | 0                                | -                                   | +++               | +++                              | +                         |
| Singapore 2003                                  | +++                       | +++                         | 0                     | 0                               | -           | -     | 0            | ++                               | -                                   | +++               | +++                              | 0                         |
| Australia 2004                                  | +++                       | ++                          | 0                     | 0                               | 0           | -     | 0            | +                                | --                                  | +                 | ++                               | 0                         |
| Morocco 2004                                    | +++                       | +++                         | ++                    | +                               | -           | -     | 0            | +                                | -                                   | 0                 | +++                              | +                         |
| DR-CAFTA 2004                                   | ++                        | ++                          | +++                   | ++                              | ---         | ---   | -            | ++                               | ---                                 | +                 | +++                              | ++                        |
| Bahrain 2004                                    | +++                       | +++                         | +++                   | +++                             | 0           | -     | -            | 0                                | 0                                   | +                 | ++                               | 0                         |
| Oman 2005                                       | +++                       | +++                         | ++                    | +                               | 0           | -     | 0            | ++                               | -                                   | 0                 | ++                               | 0                         |
| Peru 2005                                       | ++                        | +                           | ++                    | ++                              | ---         | ---   | -            | +                                | -                                   | 0                 | ++                               | 0                         |
| Colombia 2006                                   | +++                       | +                           | +++                   | +++                             | ---         | ---   | ---          | ++                               | --                                  | 0                 | 0                                | 0                         |
| Panama 2007                                     | +++                       | ++                          | ++                    | +++                             | -           | -     | 0            | +                                | 0                                   | 0                 | 0                                | +                         |
| S. Korea 2007                                   | +++                       | +++                         | 0                     | 0                               | -           | -     | 0            | +++                              | ---                                 | 0                 | +++                              | ++                        |

Note Plus signs indicate that this factor was a driver for the agreement; minus signs indicate that this factor constrained negotiations. Note that the all agreements since the Jordan FTA have had labor and environmental provisions, so the minus signs or lack thereof does not signal that these issues were not included, only whether or not they were contentious either domestically or in international negotiations.

In terms of driving forces, the agreements can be categorized into a few groups. One group consists of the Canada–US FTA then NAFTA, which we have already discussed. These accords were primarily driven by narrower economic considerations although efforts to catalyze broader agreements were important. Moreover, as we have seen, NAFTA became crucial in the introduction of non-traditional security linkages in a broad FTA. A second group involves accords with Singapore, Chile, and Australia, all of which had important elements of catalyzing agreements in the region, as well as some security linkages. For the most part, with these countries pursuing relatively good labor and environmental standards, non-traditional security did not become as important a constraint as in other cases. A third group includes Israel, Jordan, Morocco, Bahrain, and Oman, where security considerations were paramount. From an economic standpoint, all were relatively unimportant, although Oman had important investment considerations (rather than classical trade gains). And Jordan became the first case of introducing non-traditional security issues into an FTA in the main text. The fourth group of Central and Latin American accords of DR-CAFTA, Peru, Colombia, and Panama has much in common, with labor and environmental groups actively engaged in resisting the accords. Finally, the fifth accord with South Korea is in a group of its own, with significant security elements, much less concern about the environmental and labor regulations, but considerable controversy in view of the large amount of trade and impact on import-competing industries in the United States.

## 9.7 Implications and Conclusion

This paper has focused on US FTAs with an eye to examining the intricate linkage politics tying trade to traditional and non-traditional security. The notion that trade agreements might be used to pursue foreign policy objectives should hardly come as a surprise. Yet many focus on the rise of FTAs as a decisive development on this score. As we have seen, however, efforts to link traditional security and non-traditional security issues to trade predate the current use of linkages in FTAs. For example, the US effort to have Japan enter the GATT, textile politics, and the GSP system, among others, has been marked by linkages of various kinds. The criticism of FTAs as vehicles to promote foreign policy interests and non-traditional security concerns in response to domestic pressures may instead be generated by the debate of the use of FTAs as a viable alternative to the WTO. On this score, it should be relatively apparent that for the US at least, FTAs in the 2000s (except for Korea) have been of marginal significance for the promotion of trade.

The basic thrust of the paper has been to trace the evolution of linkages to FTAs from the perspective of both domestic and international negotiations. My focus has been on identifying the different interests involved in the linkage process for both traditional and non-traditional security, focusing on the claims of both state actors and societal groups. These efforts have consisted of both straightforward tactical power plays as well as substantive claims about issue interconnectedness. What is

particularly telling is the effort by labor to reframe job concerns into human rights concerns, and to seek alliances with environmental groups and pro-democracy groups to press for provisions that might regulate labor policies in other countries. On the whole, this effort has been increasingly successful, as the most recent May 2007 Congressional agreement that found its way into the Peru FTA ratification process demonstrates.

That societal groups have engaged in tactical linkages disguised as substantive ones is quite clear. But the Executive, Congressional allies, and business groups have also drawn on purported security linkages to enhance prospects for successful conclusion of their preferred agreements. Even when the agreements were relatively insignificant from an economic standpoint, the narrow approach of FTAs with generally only one country being involved in negotiations with the US encourages very specific business interests to become actively involved in negotiations rather than what we see in large-scale multilateral rounds in the WTO. To mask such narrow concerns in many cases, such groups may find it useful to piggyback their interests onto purported security gains from a FTA.

Debate on trade in the United States (as with many other issues) has become highly partisan, with Democrats and their labor and environmental groups allies in favor of non-traditional security linkages and the Republicans opposed along with their business lobbies. The extent to which a dialogue has developed that goes beyond tactical power plays—rather than genuine substantive connections that are accepted by different interests—appears still to be highly limited. In this context, the chance that President Obama will seek and receive TPA remains unlikely.

Similarly, at the international level, although countries have gone along with US linkage efforts, it is rare to find countries that have changed their policies on the basis of a new-found understanding that labor regulations or environmental regulations should be incorporated into trade agreements. The example of Cambodia with respect to textile trade is interesting in this regard. In this case, the Cambodian government continued to promote improved labor conditions even after the expiration of the US-Cambodian bilateral textile accord at the end of 2004. The government found that by doing so they would have greater success in attracting investment from garment industry firms that were hoping to attract consumers for whom better labor conditions were a priority.<sup>43</sup> This can be seen as acceptance of the substantive linkage between economic success and better working conditions—although claiming that this reflects a genuine concern for workers would be more a difficult link to make.

Several problems arose in the run up to passage of the three most recent FTA with Korea, Panama, and Colombia. The initial sticking points for the KORUS accord were the US auto industry's concerns about too rapid an influx of Korean cars and insufficient access to the Korean market. This controversy was resolved in December 2010 with an agreement for the US to slow down the phase-out of its tariffs on cars, and a commitment by Korea to lower its tariffs on cars more rapidly

---

<sup>43</sup> See Well (2006) and Kolben (2007).

and allow more US cars that only meet US environmental standards rather than Korean ones. On Panama, the main issue was financial transparency, but this does not appear to have been a major hurdle. And in the case of Colombia, labor unions and human rights groups were critical of the killing of labor union leaders and labor laws. After the Korea renegotiation, the Obama Administration sought to push this accord through Congress but Republicans wanted all three pending agreements submitted simultaneously. Because of concerns that labor would oppose the Colombia accord, the ratification process stalled.

In the meantime, the Trade Adjustment Assistance (TAA) act expired in February 2011. The Republicans then pushed to prevent renewal of the TAA program to help displaced workers because of budgetary concerns. But the Obama Administration then linked renewal of TAA with the submission of the trade accords for ratification. In October 2011, President Obama signed into law legislation implementing the three FTAs.<sup>44</sup> Panama and Colombia had previously approved their respective agreements in 2007 and the Korean National Assembly subsequently ratified the KORUS FTA in November 2011.<sup>45</sup>

Currently, in the wake of passage of agreements with Korea, Panama, and Colombia, US trade policy has focused on the Trans-Pacific Partnership Agreement.<sup>46</sup> The TPP adds new members to the existing four-way agreement negotiated among Brunei, Chile, New Zealand, and Singapore. The United States joined the negotiations in 2010, and the current participants include Australia, Peru, Vietnam, and Malaysia. Although eleven rounds of meetings have taken place, the goal of reconciling the diverse FTAs into a broader accord in the region by the end of 2012 remains elusive. Substantive disagreements over the “negotiating architecture” of TPP continue to impede talks, stakeholders in the US agricultural and intellectual property industry seek concessions that would hurt prospects for a broad consensus, and without trade promotion authority, some analysts believe that the US will not be able to make credible commitments and that Congressional approval will not be forthcoming (Lewis 2011, 42–51).<sup>47</sup>

Still, the US continues to press forward in its linkage efforts. With respect to labor, it is following the May 2007 bipartisan agreement on trade policy and its TPP proposal asks countries to ensure that their legal systems will uphold, maintain, and enforce the rights enumerated in the 1998 International Labor Organization Declaration on the Fundamental Principles and Rights at Work. It also calls for TPP negotiating members to find ways to decrease trade in products

---

<sup>44</sup> “Statement by US Trade Representative Ron Kirk on Presidential Signature of Trade Legislation,” *Office of the United States Trade Representative*, October 2011. Available from <<http://www.ustr.gov/about-us/press-office/press-releases/2011/october/statement-us-trade-representative-ron-kirk-preside>>. Accessed 25 April 2012.

<sup>45</sup> See USTR website for more information on KORUS, Panama, and Colombia free trade agreements.

<sup>46</sup> For a good overview of TPP, see Fergusson and Vaughn (2010) and for an analysis of the political dynamics, see Capling and Ravenhill (2012).

<sup>47</sup> See also Hornbeck and Cooper (2010), 16.



made through forced or child labor. In addition, the US proposes that national labor laws still apply even in export processing and free trade zones.<sup>48</sup> On the environment, USTR argues that the text on the environment with respect to trade-related issues should promote environmental protection.<sup>49</sup> For its part, members of Congress continue applying pressure, and have urged USTR to include environmental provisions from the May 10th Agreement of 2007 in the TPP along the lines of the US-Peru FTA.<sup>50</sup>

Aside from the TPP initiative, the US has not undertaken any new trade negotiation efforts in the absence of President Obama pushing forward to secure TPA. Thus, US trade policy appears now be highly limited in scope, although the TPP approach may eventually bear fruit as others countries seek to join the accord. At this point, countries in the Asia Pacific that are not negotiating with the US are likely to eschew linkages to non-traditional security. For its part, trade policy in the US will increasingly be subject to the whims of partisan politics.

## References

- Abrami, Regina. 2003. *Worker rights and global trade: The U.S.–Cambodia bilateral textile trade agreement, Case 9-703-034*. Boston: Harvard Business School.
- Aggarwal, Vinod K. 1985. *Liberal protectionism: The international politics of organized textile trade*. Berkeley: University of California Press.
- Aggarwal, Vinod K. 1994. Comparing regional cooperation efforts in the Asia–Pacific and North America. In *Pacific cooperation: Building economic and security regimes in the Asia Pacific region*, ed. Andrew Mack and John Ravenhill, 40–65. Sydney: Allen and Unwin.
- Aggarwal, Vinod K. 2006. Bilateral trade agreements in the Asia–Pacific. In *Bilateral trade agreements in the Asia–Pacific*, ed. Vinod K. Aggarwal and Shujiro Urata, 3–26. London: Routledge.
- Bolle, M.J. 2001. US–Jordan free trade agreement. Congressional research service report for Congress, 25 Sept.
- Bolle, M.J. 2003. Jordan–U.S. free trade agreement: Labor issues. Congressional research service report for Congress RS20968, updated 27 May.
- Cameron, Maxwell A., and Brian W. Tomlin. 2002. *Making of NAFTA: How the deal was done*. Ithaca: Cornell University Press.

---

<sup>48</sup> “US Official Sees Progress in Early Days of TPP Round, Including on Labor,” *Inside US Trade*, 6 March 2012. Available from <<http://insidetrade.com/201203062392243/WTO-Daily-News/Daily-News/us-official-sees-progress-in-early-days-of-tpp-round-including-on-labor/menu-id-948.html>>. Accessed 23 April 2012.

<sup>49</sup> “Outlines of the Trans-Pacific Partnership Agreement,” *Office of the United States Trade Representative*, November 2011. Available from <<http://www.ustr.gov/about-us/press-office/fact-sheets/2011/november/outlines-trans-pacific-partnership-agreement>>. Accessed 23 April 2012.

<sup>50</sup> “House Democrats, Environmental Leaders Urge Strong Environmental Chapter in Trans-Pacific Partnership,” *United States House of Representatives*, 7 June 2011. Available from <<http://levin.house.gov/press-release/house-democrats-environmental-leaders-urge-strong-environmental-chapter-trans-pacific>>. Accessed 23 April 2012.

- Capling, Ann, and John Ravenhill. 2012. Multilateralising regionalism: What role for the trans-Pacific partnership? *Pacific Review* 24(5):553–575.
- Charnovitz, Steve. 1994. The NAFTA environmental side agreement: Implications for environmental cooperation, trade policy, and American treaty making. *Temple International and Comparative Law Journal* 8(2): 257–314.
- Compa, Lance, and Jeffrey S. Vogt. 2001. Labor rights in the generalized system of preferences: A 20-year review. *Comparative Labor Law and Policy Journal* 22(2/3): 199–238.
- Cooper, W.H. 2006. Free trade agreements: Impact on US trade and implications for US trade policy. Congressional research service report for Congress, updated Apr 19.
- Curzon, Gerard. 1966. *Multilateral commercial diplomacy*. New York: Praeger.
- Destler, I.M. 2007. *American trade politics in 2007: Building partisan compromise*, Number PB07-5. Washington: Peterson Institute. [www.publicpolicy.umd.edu/files.php/faculty/destler/PB%2007-5.pdf](http://www.publicpolicy.umd.edu/files.php/faculty/destler/PB%2007-5.pdf). Accessed 25 Apr 2012.
- Elliott, Kimberly Ann. 2007. Appendix A in Destler, I.M. 2007. *American trade politics in 2007: Building partisan compromise*. Washington: Peterson Institute, Number PB07-5.
- Feinberg, Richard. 2006. U.S. trade arrangements in the Asia-Pacific. In *Bilateral trade agreements in the Asia-Pacific*, ed. Vinod K. Aggarwal and Shujiro Urata. London: Routledge.
- Fergusson, Ian, and Bruce Vaughn. 2010. The trans-Pacific partnership agreement. Congressional research service report R40502, Nov.
- Gresser, Edward. 2010. Labor and environment in trade since NAFTA: Activists have achieved less, and more, than they realize. *Wake Forest Law Review* 45(2): 491–525.
- Hafner-Burton, Emilie. 2009. *Forced to be good: Why trade agreement boost human rights*. Ithaca: Cornell University Press.
- Higgott, Richard. 2004. After neoliberal globalization: the “securitization” of US foreign economic policy in East Asia. *Critical Asian Studies* 36(3): 425–444.
- Hornbeck, J.F., and William H. Cooper. 2010. Trade promotion authority (TPA) and the role of Congress in trade policy. Congressional research service report for Congress, 4 Nov.
- Hufbauer, G.C., and B. Goodrich. 2004. Lessons from NAFTA. In *Free trade agreements: US strategies and priorities*, ed. Jeffrey Schott, 37–50. Washington: Institute for International Economics.
- Hufbauer, G.C., and J.J. Schott. 2002. North America labor under NAFTA. *Institute for International Economics*, Sept.
- Kolben, Kevin. 2007. Integrative linkage: Combining public and private regulatory approaches in the design of trade and labor regimes. *Harvard International Law Journal* 48(1): 203.
- Lewis, Meredith Kolsky. 2011. The trans-Pacific partnership: New paradigm or wolf in sheep’s clothing? *Boston College International & Comparative Law Review* 34(1): 27–52.
- Mayer, F.W. 1998. *Interpreting NAFTA: The science of art and political analysis*. New York: Columbia University Press.
- Rangel, Charles B. 2009. Moving forward: A new bipartisan trade policy that reflects American values. *Harvard Law School Journal on Legislation* 45(2): 377–419.
- Ruebner, Joshua. 2001. U.S.–Jordan free trade agreement. Congressional research service report for Congress, 23 Jan.
- Rosen, Howard. 2004. Free trade agreements as foreign policy tools: The US–Israel and US–Jordan FTAs. In *Free trade agreements: US strategies and priorities*, ed. Jeffrey Schott. Washington: Institute for International Economics.
- Vogel, David. 1999. The politics of trade and environment in the United States. Working paper 94. Berkeley: Berkeley Roundtable on the International Economy, UC Berkeley.
- Wells, Don. 2006. “Best practice” in the regulation of international labor standards: Lessons of the US–Cambodia textile agreement. *Comparative Labor Law & Policy Journal* 27(3): 357.

# Chapter 10

## The Trade Do-Gooder? Linkages in EU Free Trade Agreement Negotiations

Anders Ahnlid

### 10.1 Introduction

Prior to the December 2011 summit between Ukraine and the European Union, both parties had negotiated an ambitious Association Agreement. But it was not signed by the leaders as originally planned. European Council President Herman Van Rompuy declared that the EU wanted "...to take steps to sign and ratify the association agreement as soon as we can, but this will depend on political circumstances." Van Rompuy explained that the EU had strong concerns relating to "...the risks of politically-motivated justice..." in Ukraine, with the "...Timoshenko trial as the most striking example" (European Council 2010). The EU refused to sign the Association Agreement, which included a Deep and Comprehensive Free Trade Agreement (DCFTA), for political reasons: the EU was concerned about the absence of rule of law in Ukraine in general, and the treatment of the imprisoned former Prime Minister in particular. The episode illustrates how the value-based foundation of EU foreign policy interacts with the execution of EU trade policy. The aspiration to do good by linking economically oriented trade goals to wider political objectives, such as democracy, human rights, and the rule of law, has recently taken on increasing prominence in EU external policy making.

---

The author is grateful for comments from Vinod K. Aggarwal, Michael Plummer and other participants in the 2nd meeting of the "Linking Trade, Traditional Security, and Human Security" project, 11–12 August, 2011, East–West Center, Honolulu, funded by grants from the Center for Global Partnership and the Korea Foundation. The views expressed herein are those of the author in his personal capacity and do not necessarily reflect the official positions of the Government of Sweden.

---

A. Ahnlid (✉)

Sweden's Ambassador to the OECD and UNESCO, Former Director General for Trade in the Ministry for Foreign Affairs, Stockholm, Sweden

e-mail: anders.ahnlid@foreign.ministry.se

The Lisbon treaty, the “constitution” of the EU, which entered into force in 2009, mandates that the EU pursue a policy vis-à-vis third countries that upholds and promotes “its values and interests.”<sup>1</sup> Peace, democracy and human rights are fundamental values of this sort. Sustainable development, which combines economic, environmental and social objectives, falls into this category of EU “values and interests” as well. The ambition to simultaneously promote several foreign policy objectives through trade policy involves considerable challenges: trading partners do not always share the EU approach, and sometimes question its relevance and legitimacy. These challenges are accentuated by the ongoing polarization of the global economy, the fragile recovery from “the great recession,” the EU debt crisis, and the dead-lock in the World Trade Organization’s (WTO) Doha Round.

This chapter provides an EU trade policy practitioner’s account of the EU linkage challenge. I describe and explain how the EU has linked security, democracy, human rights, social and environmental policy objectives to economic integration through trade and investment in the negotiations of bilateral free trade agreements (FTAs). This chapter uses Aggarwal and Govella’s theoretical framework for analysis of issue linkages to discuss the pertinent questions from an EU perspective.

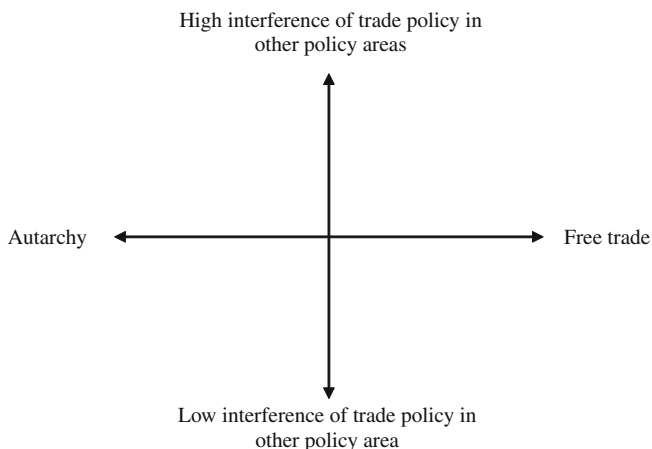
[Section 10.2](#) elaborates on relevant EU linkages in a historical context. Thereafter the origins and the content of EU linkages are discussed. Emphasis is put on linkages through the so-called “political clauses” ([Sect. 10.3](#)) and provisions on sustainable development ([Sect. 10.4](#)). [Section 10.5](#) reviews how target countries have reacted to linkages proposed by the EU, and how the linkages have been handled in negotiations. Thereby, four categories of EU FTAs are considered: FTAs focusing on preparing countries for EU accession, FTAs with other neighboring countries, FTAs with African, Caribbean and Pacific countries (ACP) and, lastly, FTAs with more distant countries (Ahearn 2010; Winters 2000). The concluding section assesses the effectiveness of the EU linkage strategy and compares it to the US approach.

## 10.2 The Formulation of EU Contemporary Trade Linkages

In addition to linkages to security, democracy and human rights, the EU has lately also sought to link traditional trade commitments with environmental and social commitments to foster sustainable development. The figure below illustrates how trade linkages of this sort can be conceptualized along two dimensions of trade policymaking (Ahnlid 2009) (Fig. 10.1).

---

<sup>1</sup> In this chapter “The European Union” denotes the European Union and its predecessors. The general provisions on EU relations with “the wider world” are found in article 3:5 of the Lisbon Treaty.



**Fig. 10.1** The two dimensions of contemporary trade policymaking

Traditional trade policy is pursued along the first dimension, which relates to the degree of openness to trade at the border, with autarchy and free trade as the two extremes. The relevant measures along this dimension are tariffs and quotas and other border measures. Bringing a negotiation on a traditional FTA to a close would involve an agreement on trade openness along this dimension of trade policymaking. However, contemporary trade policy making also relates to the degree of interference of traditional trade policy in other policy areas, with high and low interference as the two extremes. Along this dimension, the relevant policy measures are typically domestic and taken “behind” national borders.

The linkages discussed in this article relate to the extent to which policymakers deliberately condition trade policy commitments, along the first dimension, upon specific measures being taken along the second dimension with regard to security, democracy, human rights and sustainable development. The EU approach rests on quite far-reaching intervention of trade policy in other issue areas in order to fulfill the coherent approach to external relations mandated by the Lisbon Treaty. The political decisions on the content and form of contemporary EU linkages in bilateral FTA negotiations have been elaborated step-by-step over the past decades. The two groups of linkages, relating to, first, security, democracy and human rights and, second, sustainable development, have been considered important by EU member states as well as by the European Parliament and EU Non-Governmental Organizations (NGOs). Within the European Commission the directorate responsible for trade has typically been less keen to consider linkages than the directorates responsible for external relations, environment and social affairs. Similar divisions are often found within member-state’s governments.

While linkages have been found in EU agreements with third countries for a long time, the debate on them has intensified lately, particularly after the 2000–2007 moratorium on negotiations of new FTAs that the EU upheld in order to safeguard the Doha Round. Lack of progress in the WTO made it impossible to

maintain the moratorium. The EU could not afford to be a bystander while others rapidly negotiated free trade agreements, in particular in Asia (Ahnlid 2012). Thus, the moratorium was lifted and two strategies, “Global Europe” in 2006 and “Trade, Growth and World Affairs” in 2010, were agreed upon as the basis for EU FTA negotiations and linkage efforts. The first strategy prioritized economic gains of trade, while the second gave more emphasis to linkages between trade and other issue areas.

Both strategies were proposed by the Commission after consultations with civil society (Akeda 2010) and endorsed by the EU member states and the European Parliament. While Global Europe re-affirmed that the multilateral trading system and the Doha Round remained top priority, it opened up for new negotiations on regional or bilateral FTAs as a complement to the WTO. Particular emphasis was given to Asia. The strategy noted that while EU’s existing FTAs “...support our neighbourhood and developing objectives well, our main trade interests, including in Asia, are less well served” (European Commission 2006, 11). Three criteria were given for the selection of new FTA partners: potential in terms of economic size and growth, level of protection against EU exporters, and potential partners’ negotiations with EU competitors.

Global Europe’s emphasis on economic gains from new FTAs was a shift from the previous focus on EU neighbors and developing countries. Links to other issue areas were not in the forefront. From this basis the European Commission proposed to launch FTA negotiations with South Korea, the ASEAN countries and India, and was given mandates to do so by the member states in 2007. The fact that the US had already finalized or was involved in negotiations with South Korea and ASEAN countries was an important consideration for the EU, while the EU placed itself in a privileged position by starting negotiations with India before the US. Global Europe neither mentioned partners such as Canada and Latin American countries nor gave particular emphasis to negotiations with EU neighbors, which would have had security and human rights implications. Global Europe’s emphasis on the economic benefits of FTAs, if anything, detracted from EU linkages of this sort. This prompted a debate on EU linkage strategy, and Global Europe’s focus on Asia did not prevent the EU from starting negotiations with Ukraine or Andean and Central American countries in 2007, and with Canada in 2009.

The follow-up strategy “Trade, Growth and World Affairs” (European Commission 2010b) adjusted EU trade policymaking to the new conditions created by the entry into force of the Lisbon Treaty, which widened the Commission’s competence, gave more power to the European Parliament, and provided a stronger legal basis for linking trade to other issues. While the new strategy extended the economic policy line of Global Europe, it also emphasized the need for a comprehensive approach to EU trade and foreign policymaking. Its section on “Trade and external relations” stressed that trade policy contributed to EU external action. EU trade and foreign policy should be mutually reinforcing and “...promote the respect for human rights, labour standards, the environment and good governance...” (European Commission 2010b, 15).

While the strategy stated that the “new generation,” competitiveness-driven FTAs remain a priority, it also pointed out that the EU, in parallel, should establish “an area of shared prosperity with Europe’s neighborhood.” This was to be done through the negotiation of DCFTAs within the “Eastern Partnership” and the “Euro-Mediterranean Partnership,” the objective being to “...provide economic integration in a context of political association” (European Commission 2010b, 10). Thus, the 2010 strategy re-emphasized linkages to security, human rights, and sustainable development.

The adjustment was endorsed by EU member states in the Council and the European Parliament, which had long supported that foreign policy considerations be taken in trade negotiations. The strengthened Parliament, which now has the power to reject a FTA it does not like, has stepped up its support for the EU linkage strategy. In a report from 2010, the Parliament’s Committee on International Trade stressed that trade should be a tool for the promotion of European values as well as of commercial interests. EU trade policy was to be “...an instrument for fair trade that can bring into general practice the effective inclusion and implementation of social and environmental standards with all EU trade partners...” The approach to trade negotiations should be “...positive, yet also legally binding.” The Committee supported the practice of “...including legally binding human rights clauses in the EU’s international agreements” and reaffirmed that “...these clauses must also be included in all trade and sectoral agreements, with a clear and precise consultation mechanism...” (European Parliament 2010). Thus, the Parliament attached particular importance to legally binding linkages in EU FTAs.

### 10.3 Political Clauses

In the negotiations of EU FTAs, linkages to security, democracy and human rights have been pursued through agreement on the so-called “political clauses,” with their purpose to uphold and promote the fundamental values upon which the EU is built. Driven by member states in the Council and the European Parliament, the EU has sought to formalize these clauses in all major agreements with third countries, with linkages to FTAs where relevant. Finland’s then foreign minister Stubb captured the rationale behind the approach by stating that in the “...promotion of democracy and human rights, we must use the double mechanisms of conditionality and socialization. Conditional access to our rich internal market can be an efficient tool...” (Stubb 2010)

Global Europe’s emphasis on economically motivated FTA negotiations triggered an orientation debate on the political clauses in the EU Committee of Permanent Representatives (COREPER) 2008–2009. The discussion resulted in new guidelines for the use of the political clauses. It was confirmed that the clauses should be included in all framework agreements that the EU negotiates before it concludes sector agreements, including on trade. If the EU enters into a FTA with

a country with which it upholds a framework agreement, a legally binding link should be established between the two. If a FTA is negotiated independently from a framework agreement, which is unlikely, the essential elements of the political clauses should be inserted in the FTA itself. It was also decided that COREPER should stay in charge of linkages between trade and the other issue areas under the Council.

The political clauses are generally included in the mandates for third-country negotiations with little, if any, debate among EU member states. Since 1995 the “standard political clauses” are included in all framework agreements<sup>2</sup> with third countries. These clauses cover human rights, non-proliferation of weapons of mass destruction, counter-terrorism, Co-operation with the International Criminal Court and, most recently, a clause on the international handling of small arms. Clauses on migration and good governance in the area of taxes have also become part the standard clauses, albeit in a category to which somewhat less importance has been attached. The “essential elements” of the political clauses, which have special legal significance, consist of the ‘human rights clause,’ which covers the core EU values of human rights, democracy and rule of law, and a key part of the “non-proliferation clause,”<sup>3</sup> the “weapons of mass destruction (WMD) clause,” which has been included in negotiating mandates since the European Council so decided in 2003. Violation of an essential element could, as a last resort, lead to suspension of the agreement in question. The EU expects target countries to agree to the essential elements, including the suspension provision, as a part of all agreements it negotiates.

Any suspension is to be preceded by consultations between the parties, but if the consultations fail, the parties may suspend all or part the agreement. In the case of the EU, the Council makes this decision. So far, EU action of this sort has only been taken in relation to ACP countries (see below). However, the European Parliament and NGOs have called for suspension of other agreements, such as the EU-Israel Association Agreement. To date, such calls have been without result (European Parliament 2005, 37).

---

<sup>2</sup> There are two forms of EU Framework Agreements: Cooperation Agreements and Association Agreements. The latter entails closer relations with the EU than the former.

<sup>3</sup> The relevant part of the standard non-proliferation clause states that the parties “...agree to cooperate and to contribute to countering the proliferation of weapons of mass destruction...through full compliance with and national implementation of their existing obligations under international disarmament and non-proliferation treaties and agreements....”



## 10.4 Sustainable Development

In addition to the “political clauses” the EU also generally seeks to link trade concessions in FTAs to obligations from target countries on the environmental and social, including labor-rights aspects of sustainable development.<sup>4</sup> This quest builds on previous efforts in international trade policy. “Fair labor standards” formed part of the failed International Trade Organization’s (ITO’s) 1948 “Havana Charter.” However, such provisions were not included in the General Agreement on Tariffs and Trade (GATT), which became the substitute for ITO. When taken up in the GATT and its successor, the WTO, “trade and labor” have always stirred controversy between developed and developing countries. Together with the US, the EU has actively sought WTO coverage of the area. The declaration of the WTO Ministerial Conference in Singapore in 1996 reflected the cleavage. On the one hand, WTO members renewed their “...commitment to the observance of internationally recognized core labour standards,” while on the other the declaration ruled out WTO negotiations on the matter and stated that core labor standards should not be used for protectionist purposes (WTO 1996).

The trade and environment link developed gradually after the United Nations (UN) started its environmental work in the 1970s. The topic was discussed in GATT during the Uruguay-round, albeit formally outside the negotiations, and a trade and environment committee was formed in the WTO upon its inspection in 1995. Since sustainable development became a recognized concept after the UN conferences in Rio de Janeiro 1992 and Johannesburg 2002, coherence has been sought between policies for trade and economic development on the one hand and environmental and social development on the other. The EU has been at the forefront of this endeavor, including in recent UN efforts to halt climate change, while the US and most developing countries have remained more reserved. References to trade and the environment, and trade and labor, formed part of the Commission’s negotiating mandate before the launch of the Doha Round, and in 2004 the European Council stressed the importance of the social aspects of globalization.

In the WTO, developing countries have generally been either reluctant in relation to or outright opposed to linking labor and/or environmental issues to trade. Absent multilateral progress, EU bilateral and regional FTA negotiations have become the main arena for the EU linkage strategy (Siroën 2008). EU member states have been at the forefront when it comes to advocating linkages between trade and sustainable development. Given its increased powers under the Lisbon Treaty, the European Parliament has added its weight to a more pronounced role for sustainable development linkages in future EU FTAs.

---

<sup>4</sup> For the purpose of FTA negotiations “sustainable development” involves combining commitments on economic/trade, environmental and social measures in a coherent manner to promote sustainable development as originally defined by the Brundtland Commission (Brundtland Commission 1987).

Against this background, the Council now mandates that the Commission achieve commitments on sustainable development from target countries. The objective is, first, to agree on the importance of safeguarding economic, environmental, and social sustainable development as an overarching objective and, second, to include a specific chapter on the matter in the trade section of the respective agreement. Thus the EU typically seeks provisions for both the “not-lowering” of domestic environmental and labor standards and the adherence to relevant environmental and International Labour Organization (ILO) conventions. Although target countries are expected to agree to the EU requests regarding sustainable development, the EU’s willingness to moderate its position, and negotiate to reach a compromise, would seem to be more pronounced here than with regard to the political clauses.

## 10.5 Negotiations and Outcomes with Third Countries

The EU has entered into or negotiated more than 40 FTAs (including customs unions), as shown in the table. How have target countries reacted to the EU demands regarding FTA linkages to security, democracy and human rights as well as sustainable development? The answer differs among the four categories of EU FTAs (Table 10.1).

### 10.5.1 *Candidates for EU Membership*

Security interests together with economic interests in several cases have been the main drivers for FTAs with close neighbors of the EU. Countries that are formal or informal candidates to become members of the EU have generally accepted the linkages put forward by the EU. In this context, the Stabilisation and Association Agreements (SAAs) between the EU and Western Balkan countries prepare the latter for eventual EU accession. In exchange for the SAA, the partner country has to commit to fulfill the “Copenhagen criteria”<sup>5</sup> and adopt the values that underpin the EU, including through political, legal and human rights reform as well as environmental and social cooperation. The linkages have been regularly monitored, initially through so-called Conditionality Reports.




From the basis of its Stabilisation and Association Agreement, the negotiations on EU accession for Croatia were finalized in 2011. Croatia viewed the relevant linkages as substantive. The same goes for Macedonia and Montenegro, both of

---

<sup>5</sup> The “Copenhagen Criteria” from 1993 establish the basic criteria for EU membership; to uphold a democratic society, to abide by the rule of law, to observe human rights and to maintain a market economy.

**Table 10.1** Assessment of main FTA driving forces from a EU perspective

| EU FTA Partners   | Security | Development | Economic |
|---|----------|-------------|----------|
| <b>Agreements in force (year):</b>                              |          |             |          |
| Iceland (1973)  |          |             |          |
| Norway (1973)   |          |             |          |
| Switzerland (1973)  |          |             |          |
| Israel (1995)   |          |             |          |
| Turkey (1995)   |          |             |          |
| Mexico (1997)   |          |             |          |
| Tunisia (1998)  |          |             |          |
| South Africa (1999)   |          |             |          |
| Morocco (2000)  |          |             |          |
| Chile (2002)  |          |             |          |
| Jordan (2002)   |          |             |          |
| Lebanon (2003)  |          |             |          |
| Egypt (2004)  |          |             |          |
| Macedonia (2004)  |          |             |          |
| Algeria (2005)  |          |             |          |
| Croatia (2005)  |          |             |          |
| Bosnia-Herzegovina (2007)                                       |          |             |          |
| CARIFORUM EPA (2008)  |          |             |          |
| Pacific EPA Papua N G (2009)                                    |          |             |          |
| Albania (2009)  |          |             |          |
| Serbia (2010)   |          |             |          |
| Montenegro (2010)   |          |             |          |
| South Korea (2011)  |          |             |          |
| <b>Agreements not yet in force (year negotiation completed)</b> |          |             |          |
| Syria (2004)  |          |             |          |
| Colombia/Peru (2010)  |          |             |          |
| Central America (2010)  |          |             |          |
| <b>Agreements under negotiation (year negotiation began)</b>    |          |             |          |
| GCC (1991)  |          |             |          |
| MERCOSUR (1999)   |          |             |          |
| Ukraine (2007)  |          |             |          |
| India (2007)  |          |             |          |
| Canada (2009)   |          |             |          |
| Singapore (2010)  |          |             |          |
| Malaysia (2010)   |          |             |          |
| EAC EPA (2002)  |          |             |          |
| ESA EPA (2002)  |          |             |          |
| SADC EPA (2002)   |          |             |          |
| West Africa EPA (2002)  |          |             |          |
| Pacific EPA Fiji (2002)   |          |             |          |
| Georgia (probably 2012)   |          |             |          |
| Armenia (probably 2012)   |          |             |          |
| Moldova (probably 2012)   |          |             |          |
| Japan (probably 2012)   |          |             |          |

 Strong driver
  Contributing driver
  Not a significant driver

which have been granted formal status as candidates for EU accession. Applications for EU membership have been submitted by Serbia and Albania, while Bosnia-Herzegovina is preparing its application. Kosovo has also initiated the process through negotiations of a SAA. All Balkan countries are accepting the linkages put forward by the EU.

At the same time, Turkey is continuing its negotiations on EU accession, which started in 2005 on the basis of the already existing customs union. Turkey's fulfillment of the Copenhagen Criteria is subject to debate, both in Turkey and in EU member states. According to Tocci, the accession process has proved to be "...a key anchor in supporting democratization and modernization in Turkey" (Tocci 2005, 73). While EU policies of conditionality play a role, Tocci concludes that the key drivers of reform have been domestic, with the EU accession process as a contributing factor. In this process the debate in Turkey has centered on how to adopt the Copenhagen criteria "...for Turkey's own sake rather than for that of the EU" (Ibid). Since leading EU member states have recently cast doubts concerning Turkey's EU membership, the prospects for the accession process are presently far from clear. Since Iceland already maintains substantial political and economic links to the EU, its ongoing accession negotiations are not for seen to involve difficulties with regard to the EU linkage strategy.

### ***10.5.2 Other Close Neighbors***

Trade and security linkages have also played a significant role in the EU approach to other close eastern and southern neighbors. Even if Ukraine, Moldova, Armenia and Georgia are not candidates for EU membership, the European Neighborhood Policy and the Eastern Partnership initiative from 2009 means that these countries are offered privileged access to the EU market, provided that they pass the political and market economy test through Association Agreements under which DCFTAs are, or will be, negotiated.

The debate on Ukraine's "European perspective," including the possibility of EU membership as a final result in the long term, was fueled by the "Orange Revolution" in 2004–2005. Even if the prospects for Ukraine's accession to the EU have weakened since then, negotiations on what were to become a broad Association Agreement including a DCFTA began in 2007, and were finalized in 2011. During the negotiations Ukraine satisfied the requests of the EU concerning political clauses and sustainable development. At the same time Ukraine's respect for democracy and the rule of law was weakened, as illustrated by the imprisonment of the former Prime Minister Yulia Tymoshenko. This prevented the EU from signing the agreement at the EU-Ukraine Summit in late 2011. Commission President Barroso explained that the future of the agreement "...will be determined by political developments in Ukraine" (European Commission 2011).

Different views have existed both within the Commission and among EU member states on the value of negotiating DCFTAs with smaller Eastern

Partnership countries, such as Georgia. According to one view, such agreements are of importance for security policy reasons; opponents hold that the economic value of agreements of this kind is too small to be worth the effort. In this context it should be noted that the EU already has Cooperation Agreements, which include the political clauses, with Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova and Uzbekistan (WTO 2009, 19). Thus, the linkage as such will most likely not create difficulties once DCFTA negotiations are opened, as they will be with Georgia and Moldova in 2012.

The process for economic integration, including political links, between the EU and its Mediterranean neighbors started in the 1960s and has become more elaborated over time. The Barcelona Declaration of 1995 codified the aim of establishing a Euro-Med FTA by 2010, involving the EU and twelve Mediterranean countries.<sup>6</sup> The Barcelona process was re-launched and widened through the creation of the Union for the Mediterranean in 2008, which brought the twenty-seven EU member states together with sixteen Mediterranean partner countries. The importance of the link between economic integration and security, stability, and democracy has been accentuated by the events of the “Arab Spring,” which is likely to alter the view of target countries on political clauses and linkages related to sustainable development. Towards the end of 2011, the EU decided to launch negotiations on DCFTAs with Egypt, Jordan, Morocco and Tunisia. Ongoing FTA negotiations with Libya were suspended due to the internal hostilities in the country, but are likely to be resumed once a democratically elected government is in place. In addition, the process towards finalization of the association agreement with Syria, including a FTA, has been postponed due to the violent internal situation in the country.

### ***10.5.3 ACP Countries***

Development is the main EU driver for engaging in asymmetric FTAs with the ACP countries. The negotiations on FTAs with these countries stem from the challenge to previous unilateral EU trade preferences for the group launched by Latin American countries and the United States in the 1990s. The ACP arrangement was found to be inconsistent with the WTO and the EU set out to reestablish WTO conformity by negotiating WTO-consistent free trade agreements—the so-called Economic Partnership Agreements—under the Cotonou Agreement with seven regional groups of ACP countries.

The Cotonou Agreement is the most extensive EU trade-related agreement in terms of number of countries covered. It embraces some 80 African, Caribbean and Pacific countries, often former colonies of EU member states. It was relatively

---

<sup>6</sup> Algeria, Morocco, Tunisia, Egypt, Israel, Jordan, Lebanon, the Palestinian Autonomous Territories, Syria, Turkey, Cyprus and Malta.

uncomplicated for the EU to include the political clauses in the Cotonou Agreement when it succeeded the Lomé Convention in 2000 for several reasons. The power relationship between the EU and the individual ACP countries was, and still is, highly asymmetrical. Many, if not all, ACP countries had a strong interest in obtaining preferential access to the EU market. In the EU, the trade arrangement with ACP did not cause strong offensive business lobbying. Instead, internal EU lobbying was dominated by defensive interests, mainly in the areas of agriculture and textiles. From the ACP countries' points of view, the acceptance of the political clauses could be seen as a means to help overcome the defensive EU lobbies and obtain preferential access to the EU market.

While Smith finds that "...the EU's use of conditionality could be more systematic and coherent than it is now" (Smith 1998, 273), Hafner–Burton concludes that the inclusion of human rights provisions in the Cotonou Agreement, as well as in other agreements, has been fairly effective. "Hard standards" in preferential trade agreements, which attach material economic benefits to compliance with human rights, "...are more effective than softer human rights agreements in changing repressive behaviors" (Hafner-Burton 2005, 593).

The "stick" in the form of the suspension provisions found in the Cotonou agreement has probably contributed to ACP countries' willingness to agree to the political clauses. They are aware that without such an agreement, trade concessions would not have come about. According to the relevant provisions, the parties agree to consult on any breach of the agreement, for instance in relations to the human rights provisions, in order to find solutions. If no solution is found following the consultations, the party that holds that the partner is in breach of the agreement may take "appropriate measures." Suspension of the agreement is seen as the measure "of last resort."

The suspension clause has been invoked by the EU in some 20 cases since 1995. Almost all cooperation under the agreement with Togo was suspended in 1998 after a flawed election. Sudan has been subject to suspension on an ad hoc basis. Partial suspension has been invoked against several countries as a consequence of coups d'état, flawed elections, massive corruption, or other serious human rights violations.<sup>7</sup> Measures taken by the EU have included suspension of aid, the freezing of assets, and refusal of visas for key persons. However, trade concessions have never been suspended under these provisions.

Concerning the economic objectives at hand, the process towards finalization of new Economic Partnership Agreements with the ACP countries, as envisaged in the Cotonou agreement, has been far from easy for the EU. With the exception of the agreement with the Caribbean countries, the negotiations have been delayed and several ACP countries, in particular in Africa, have been reluctant to enter into

---

<sup>7</sup> These instances include decisions on partial suspension of cooperation with Niger in 1996 and 1999, Guinea-Bissau in 1999 and 2004, Comoros in 1999, Ivory Coast in 2000 and 2002, Fiji in 2000 and 2007, Haiti in 2000, Liberia in 2001, Guinea-Conakry in 2003, Zimbabwe in 2002, Central African Republic in 2003, Togo in 2003 and 2004 and Mauritania in 2005. Some of these decisions are still in effect.

the type of agreement proposed by the EU. However, neither the political clauses nor the link to sustainable development have been the main reason for this delay. Thus, while the ACP countries accepted the political clauses in the Cotonou agreement in order to achieve preferential treatment under the previous arrangement, they have been reluctant to embrace the economic model for cooperation put forward by the EU in order to bring their preferential access to the EU market into conformity with the WTO.

The EU has also linked trade to sustainable development in the EPA negotiations. The EPA with the Caribbean countries refers to a number of Cotonou agreement articles that are relevant to sustainable development, including with regard to labor standards, the environment and corruption, and includes specific provisions on sustainable development. The agreement obliges the parties to abide by existing ILO and environmental conventions. The chapter on environment includes obligations on participation in specific environmental convention and to promote trade that contributes to sustainable development. The EU-Caribbean EPA also refers to the need to combat corruption. Additional EPA agreements with other regional groups are likely to include similar provisions and linkages, which the target countries are likely to accept.

#### *10.5.4 More Distant Countries*

Economic gains have been the main driver for EU FTAs with more distant partners. Before 2000 the EU entered into a limited number of such FTAs. Agreements were negotiated with South Africa in 1999 and with Mexico and Chile in 2000. These agreements linked trade to human rights and security, but not extensively to sustainable development. After entering into these agreements, the EU was largely a bystander while numerous new FTAs were negotiated by others, in particular in Asia, in the years after 2000, until it embarked upon new negotiations in 2007 (Ahnliid 2012).

The EU has been successful in including the political clauses, and in particular the essential elements thereof, in agreements with relatively like-minded countries such as South Africa, Chile, Mexico and, most recently, South Korea. However, this does not mean that the negotiations on the political clauses have been harmonious.

The EU negotiations on a Framework Agreement and a Free Trade Agreement with South Korea, which entered into force in 2011, are a case in point. The FTA is the most ambitious ever entered by the EU with a non-European country, and is of considerable economic value. During the parallel negotiations on the FTA and the Framework Agreement, the crafting of the human rights clause and the related suspension mechanism became a sticking point. Despite the fact that the EU and South Korea nowadays have similar views on human rights, the latter questioned the essential feature of the human rights clause and the need for an explicit provision on suspension in case of violation. Sharing the EU approach to human

rights, South Korea held—as a matter of principle—that it ought to be treated differently than non-democratic countries with more apparent human rights problems. In the compromise, the EU agreed that a 15 day consultation period should precede suspension upon potential breach of essential commitments. The Korea negotiations also involved some problems in terms of agreeing to the clause on non-proliferation. Still, mutually acceptable solutions were found to both problems, and they are now contained in the Framework Agreement. The EU seems not to have “paid” much, if anything, in terms of a lower level of Korean concessions on trade, for the inclusion of the essential elements.

The Korea agreement is more extensive with regard to issues relating to sustainable development than other EU agreements. It includes an eight-page chapter on sustainable development that Korea agreed to after detailed negotiations, but generally without strong resistance. The substantive provisions relate to effective implementation of all multilateral environmental agreements to which Korea and the EU are parties. The parties agreed to aim for high standards of protection for the environment and labor, and not to lower these standards in a manner that negatively impacts trade and investment between the two. With regard to labor, the agreement contains a shared commitment to ILO core labor standards and to the ILO decent work agenda. The parties also agreed to ratify and effectively implement all relevant ILO conventions.

The agreement breaks new ground in the procedural provisions on sustainable development. It established monitoring mechanisms that rely on public scrutiny through the involvement of civil society. Domestic Advisory Groups will be set up, in which environment, labor, and business interests will be represented. The groups are to meet on a yearly basis in a joint Civil Society Forum to review the sustainable development chapter, and a high-level Committee on Trade and Sustainable Development will monitor its implementation. In addition, the agreement includes mechanisms for solving problems through an independent Panel of Experts, which will give recommendations to the high-level committee. Korea no doubt found the improved access to the EU market, including for vehicles, worth the cost (if any) that the sustainable development-related commitments entailed. The recent push on green issues by the Korean government might even have led Korea to determine the link substantive and thereby a welcome addition to the FTA.

Security, democracy, human rights, environment, and social linkages have also been on the agenda for negotiations between the EU and the ASEAN countries. Under the 2007 mandate, the EU is presently negotiating FTAs with Singapore and Malaysia. The linkages have not yet led to major hurdles, and negotiations with additional ASEAN countries are under preparation. So far the EU has ruled out FTA negotiations with Myanmar due to the non-democratic governance of the country.

The EU FTA negotiations with Colombia and Peru resulted in a deal in the spring of 2010 that rapidly came under fire in the European Parliament for lacking sufficiently strong provisions on the need to improve human and workers rights, in particular in Colombia. A number of EU member states have also voiced concern. A matter for debate has been whether suspension of the agreement upon breach of



its essential elements should be immediate (as in the association agreement of Chile) or following upon a 15-day consultation period (as in the deal with South Korea). The Commission, on the other hand, holds that the deal meets EU standards by inscribing respect for human rights, protection of the environment, and labor rights as “core principles” of the agreement (European Commission 2010a). The text will be put before the European parliament for final assent at a later stage and after additional debate. The EU is also pursuing FTA negotiations with the MERCOSUR countries, Argentina, Brazil, Paraguay and Uruguay, in which the EU envisions linkages similar to those obtained with Colombia and Peru.

The limits of the EU approach of linking political clauses to trade commitments may become apparent in the ongoing free trade agreement negotiation between the EU and India, which started in 2007. It is evident that the EU and India have a broad common interest in closer trade and economic links (Sachdeva 2008). But EU insistence on linking the essential elements of the political clauses—which the EU would seek to include in a Framework Agreement—to the FTA might become a major stumbling bloc.

The challenge relates to both elements of the essential clauses. Agreement on EU priorities concerning sustainable development is also likely to be difficult, but probably not as contentious as the political clauses. Concerning provisions on sustainable development in general, and human rights clauses in particular, India takes the view that such “non-trade issues” fall outside the scope of trade agreements. According to then Indian trade minister Nath, the political clauses “...would, of course, be a deal-breaker... This is meant to be a specifically targeted trade and investment agreement, which it will not be if other elements come into it” (Financial Times 2007). For India, the WMD clause falls in the same category. India, being a nuclear power, but not a party to the 1968 Non-Proliferation Treaty (NPT), has refused to link any clause on non-proliferation to the FTA (Grip 2009). Indian NGOs see the “political clauses” in a different light than does the EU. Should the FTA be linked to human rights concerns, the NGOs will request a comprehensive discussion of the matter that leads to real benefits for poor people in India. So far, the Indian NGOs argue “...this agreement is fundamentally anti-social and anti-environmental” (Forum on FTA 2009).

Within the EU, human rights and development civil society organizations have been in the forefront among proponents for linking political clauses in the EU-India FTA. The European Parliament has followed the same line. In a resolution from March 2009, the European Parliament expressed concerns with regard to the use of child labor and the treatment of minorities in India. The Parliament stressed the importance of the political clauses and urged India to sign the Non-Proliferation Treaty (European Parliament 2009).

At the same time, EU business interests, organized through Business Europe, have strongly supported the negotiations. For Business Europe, the EU-India negotiations are paramount among ongoing FTA negotiations. Priority should be given to further market openings, which would have “...huge potential for both sides” (Business Europe 2010, 7). Without explicitly addressing the debate on the EU political clauses, Business Europe expects the EU “...to establish a coherent,

credible and coordinated EU foreign policy which recognizes the broad benefits, in terms of stability and therefore security, of responsible trade and investment led by European business...” (Ibid. 10).

The differences between the EU and India over the political clauses risk becoming “...a major dampener in the negotiations to clinch a free trade agreement...” (Business Standard 2010). EU insistence on linking the clauses to the FTA would risk stalling the negotiations and thereby preventing the EU from achieving important economic objectives outside the realm of human rights and non-proliferation, which would incur economic costs on both the EU and India. Nevertheless, the FTA negotiations have continued in accordance with a quite ambitious work program, and the decision on how to deal with the linkages has been postponed to a later stage.

## 10.6 Concluding Remarks

The Lisbon Treaty mandates the EU to “...uphold and promote its values and interests...” in a comprehensive manner in relation to third countries, and thus challenges EU policymakers to pursue a value-based and coherent approach to all relevant aspects of third-country relations. This, in turn, has led the EU to seek to link commitments on security, democracy, human rights, and sustainable development to commitments on trade and investment. Since progress in multilateral trade negotiations has been slow or absent, EU negotiations on bilateral or regional FTAs have become the main arena for EU linkage efforts.

The reasoning behind EU FTA linkages has shifted between agreements and member states. While some linkages, such as the political clauses, have been morally motivated, others have been motivated by substantive reasons, such as the desire to halt climate change. Still others might have been tactical (or perceived as such) to push for liberalization, or even protectionist, to avoid liberalization. Since the mid-1990s, the EU has been relatively successful when it comes to using linkages in FTA negotiations for wider purposes.

The EU has been doing well when it comes to making trade concessions conditional upon acceptance of the “political clauses,” and in particular the essential elements thereof, covering democracy, the rule of law, human rights, and non-proliferation of weapons of mass destruction. Presently about 120 countries are covered by agreements with the EU that contain the political clauses. They have generally been included in framework agreements on cooperation, and linked to trade agreements where these are in place. The “political clauses” have taken on increasing importance as a result of the Lisbon Treaty. The quest for linkages has to a large extent been driven by EU member states in the Council that generally have been unified behind this priority. Member states have, in turn, acted upon real or perceived interests expressed by national stakeholders. The increasing powers of the European Parliament are likely to lead to even further emphasis on the EU approach.

The link between trade and security, democracy, and human rights on the basis of the Copenhagen criteria has been and still is of utmost importance to EU relations with countries that are candidates to become EU members. Security is often the main driver behind agreements with these countries. The target countries have generally agreed that the link is substantive in nature, which has resulted in stable outcomes. This is not surprising given the transformation of several of these countries from communist authoritarian states during the cold war to democracies. For other neighboring countries east and south of the EU, the security link is still important, though not as direct as for candidate countries. The postponement of signing the DCFTA with Ukraine illustrates that the EU is determined to pursue its value-based approach. The Arab Spring has increased the security need for improved FTAs with EU's southern neighbors, while it may also have made it more challenging for the EU to achieve linkages successfully.

In other cases, target countries have agreed to the link in order to safeguard trade benefits from the EU, despite assessing the linkage as tactical. This is the case in relation to several ACP countries. From an EU point of view, development has been the key driver behind these agreements. EU decisionmakers have attached considerable importance to human rights and democracy linkages, as key means to influence ACP countries to embrace "universally accepted" norms. From the EU point of view, this linkage strategy has been successful, even if the acceptance of the linkages is explained more by power asymmetries than substantive interest in the target countries.

Regarding more distant countries, linkages have become more important over time. In relation to these countries, the EU approach has been refined by the adoption of the 2007 and 2010 strategies. Successful linkages have been negotiated in agreements with South Korea, Peru, Colombia and Central American countries in 2010, while negotiations are still under way with other countries, including India, ASEAN countries, and Canada. To the extent that these partners agree that linkages are substantial, stable outcomes will emerge. Even without such agreements, the EU is likely to be a successful linker in asymmetrical relations where it is the stronger partner. In more equal power relations, however, success would probably be less certain. It remains to be seen to what extent a possible rejection of linkages by a major economy, such as India, will prevent the EU from entering into an economically beneficial FTA.

While linkages between "political clauses" and trade constitute a legally and institutionally firmly-founded basis for EU external relations, the foundation for linkages relating to sustainable development is somewhat less compulsory. Nevertheless, over the past decade, and since the resumption of new FTA negotiations in 2007, the link between trade and the environmental and social components of sustainable development has become more important. The EU seeks to position itself in the forefront of the debate on trade and sustainable development. However, target countries, beyond candidate and neighboring ones, have often seen these linkages as tactical and—rightly or wrongly—as part of a hidden EU protectionist agenda, rather than as a means to mutually safeguard the environment or labor rights. The protectionist rhetoric from labor and political leaders in several

EU member states has added to the suspicion on the part of developing countries. Their distrust is likely to remain as long as the EU upholds or seeks to implement protectionist measures, including with regard to imports of agricultural goods. Thus, not until the EU pursues a consistent free trade policy itself, along the first dimension of trade policymaking, can it be fully credible in terms of its quest for inclusion of environmental and labor provisions in FTAs, along the second dimension of trade policymaking. Mercantilism is not a convincing basis for linking trade and sustainable development. Accordingly, the backing for linkages of this sort by EU member states is less clear than their backing for the political clauses. Nevertheless, the EU has met with considerable success in fulfilling its substantive objective of promoting sustainable development through FTA linkages.

The handling of linkages in the formulation of EU trade policy vis-à-vis third countries is, not surprisingly, subject to both internal and external debate. Internally, on the domestic level of EU member states, various civil society organizations, political parties, and governments have championed the link between “political clauses” and free trade arrangements. This link has also dominated the EU decision-making process, and has been translated into EU policy. However, there have been, and still are, important differences between the stances of the twenty-seven EU member states. While “Northern Liberal” member states typically combine advocacy for non-trade objectives through linkages with support of a consistent free trade policy in relation to the target country, “Club Med” member states, consisting of more protectionist southern EU members, might seek non-trade objectives in combination with a more defensive stance on EU trade policy. The latter approach is not likely to be conducive to issue linkages, in particular since it does not provide any trade incentives for the target country to agree to the linkage. The balance of power between member states will largely determine the overall EU outcome. Internally there is also a difference, relating to the administrative level of analysis, between those member states that combine trade and foreign policy organizationally, such as Sweden and Denmark, and those member states such as Germany and the Netherlands which separate the two issues in different ministries (foreign versus economic ministries). These countries all belong to the Northern Liberal group; nevertheless, the former have been more prone to defend trade and security linkages than the latter. This has contributed to the different views held by these countries in the EU Trade Policy Committee on the launch FTA negotiations with Georgia, which Sweden and Denmark championed, while both Germany and the Netherlands took a more reserved position. This division considerably delayed the launch of FTA negotiations between the EU and Armenia, Georgia, and Moldova.

Externally, it is worth noting that, at least thus far, where resistance exists to the relevant linkages it has been fairly minimal. This is explained either by the fact that the target country has agreed that the linkage is substantive in nature, or by the fact that the target country has been substantially less powerful than the EU, and at the same time has had an economic interest in preferential access to the EU market. In addition, ACP countries have been offered substantial amounts of

development aid as part of the agreement with the EU that includes the relevant linkages.

Thus, in these relationships the EU has typically not been forced to make economic trade-offs in exchange for securing non-trade objectives. However, the ongoing negotiations on a free trade agreement between the EU and India will probably put the EU linkage strategy to a difficult test. India is likely to agree neither to the political clauses, nor to far reaching provisions relating to sustainable development. India does not see these linkages as substantive, and is not likely to agree due to an asymmetry in power with the EU. Rather, India judges the linkages to be of a non-trade nature. In this case, the EU is not likely to achieve its economic objectives vis-à-vis India without reducing its linkage ambitions.

This is where the EU finds itself today. The Indian test of the EU linkage strategy will be performed in the aftermath of the worst international economic crisis since the 1930s, and in a situation in which the Eurozone is facing severe internal difficulties and is more in need than ever of economic growth through trade liberalization. In addition, the long-term structural change in international economic power, with Asia on the rise, adds to the need to establish open trade links with Asian countries, including India.

While economic gains have so far driven EU FTAs with distant countries, security has so far driven the US. This is evident in terms of the rationale behind US FTAs with Israel, Jordan, Bahrain and Morocco. The US FTAs with Singapore, Australia and South Korea are partly of similar origin. The US has also had more of a strategic security outlook than a purely commercial position in its cooperation within the Asia-Pacific Economic Cooperation (APEC) (Aggarwal and Koo 2005). Apart from candidates for EU membership, the EU has typically not engaged in FTAs primarily for security reasons. Security considerations have, however, recently played an increasing role in the start of negotiations with countries in the EU's southern and eastern neighborhoods. Likewise, the EU has generally not used regional cooperation, such as the Asia-Europe Meeting (ASEM), for explicit strategic purposes. This, in turn, reflects the fact that the EU, as a union of member states, does not have security and strategic preferences that are as well-defined as those of the US. Development purposes seem to have played a larger role for EU FTAs than is the case for the US, with the negotiations on FTAs with the ACP countries as the most important example.

Looking at explicit linkages in FTAs, the EU seems to have concentrated more on the content of the "political clauses" than the US. With regard to sustainable development, the US has generally crafted more legally binding commitments on environment and labor standards than the EU. For example, with regard to labor standards EU FTAs generally include requirements of recognition of ILO core labor standards, while US FTAs require the target country to include specific labor standards in domestic law, and subject this commitment to dispute settlement (Grynberg and Qalo 2006). The EU, on the other hand, has included more extensive chapters on sustainable development in its more recent FTAs than has the US, and developed more elaborate procedural mechanisms, for instance in the form of civil society advisory groups and expert groups tasked to settle disputes.

Overall the EU approach is less interventionist than that of the US, but still satisfies the political stakeholders in the member states and the European Parliament. Such outcomes would not be sufficient in the US, where much recent trade policy debate in Congress has related to the need to include meaningful labor and environmental standards in FTAs, in order to prevent “unfair” competition between the US and the target country. Generally, it would seem that the US has reached further than the EU when it comes to obtaining legally binding results on labor and environmental clauses, while the EU has done better than the US in terms of its “political clauses,” which, after all, constitute the core of the EU value-based approach.

## References

- Aggarwal, V.K., and M.G. Koo. 2005. The evolution of APEC and ASEM: Implications of the new East Asian bilateralism. *European Journal of East Asian Studies* 4(2): 233–264.
- Ahearn, R. 2010. Europe’s preferential trade agreements: Status, content, and implications. Congressional Research Service 7-5700 R41143.
- Ahnlid, A. 2005. Setting the global trade agenda: The European Union. In *European Union negotiations: Processes, networks and institutions*, ed. C. Jönsson and O. Elgström. Oxford: Routledge.
- Ahnlid, A. 2009. The European Union, leadership, and next steps in the multilateral trading system. In *Opportunities and obligations, new perspectives on global and US trade policy*, ed. T. Stewart, 3–27. Alphen aan den Rijn: Kluwer Law International.
- Ahnlid, A. 2012. The EU meeting the Asian trade challenge—from follower to forerunner? In *EU–Asia and the re-polarization of the global economic arena*, ed. L. Oxelheim. Singapore: World Scientific and Imperial College Press.
- Akeda, Y. 2010. Creating transitional trade constituency? EU civil society dialogue and its implications for global governance. Paper presented at the 17th international conference of Europeanists, Montreal, 5–17 Apr 2010.
- Brundtland Commission. 1987. *Our common future, the world commission on environment and development*. Oxford: Oxford University Press.
- Business Europe. 2010. Priorities for external competitiveness 2010–2014: Building on global Europe.
- Business Standard. 2010. *Political hurdles may dampen EU–India FTA talks*, 16 Apr 2010.
- European Commission. 2006. *Global Europe, competing in the world, a contribution to the EU’s growth and jobs strategy*, communication by the European Commission to the council and European parliament.
- European Commission. 2010a. European Commission concludes free trade talks with Peru and Colombia. *Press Release*, 1 Mar 2010.
- European Commission. 2010b. Trade, growth and world affairs. Trade policy as a core component of the EU’s 2020 strategy, document COM (2010) 612.
- European Commission. 2011. Statement by Commission President Barroso following the EU–Ukraine summit, 19 Dec 2011, 11/898.
- European Council. 2010. Remarks by the President of the European Council Herman Van Rompuy, following the 15th EU–Ukraine summit in Kiev, 19 Dec 2011 (EUCO 166/11, Presse 511, PR PCE 125).
- European Parliament. 2005. Human rights and democracy clauses in the EU’s international agreements, study by the directorate-general for external policies of the union, DGExPo/B/PolDep/Study/2005/06.

- European Parliament. 2009. Resolution of 26 March 2009 on an EU–India free trade agreement, P6\_TA(2009)0189.
- European Parliament. 2010. Report on human rights and social and environmental standards in international trade agreements, 009/2219(INI) Committee on International Trade, Rapporteur: Tokia Saifi.
- Forum on FTA. 2009. Statement of concern regarding draft report on the EU–India free trade agreement, 4 Mar, 2009.
- Grip, L. 2009. The EU non-proliferation clause: A preliminary assessment, SIPRI, background paper, Nov 2009.
- Grynberg, R., and V. Qalo. 2006. Labour standards in US and EU preferential trading arrangements. *Journal of World Trade* 40(4): 619–653.
- Hafner-Burton, E. 2005. Trading human rights: How preferential trade agreements influence government repression. *International Organization* 59: 593–629.
- Johnson, Jo. 2007. EU-India Trade Pact Stumbles. *Financial Times*, 5 Mar, 2007.
- Sachdeva, G. 2008. India and the European Union: Broadening strategic partnership beyond economic linkages. *International Studies* 45(4): 341–367. SAGE Publications.
- Siroën, J.-M. 2008. The use, scope and effectiveness of labour and social provisions and sustainable development aspects in bilateral and regional free trade agreements, report mandated by the European Commission, contract VC/2007/0638.
- Smith, K.E. 1998. The use of political conditionality in the EU's relations with third countries: How effective? *European Foreign Affairs Review* 3(2): 253–274, ISSN:1384-6299.
- Stubb, A. 2010. Dignified foreign policy, speech at the London School of Economics and Political Science, Nov 11, 2010.
- Tocci, N. 2005. Europeanization in Turkey: Trigger or anchor for reform? *South European Society & Politics* 10(1): 73–83.
- Winters, L. Alan. 2000. EU's preferential trade agreements: Objectives and outcomes. In *The external economic dimensions of the European Union*, ed. P. van Dijck and G. Faber, 195–223. Kluwer Law International.
- WTO. 1996. The Singapore ministerial declaration.
- WTO. 2009. Trade policy review of the European Communities.

# Chapter 11

## Trade Linkages to Traditional and Non-Traditional Security: Lessons and Prospects

Vinod K. Aggarwal and Kristi Govella

### 11.1 Introduction

With ongoing problems in concluding the Doha Round of the World Trade Organization (WTO), countries have pursued a variety of alternative trade arrangements to increase market access. In particular, we have seen a dramatic increase in efforts in the Asia-Pacific to conclude transregional, regional, and bilateral free trade agreements (FTAs). Yet belying their apparent focus on technical matters of tariffs and other trade barriers, such agreements have become increasingly politicized. Driven both by state interests and the growing activism of domestic actors, many countries have sought to promote both traditional and non-traditional security goals through explicit and implicit linkages. Analysts have recognized this phenomenon, arguing that US trade agreements have become increasingly “securitized” (Higgott 2004). Others have focused on the degree to which such accords might lead to better labor or environmental standards.<sup>1</sup> Yet to this point, we do not have a theoretically informed, comprehensive analysis of trade linkages that encompasses both trade and non-trade issues, or one that focuses broadly on the Asia Pacific. This book attempts to fill those gaps.

This chapter’s goal is to extract lessons from the empirical analysis of linkages across the broad spectrum of trade arrangements ranging from the WTO to bilateral FTAs. In doing so, we hope to shed light on how our initial theoretical and conceptual perspective on the driving forces of trade linkages and their impact

---

<sup>1</sup> See among others Hafner-Burton (2005) and Vogel (1995).

---

V. K. Aggarwal (✉) · K. Govella  
University of California, Berkeley, USA  
e-mail: vinod@berkeley.edu

K. Govella  
e-mail: kgovella@berkeley.edu



fares in light of this analysis. To that end, [Sect. 11.2](#) briefly reviews the theoretical arguments of [Chap. 1](#), focusing on the analytical framework that provided the underlying analytical lens for the case study writers. [Section 11.3](#) provides an analytical summary of the empirical findings on linkage efforts, focusing on the linkage patterns that we can discern among the variety of trade accords discussed in the case studies. [Section 11.4](#) attempts to outline some general findings from the case analyses along the lines of our variables of interest and concludes with our expectations about future efforts to engage in linkages in the Asia Pacific.

## 11.2 The Conceptual and Theoretical Approach: A Summary

To describe and explain how actors attempt to engage in both traditional and nontraditional security linkages, [Chap. 1](#) introduced our approach, which consists of three parts.

The first element, our conceptual approach, points to the direct causal drivers of linkages to trade, which include traditional security, non-traditional security, and broader economic considerations (see [Fig. 1.1](#)). Once trade agreements have been concluded, they may impact traditional and nontraditional security along two paths: one is the direct impact of the agreement (e.g., directives to improve worker's rights in a target country), and the other is the indirect impact (e.g., through more rapid trade and economic growth that enhances or diminishes protection of the environment). This general conceptualization provides a frame for the chapter authors to examine issue linkages. In the empirical analyses, depending on the length of time that various agreements have been in operation or are currently being negotiated, different writers emphasize different aspects of this process, viz. the domestic agenda-setting process, international negotiations, and the impact of accords on actual state behavior.

The second part of our analysis consists of an effort to build on previous work to specify the variety of trade agreements and to systematically characterize them on three central dimensions. The dimensions we proposed to consider and which the case study authors have focused on include the number of participants involved in an agreement, geographical scope, and underlying organizational structure.<sup>2</sup> Our goal here is to provide a conceptual analysis of accords with an eye to better understanding whether the process of linkage formation and the impact of trade agreements on traditional and non-traditional security are conditioned by the types of agreements being negotiated. Moreover, depending on linkage goals, the dimensions can also serve not only as intervening factors for pre-existing arrangements, but also as goals themselves for negotiators: e.g., concluding more binding accords with dispute settlement to enforce outcomes.

---

<sup>2</sup> See Aggarwal (2001) and Pekkanen (forthcoming).

The third element in our effort to explain the use of trade linkages focuses specifically on two key processes. The first concerns the domestic political economy of linkage formation; the second focuses on international negotiations. We suggest that one important aspect of linkage formation could be understood by considering linkages on the dimension of knowledge consensus, building on the work of Ernst Haas (Haas 1980).<sup>3</sup> If linkages are based on power, we refer to these as tactical. If they are based on consensual knowledge, they are labeled substantive. Supplementing Haas's approach, we also considered two key aspects of linkages with respect to linkers and linkees (Aggarwal 1998). If both parties see the issues as substantively linked, then one has a genuine substantive linkage. If both recognize that the effort is a power play, then the linkage is tactical.

As we suggested, however, the most interesting dynamics in linkage politics are often more complicated. For example, in the domestic arena, when experts and other advocates agree that two issues are interconnected (e.g. the connection between trade and labor standards), even policymakers who do not believe that the two issues are substantively linked may *still* treat them together to mollify interest groups for political gain. Similarly, in an international context, the target country may deny that the linkage is substantive but still go along with the demands of the linker because of a perceived asymmetry of power. This type of linkage can be seen as "failed substantive linkage"—where failure refers to the basis of cooperation, *not* the ultimate outcome of agreeing to the policy pushed by the linker. This situation might be rectified. Both domestically and internationally, advocates for such linkages may attempt to sway their target audiences through provision of information to convince them of the substantive validity of the issue linkage. Thus, over time, with changed causal understanding, we may see a move to a "successful" substantive linkage, which also may prove to be more stable as a basis for cooperation. Otherwise, power shifts in the direction of the reluctant linkee are likely to undermine any linkage effort over the longer run as the linkee moves to position where resistance is now possible.

The last case we consider refers to a situation where the linkee sees the issues as substantively linked—even though the linker never intended this. In such a case, which we refer to as a misperceived tactical linkage, the target decisionmakers may have experts or other interest groups who recognize that there really no substantive linkage and push the decisionmakers to resist the linkage with counter-power efforts. Although the linkee may go along with the linker's efforts for the wrong reason (belief that there is a substantive connection), this situation may prove unstable—as in the case of misperceived substantive linkages—in a different way. If and when the target comes to realize that the connection was tactical in nature, the bargaining connection will shift to a potentially unstable one that will only endure as long as the linker maintains its superior power.

A key aspect of the linkage process is the role of power. Here, we refer to the impact of the distribution of power, both international and domestic, on the

---

<sup>3</sup> Also see Oye (1992).

outcomes of tactical linkages. Whether domestically or internationally, the power distribution in these types of linkages, tied to the salience of the issues for both linkers and linkees, directly affects outcomes. At the domestic level, the success or failure of interest groups will be determined by the asymmetry of power and interests, factors that are themselves a function of state-society relationships. In many countries in Asia, in contrast to Western states, for example, the state itself may pursue a set of goals and domestically powerful states may be more prone to ignore pressure groups.

Internationally, power asymmetry will by definition be critical in the use of tactical linkages. But since states pursue a host of goals, both domestically and internationally, there is unlikely to be a one-to-one correspondence between asymmetry of overall power and outcomes. Instead, given domestic constraints and competing international objectives, the circumstances of pressure by linkers on linkees (and their counter response) must be explicitly analyzed, focusing both on positive and negative inducements.

We can summarize the three elements of our conceptual and theoretical analysis to examine the case study findings as follows.<sup>4</sup> The first element concerns our broad general framework. On this score, we are interested in (1) exploring the extent to which we see the use of security, non-security, and broader economic linkages in the agreement being discussed; and (2) examining the evidence for direct effects of the agreement on traditional and non-traditional security issues. Our second element focused on types of agreements—in particular on their membership, geographical scope, and underlying organizational structure. Here, our central interest is to analyze the how differences on these three dimensions (or other aspects raised by authors) might influence the linkage process and subsequent impact of such linkages. Finally, we consider the bases for linkages themselves. First, do we see evidence of different types of linkages (substantive, tactical, failed) in the domestic process leading to different types of international agreements? And second, do we see evidence of power asymmetries domestically and internationally in negotiations in these respective spheres? With these elements in mind, we turn to our case studies.

### 11.3 Findings from the Case Analyses

As we suggested, one logical categorization of agreements is by the number of actors involved. Thus, we begin by considering linkage processes with the broadest level agreement, the GATT/WTO. Then, we examine unilateral accords including Asia Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations (ASEAN), the “ASEAN Plus X” groupings (e.g., ASEAN+1, ASEAN+3, and

---

<sup>4</sup> Naturally, depending on the type of agreement and the length it has been in operation, all cases may not directly address these questions.

the East Asia Summit), and the Shanghai Cooperation Organization (SCO). Finally, we look at the bilateral FTAs initiated by Asian countries involving security and non-security linkages and the FTAs of the US and EU.

In brief summary, David Vogel's chapter on the GATT/WTO finds that linkages to non-trade issues have indeed been an important part of negotiations in this organization. The most significant ones are those related to security, followed by environmental ones, and the weakest being ties to labor. He finds that these linkages have had an influence at a variety of points, including membership criteria, the onset of new trade negotiations, WTO standing bodies, the policies of the WTO, and dispute panel rulings. Finally, we see considerable asymmetry in trade negotiations, with jostling among developed and developing countries and often within these groups themselves. Because of the lack of clear consensus on linkages among trade, security, and non-security issues, we see some degree of substantive linkages but a much greater use of tactical linkages along with some cases of failed substantive linkages.

With respect to security linkages, the GATT was deeply nested within the bipolar system, with the goal of promoting economic development to bolster the Western alliance. The security connection was evident in the US withdrawal of trade concessions to Czechoslovakia and Cuba when they became communist and successfully pressured to have the Chinese withdraw from the GATT. The US then changed its position and encouraged East and Central European countries to join the GATT, albeit as second-class citizens without full privileges. With respect to the WTO, as noted in the introduction to the book, after the 9/11 attacks, the US used this incident to press for conclusion of the Doha Round to "fight terrorism." Thus, as we have seen, traditional security considerations have been an important consideration with respect to the US and the GATT/WTO.

In terms of non-security linkages, as Vogel notes, the key stimulant to the politicization of the WTO with respect to the environment came with a dispute panel ruling with respect to the killing of dolphins in connection with the 1991 tuna fishing ruling, which forbade the US from banning tuna imports from three countries. The debate over whether environmental considerations should be substantively linked to trade now heated up, with activists criticizing this ruling. The outcome was the inclusion in the WTO preamble of a phrase on protecting allowing countries to invoke standards to protect the environment. Moreover, a systematic review of trade policy impact on the environment led to the creation of the Committee on Trade and Environment (CTE) in the WTO, which many developing countries rejected as a tactical linkage to impose green protectionism effort rather than a substantive one. Still, environmental issues were now firmly entrenched on the WTO agenda. But in terms of its rulings, various dispute settlement bodies tried to steer a narrow course and not explicitly link the various Multilateral Environmental Agreements (MEAs) directly to WTO rules. Thus, although there have been staff discussions to attempt to build consensus on linking trade and MEAs, in the absence of the conclusion of the Doha Round of the WTO, no new binding linkages have been explicitly created.

With respect to labor, the biggest outstanding issue is how strongly the provisions of the GATT/WTO and the International Labor Organization's (ILO) provisions on the treatment of workers should be linked. Although there is an explicit linkage that allows countries to block imports of goods produced using prison labor, in general there has been tremendous opposition to tying labor rights to trade in the WTO, particularly by developing countries—despite US and EU efforts to do so. The vehement opposition of developing countries on this score comes from concern that pressure to improve labor standards, particularly those that would lead to higher wages, would undermine their global competitiveness.

Finally, human rights have been part of the WTO, through various clauses that allow members to refuse entry of products in cases of international human rights violations by countries, with a waiver of obligations permitted if three-quarters of the member states agree that there are violations. This has proved to be operational in the case of diamond trade, with over fifty members now applying for a waiver to allow them to ban imports from countries that have not agreed to the Kimberly Process certification process to deter the use of “conflict diamonds.”

To sum up, we have seen efforts by various states to link the GATT and WTO to security and non-security issues with varying success based on specific issue areas. But in view of developing country opposition, particularly with respect to labor issues, and to environmental issues to a lesser degrees of WTO based linkages, as Vogel notes, the US and EU, have sought to engage in issue linkages in their negotiation of bilateral FTAs and through regional accords such as NAFTA.

We turn next to a consideration of linkage attempts in a variety of Asian unilateral regional accords. In contrast to the formal and legalistic nature of the WTO, many Asian unilateral arrangements are notable for their “soft law” character, non-binding agreements, and broad organizational domains. Several of these organizations were founded along the principles of the “ASEAN Way,” which emphasizes consensus and consultation and condemns interference in the domestic affairs of sovereign states. Their cooperation on both economic and security issues tends to be somewhat amorphous, which makes the process of “linkage” more ambiguous. Consequently, we often fail to identify within these groupings the same types of linkages that we observe in formal bilateral trade agreements or even within the WTO. However, traditional security considerations played a driving role in the formation of many of these groupings, and some have also taken up a non-traditional security agenda to a limited extent.

Beginning at the Asia-Pacific level, APEC was created for explicitly economic purposes, prompted primarily by the economic threat posed by NAFTA and the European Union. As John Ravenhill points out in his chapter, for many years, APEC avoided any link between the organization's economic agenda and traditional security. Proposals by Australian and American leaders to address traditional security in APEC were met with resistance by Asian states, although some contentious issues such as the North Korean nuclear program and the East Timor crisis were discussed along the sidelines of various APEC summits. This changed dramatically in 2001, however, when the US took the radical step of linking counterterrorism to the APEC economic agenda in the aftermath of the September

11 terrorist attacks. APEC issued its first formal proclamation on traditional security issues at its summit in October of that year. The US claimed that terrorism posed a clear threat to economic growth due both to the economic costs of the terrorist attacks and to the costs to government and businesses of attempting to reduce their vulnerability to such attacks. Although these arguments may have resonated somewhat with decisionmakers in APEC economies initially, they were increasingly perceived as a tactical linkage and accepted largely due to American power and US dominance over the APEC agenda. As a result, this presented an unstable linkage, and while the organization initially embarked upon a number of counterterrorism initiatives, disquiet on the part of APEC states eventually led to the issue being completely dropped from the APEC agenda by 2008.

In addition to avoiding linkages to traditional security, APEC also never originally intended to address non-traditional security issues. However, as Ravenhill argues, economics and security are often difficult to completely disentangle, and one non-traditional security issue—energy security—was present on the APEC agenda from the very beginning. This inclusion reflected Japan's promotion of the concept of "comprehensive security," which emphasized raw materials and energy supply as essential to national security. Thus, it could be argued that at the organization's inception, Japan made a successful substantive linkage between APEC's economic agenda and energy. This connection made sense for highly energy import-dependent Asian economies as well as for energy exporters in the region. Energy issues remain a core part of APEC's working group activity to the present, and over time, the organization has also addressed other non-traditional security issues in response to regional events, increasing NGO pressure, and the need to maintain APEC's relevance as member economies increasingly turned their attention toward other regional and bilateral arrangements. For example, APEC devoted some attention to pandemic disease prevention after outbreaks of SARS and avian flu in the region. Proponents loosely linked the issue to trade, arguing that such pandemics threatened to disrupt regional commerce. Food security has also recently appeared on the APEC agenda. However, there have been no concrete ties between economic liberalization targets (themselves non-binding) and these non-traditional security issues, and progress on this front should not be overstated. APEC has generally avoided linkages to contentious non-traditional security issues such as labor rights and migration, which might prompt unwanted interference in the domestic social and political policies of member economies.

In [Chap. 4](#), Jonathan Chow describes the development of ASEAN, the region's oldest multilateral organization, created in 1967. In the case of ASEAN, traditional security clearly played the primary role in driving trade agreements during the Cold War period; as Chow argues, this early stage of economic cooperation was motivated by the need to maintain state sovereignty and autonomy as a matter of substantive linkage. This shifted in the 1990s as the end of the Cold War, the resolution of the Cambodian crisis, and the onset of the 1997 Asian Financial Crisis stimulated a new round of institutional development driven by economic factors.

During this period of growing economic integration, ASEAN states became relatively more concerned with human security issues, as illustrated by the announcement of an envisioned “ASEAN Community” in 2003. However, ASEAN countries not only failed to link economic integration with human security, they purposefully delinked the two spheres. This separation was facilitated by ASEAN’s underlying organizational structure, which emphasizes procedural norms of elite consensus, and by states’ insistence that trade should not be used to extract non-trade concessions. In contrast to the debates about environment and labor that took place at the multilateral and bilateral levels, ASEAN states appeared to agree that intraregional trade should be insulated from these issues. ASEAN states considered the promotion of human security to be contrary to the notion of economic development, simply “protectionism by other means.” American efforts to connect trade agreements to environmental, labor, and human rights standards were perceived as tactical maneuvers by ASEAN, which led to limited cooperation and the creation of an unstable issue linkage.

Since the 1997 Asian Financial Crisis, new developments in the region have led to fledgling mechanisms for environmental and human rights cooperation within ASEAN. Transboundary haze problems led to the 1997 Regional Haze Action Plan; however, the plan remains vague, has no sanctions for non-compliance, and has not been ratified by Indonesia, a key player. The development of democracy in Indonesia, increased concern about human rights within Malaysia, and Myanmar’s human rights violations led to an increased appreciation of the relationship between human rights and ASEAN’s institutional credibility. The ASEAN Socio-Cultural Community and the ASEAN Intergovernmental Commission on Human Rights represent two new but weak mechanisms in this area. Despite these nascent moves, however, there are still no binding linkages between trade and human security in ASEAN.

Many of the same dynamics can be seen in the “ASEAN Plus X” trade arrangements: ASEAN+1, ASEAN+3, and ASEAN+6/8 (more commonly known as the East Asia Summit). Min Gyo Koo’s analysis in [Chap. 5](#) focuses primarily on the linkage between economics and security in US foreign policy toward Asia, and the ways that the changes in the US approach catalyzed the development of the ASEAN Plus X groupings. During the Cold War, traditional security considerations were clearly linked to US economic policy in the region; in return for their bilateral security alliances with the US, East Asian partners received access to the US market and were encouraged to participate in multilateral forums such as the GATT and the UN which were supported by American hegemony. However, Koo argues that the end of the Cold War led the US to de-secureitize its foreign policy, delinking security considerations from its economic policy. This resulted in a shift toward the US putting greater pressure on its East Asian allies, a change which became particularly evident in the aftermath of the Asian Financial Crisis when the US chose to push its longstanding economic partners to make neoliberal economic reforms instead of taking the softer approach that might have been dictated by security considerations.

Koo argues that the desecuritization of US economic policy as showcased by the Asian Financial Crisis served as a wake-up call for East Asian countries, prompting them to seriously consider linking economic ties to security cooperation at the regional level. ASEAN +3, the ASEAN+1 dialogues, and the East Asia Summit were all motivated in part by disillusionment with the US and the perceived need for alternative arrangements. ASEAN+3 was formed as a direct response to the crisis, an alternative way for countries to create financial safety nets and explore increased market integration. The ASEAN+1 dialogues complemented the ASEAN+3 process, allowing ASEAN to pursue a more focused agenda with each of its Northeast Asian partners individually. Finally, the East Asia Summit was envisioned as a vehicle toward the formation of an eventual “East Asian community.” These new groupings were not conceived in isolation; member states declared their intention to pursue “nested linkages” between ASEAN Plus X groupings and existing institutions, such as ASEAN, the UN, and others. However, as the institutional domains of these nascent groupings have broadened and blurred over time, it is unclear how successful their nesting within these other institutions or even amongst themselves will be.

In terms of underlying organizational structure, the ASEAN Plus X groupings are the most amorphous of Asia’s would-be minilateral trade arrangements; however, connections between security and trade are still evident. While formal trade agreements have been proposed amongst essentially all of these “Plus X” configurations of countries, the ASEAN-China Free Trade Area (ACFTA) arranged under the ASEAN+China framework is the only formal agreement that has been concluded to date. ASEAN and China also signed a Joint Declaration on Cooperation in the Field of Non-traditional Security Issues alongside the ACFTA declaration, suggesting that China has attempted to link non-traditional security cooperation to economics as a means of reassuring ASEAN about its rise.<sup>5</sup> However, despite the lack of concrete progress in other ASEAN+X groupings, the proliferation of proposals for trade agreements within these arrangements and the heated debates about what states should be included and excluded are evidence of the importance of traditional security considerations in driving the formation of trade agreements. Each ASEAN Plus X grouping might be seen as a different vision of the future of the Asian region, and major players such as China, Japan, and the US have an incentive to promote the institutions which best suit their interests. As Koo argues, East Asian countries often see these potential trade agreements as ways to pursue broader foreign policy and strategic objectives rather than purely economic goals. Since the Asian region lacks a single pacesetter, different countries use these ASEAN Plus X organizations as vehicles to share and compete for regional leadership.

The institutional agenda for these organizations has broadened over time, with various countries attempting to introduce non-traditional security issues such as energy cooperation and disaster relief onto the agenda of these organizations.

---

<sup>5</sup> See also Arase (2010).



The introduction of some of these issues might be interpreted as attempts to make tactical linkages between economic cooperation and non-traditional security. However, given the informal and incremental nature of cooperation within these forums, this trend is more often interpreted as an attempt to find some kind of actionable and noncontroversial agenda, a purpose for which non-traditional security issues are well suited. Even so, it is true that the ASEAN Plus X groupings have managed to have a small but positive impact on a variety of non-traditional security issues, even if that impact is peripheral to their stated institutional goals.

Koo argues that the US began to shift again toward a policy of securitizing economic policy toward Asia after the 9/11 terrorist attacks and that this shift has begun to complicate the environment in which the ASEAN Plus X groupings operate. Bilaterally, the US began to pursue FTAs with Malaysia, Thailand, Singapore, the Philippines, and South Korea, as well as with ASEAN as a whole. On a minilateral basis, the US sought to revitalize APEC, first through the proposal for a Free Trade Area of the Asia-Pacific (FTAAP) in 2006 and more recently through its promotion of the Trans-Pacific Partnership (TPP). US promotion of TPP is often considered to be in opposition to Chinese promotion of a trade agreement under the auspices of ASEAN+3; although TPP negotiations are far more advanced than those in ASEAN+3, this juxtaposition illustrates the tension between these competing arrangements. American resecuritization of economic policy is further illustrated by the US shift in position with regard to the East Asia Summit; while the US originally refrained from seeking membership in the EAS, it formally requested to join the grouping in 2010.

Turning to Central Asia, in [Chap. 6](#), Ming Wan discusses the Shanghai Cooperation Organization, an organization in which China seems to be driving linkages between traditional security and economics. Like ASEAN, the SCO is an organization whose formation was motivated entirely by security concerns, primarily regarding reducing arms, building military trust, and bolstering member states' internal security through combating the "three isms" (terrorism, separatism, and extremism). The organization's formation also reflected mutual concern over US involvement in the region, and its members see the SCO as a hedge against Western expansion in the region. Over time, the SCO has moved to add economics to its agenda. This linkage between economics and security has been primarily driven by China, which, in addition to promoting a market for its goods, also wishes to ensure a peaceful environment for its expansion. While observers often note that much of China's economic cooperation with Central Asian states has taken place not through SCO channels but instead bilaterally, Wan points out that China took a significant step in advancing SCO-based economic cooperation in 2009 with the creation of a \$10 billion credit fund for member states. Economic initiatives serve as an incentive for cooperation within the SCO, which in turn bolsters the grouping's security agenda. While Russia has exhibited some wariness about Chinese intentions, the relatively small Central Asian states have responded positively to China's linkage strategy, viewing the SCO as serving their external and internal security goals as well as their desire for economic modernization.

Given that SCO member states are not liberal democracies, it is not surprising that non-traditional security issues such as labor, environment, and human rights have not appeared on the organization's agenda. Wan suggests that the SCO has actually worsened the non-traditional security environment by supporting its members' efforts to bolster sovereignty and quell domestic dissent, for example. However, energy security is one non-traditional security issue that has been an important element in the organization's formation and its subsequent agenda. China needs the natural gas and petroleum of Russia and Central Asia to support its expansion, and these states in turn welcome China's economic resources. As with economic cooperation, much energy cooperation has taken place bilaterally instead of through the SCO; however, given the makeup of this institution, it seems undeniable that energy security is linked to the economic considerations and negotiations of SCO member states.

We next turn to a consideration of bilateral FTAs, which are divided into four case study chapters. The first two focus on Asian accords, with Seungjoo Lee considering security factors and Atsushi Yamada concentrating on non-traditional security issues in their analysis of linkage politics. Vinod Aggarwal then considers US efforts to tie both security and non-traditional security issues to trade. Finally, Anders Ahnliid examines traditional and non-traditional security from an EU perspective.

We begin by examining traditional security linkage efforts by various Asian countries. In [Chap. 7](#), Lee focuses on four countries in the region: China, Japan, Singapore, and South Korea. Drawing on Ravenhill (2010), he argues that for the most part, Asian bilateral accords have been heavily influenced by security considerations, as evidenced by the many FTAs signed by big countries with smaller ones, their limited coverage, and the frequent absence of any significant business lobbying. He finds an important distinction between the strategies of bigger versus smaller powers, however. The former are focused on balancing strategies to counter each other's moves, while the latter are more concerned with enhancing their security—often by concluding accords with states outside the Asian region (such as the EU and US).

Lee's analysis of China's FTA strategy suggests that compared to other states, because of domestic policymaking centralization, China is able to systematically pursue clear foreign and security goals. In particular, the dominance of the Ministry of Foreign Affairs means that China could provide unilateral concessions to entice other countries to sign accords. In terms of strategy, China's efforts include allaying concerns about its rapid rise by engaging economically more deeply with ASEAN countries through the China-ASEAN FTA, which it proposed in 2000. Given that China entered the WTO as a developing country, it was also able to pursue FTAs and exclude politically sensitive economic sectors without being concerned about the "substantially all trade" requirement of Article 24 of the GATT when countries negotiate FTAs.

In contrast to China, Japan faces more constraints in its efforts to pursue security linkages in its FTAs. Responding to China's dramatic turn to concluding FTAs, particularly with the "ASEAN surprise," Japan sought to formalize FTAs

of its own to go beyond its well-entrenched corporate based networks in the region. But as it sought to pursue security goals to respond to China's ASEAN initiative, it faced domestic pressures at home from protectionist groups who sought to block or delay negotiations. Moreover, its fragmented policymaking structure further impeded efforts to move forward. Faced with this challenge, the Koizumi government took direct action to support FTAs and pressed forward not only with Japan's accords with ASEAN but also initiated negotiations with Australia to balance against China's efforts. Still, it only recently concluded its 13th round of negotiations with Australia in December 2011, so domestic constraints on securing an FTA still remain despite the security context.

Turning to a smaller state, Lee emphasizes that security considerations are paramount in the case of Singapore. By focusing in particular on service sector liberalization (its tariffs are near zero in manufactured goods), Singapore attempted to entice as many countries as possible to sign FTAs with it. Moreover, it went well beyond East Asia, focusing on the US and more recently on the EU. In the former case, US goals of ensuring a presence in East Asia and countering China fit well with Singapore's efforts to enhance security linkages through an FTA.

Finally, Lee provides an in-depth analysis of the Korea-US FTA, emphasizing the link between trade and security. The importance of security can be seen in the willingness of Korean decisionmakers to confront protectionist groups, including filmmakers, auto, and agricultural interests, among others, by opening up these markets to meet US demands. As Lee notes, both trade and foreign ministers explicitly tied the FTA to security in the hope of bolstering diplomatic and security relations. At the same time, the FTA was also premised on the need for South Korea to enhance its security by becoming successful as a regional economic hub in East Asia.

Turning now to the use of non-traditional security linkages in Asian agreements, based on the Asia Regional Integration Center's database of Asian FTAs, Atsushi Yamada finds that non-traditional security linkages are a rarity. For example, with respect to labor, only one intra-Asian agreement (the Japan-Philippines EPA) has a provision dealing with workers and that too only in one article. By contrast, as he notes, the KORUS agreement has a whole chapter devoted to labor issues. Similarly, although some intra-Asian agreements mention the environment, the clauses are quite vague, in marked contrast again to KORUS. The one issue area that appears to be important, particularly in the case of Japan's accords, is the question of the mobility of workers. Why is there a lack of linkages to non-traditional security, besides worker mobility? Yamada focuses on the lack of domestic institutions that might allow lobbying by activists on these issues, as well as the authoritarian nature of many Asian countries, who do not want other states interfering in their domestic affairs.

Yamada provides an insightful case study of Japan's 2008 EPA with the Philippines (JPEPA), examining the linkage politics involved in Japan's agreement to accept 400 nurses and 600 caregivers. As he notes, this issue became controversial within Japan domestically. Domestic Japanese associations of nurses and

caregivers viewed the Philippines' demand that its workers be admitted as a potential threat to their wages and job prospects. But the Japanese trade association *Keidanren* had strong interests in improved access to the Filipino market. The end result was a decision to accept both caregivers and nurses, but the issue of how their working conditions in Japan became controversial in the Philippines, leading environmental activists to join the fray and protest against their perceived threat to the environment that might arise as the result of Japanese exports of toxic wastes to the Philippines. In the end, the agreement passed. But given Japanese examination requirements which were very stringent and which made it difficult for Filipino nurses and caregivers to pass the qualification exams, Yamada argues that the linkage was inadequately thought through, resulting in an unstable issue linkage that has not been satisfactory to either the governments or the workers involved.

In Chap. 9, Vinod Aggarwal examines US policymaking on FTAs, focusing on both security and non-traditional security linkages. Given that the bulk of US FTAs were negotiated in the 2000s, he begins with providing a context for these accords by examining linkage politics prior to the US turn to bilateral FTAs. As he notes, consistent with Vogel's chapter discussed above, the US has long viewed trade politics as intimately linked to security. Whether in the GATT or the negotiation of sectorally-based bilateral restraints such as in textiles and apparel, security considerations have often been explicitly connected to trade.

In the late 1940s and early 1950s, free trade was seen as a means to bolster allies, both in Asia and in Europe. In the 1950s, the US helped Japan enter the GATT; about the same time, it ensured that the European Coal and Steel Community would not be ruled illegal by the GATT in light of its concerns of bolstering Europe to forestall encroachment by the Soviet Union. Still, in the early 1970s, the US was also willing to engage in tactical security linkages, pushing the Japanese to restrict their textile exports in the face of strong domestic lobbying by invoking the "Trading with the Enemy Act."

The first FTA that the US concluded, the one with Israel in 1985, had significant security overtones. The Reagan administration viewed the FTA as an opportunity to supplement its economic aid to Israel by giving it privileged access to the US market in the face of Congressional concern about the size of the aid package. Subsequent FTAs, first with Canada and then with Mexico, were not directly connected to military security. But in the case of negotiations over NAFTA, Mexico's political stability was a significant consideration in the wake of the domestic unrest during the 1980 s debt crisis.

The decision to pursue NAFTA proved decisive in increasing the activism of environmental and labor groups, both in the US and Canada. Prior to this accord, the US had pushed for labor clauses when it renewed its unilateral preferences system for developing countries in 1984. But with NAFTA, the US government began to actively negotiate to link environmental and labor issues to trade in the face of growing domestic discontent. Activists' dissatisfaction on the environmental protection front was driven in part by the dolphin-tuna dispute settlement ruling in the GATT in 1991, which Vogel discusses. Critical of the GATT's

decision to reject US efforts to impose a ban on tuna from Mexico, and joined by trade unions, they agitated for provisions to trade to environmental and labor regulation. In the end, President Bill Clinton's decision to push for side agreements with Mexico on labor and the environment as part of the process of ratifying NAFTA did little to satisfy activists on this score, and only increased the domestic politicization of these issues. As a result, trade linkages became highly contentious, leading the groups to push Cambodia to go along with labor standards in textile bilateral accords. The contentiousness of trade-labor linkages was most visible in the debacle in Seattle that blocked the start of a new round of trade negotiations in the WTO.

In 2000, the efforts to actively link trade to environmental and labor issues as well as to security concerns, took an important turn with the first US FTA of the new millennium with Jordan. With security considerations crucial, and domestic groups activated, Jordan agreed to include labor and environmental standards in the actual text of the FTA. The accord, signed in October 2000, included references to the ILO 1998 Declaration on Fundamental Principles and Right of Work, and also provisions noting that countries would not relax their environmental standards to foster trade.

The next important phase of linkage politics, both domestically and internationally, came about with the active American pursuit of FTAs in the 2000s. President Bush's effort to secure Trade Promotion Authority (TPA) was facilitated by the linkage to the attacks of 9/11, and the bill became law in 2002. Although trade was linked to the environment and labor, the provisions were weaker than in the Jordan agreement. With TPA in hand, the Bush administration negotiated a host of FTAs. Democrats viewed their success in the 2006 Congressional elections as an opportunity to more aggressively link these issues to trade. The outcome of intense negotiations was the 2007 New Trade Policy agreements, which became template for both pending and new FTAs. Links to the ILO on labor were strengthened and the agreement also called for direct ties to international environmental accords.

On the whole, in terms of recent US FTAs, in considering a variety of driving factors and linkage efforts, Aggarwal finds that security has tended to play a strong role in many FTAs, particularly with Morocco, Bahrain, and Oman, as well as to a lesser extent with, Singapore, Chile, and Australia. In terms of non-security factors, these have become particularly salient in the DR-CAFTA accord, as well as Peru, Colombia, and Panama. As we shall see, however, whereas security is a significant factor in US accords, and is implicitly linked in many FTAs, the US approach contrasts sharply with that of the EU, which has explicitly included security provisions in its FTAs.

Anders Ahnliid's analysis of the EU in [Chap. 10](#) points to longstanding linkages between trade and both traditional and non-traditional security considerations, going back to the creation of the Economic Coal and Steel Community. Strong security linkages drove this accord, and later the externalization of a wide array of security concerns including democracy and human rights formed key linkages in the EU's enlargement policies. These concerns were made explicit with the

so-called “Copenhagen Criteria” regarding the political and economic conditions for accession. In the EU’s agreements with colonies of former EU members, the preferential arrangements that began with the so-called African, Caribbean, and Pacific countries (ACP) through the Yaoundé and then Lomé Conventions, evolved into the Cotonou Agreement. These latter accords contain explicit linkages on human rights, peace, and other non-traditional security concerns. Eventually, these accession and former colonial linkage ideas began to be applied to negotiations with other states as well.

Although the EU began to worry about economic competition to create FTAs in the 2000s, the extent to which linkages to other issues should be part of the negotiations was contested. Still, with the Lisbon Treaty’s granting of greater powers to the Parliament, the Commission found itself pressured by interest groups and their Parliamentary supporters to continue the previous linkage policy to security, human rights and development. The security elements to be included covered the non-proliferation of nuclear weapons, trade in small arms, counter-terrorism, and the International Criminal Court. Other political clauses span the gamut from human rights, democracy, and migration, to the rule of law. Moreover, these clauses had teeth: suspension of a trade agreement was possible in the case of non-compliance.

With respect to sustainable development linkages, the EU included labor rights and environmental issues. Target countries have often seen these as tactical linkage efforts, simply disguised protectionism intended to diminish their global competitiveness. Still, the EU has continued to insist on these clauses, with success in view of the temptation of states interested in market access.

Ahnlid explores linkage politics with respect to four groups of countries: prospective EU candidates; other neighbors; Cotonou countries; and more “distant” countries. Each has a distinctive set of linkage dynamics. The Copenhagen criteria, emphasizing a host of political issues, have generally been seen by target states such as Croatia as substantive linkages connected to accession. Even long-standing applicants such as Turkey have accepted the principle of adhering to the Copenhagen criteria, but with domestic politics in Turkey often generating debate over next steps.

In the case of other neighbors, the promise of association agreements with the EU have proved to be tempting enough to encourage them to move toward acceptance of such linkages, and it does not appear that this is simply only tactical on their part. Still, there have been cases where the EU has refused to sign agreements with states such as Ukraine over democratic concerns or suspended negotiations as in the case of Libya in view of the conflict in the country. In the case of Arab countries, and the Gulf Cooperation Council, in light of the Arab Spring in 2011, the perception of political and other linkages is clearly in transition.

For the ACP countries, the decision to agree to various political and development clauses appears to stem from their weakness, in Ahnlid’s analysis. As he notes, their desire to secure access to the EU market has made them willing to accept clauses that they don’t particularly support. For its part, the EU has been willing to wield the stick, invoking a suspension clause in over twenty cases since 1995.

Finally, with respect to more distant countries, the EU has sought economic gains rather than progress toward its security goals. Agreements with South Africa, Mexico, Chile, and now more recently South Korea reflect these interests. In many cases, despite the EU's primarily economic objectives, political clauses have led to delays and disputes. In the Korea case, for example, there was a compromise on the timetable for possible suspension in cases of non-compliance, and in the end, agreements on a host of labor and environmental provisions. The Koreans, it would appear, increasingly view these connections as substantive links in light of their own green initiatives. The most interesting analytical case concerns India. Here, the political clauses have proven to be a stumbling block, and India has not been willing to go along with clauses that the EU has included in every FTA it has negotiated. But in view of EU business interests' concern about securing access to the Indian market, the EU now finds itself caught between its economic objectives and the precedent it has set of always including both political and social clauses in its FTAs. Thus, this case poses the key question of whether the EU would be willing to alter its policies—when power is not as asymmetric or when there is no consensus on linkages to trade.

## **11.4 Themes and the Future of Linkages in the Asia–Pacific**

In this section, we attempt to outline some general themes that emerge from the chapters in this volume in order to characterize trade-security linkages as they are used by the US, Europe, and various Asian countries. We begin with the issue of security (both traditional and non-traditional) as a driver of trade arrangements before turning to a discussion of how the characteristics of a trade arrangement—in terms of number of participants, geographical scope, and organizational structure—act as intervening variables in the linkage process. We then comment on patterns in types of trade-security linkages (tactical versus substantive) and on the effects of trade agreements on the security environment. We conclude with some of our expectations about the future of linkage formation, particularly in the Asia–Pacific.

### ***11.4.1 Traditional and Non-Traditional Security as Drivers of Trade Agreements***

Looking at the cases discussed in this volume, it is clear that traditional security continues to play a key role in the formation of trade arrangements, particularly at the bilateral and multilateral levels. Asian bilateral trade agreements have been heavily influenced by security considerations, with larger powers attempting to balance against one another and smaller powers trying to enhance their security by

concluding bilateral agreements extra-regional powers such as the EU and the US. ASEAN and the SCO both started out as organizations explicitly oriented toward dealing with traditional security issues, with key players only subsequently making linkages to economic issues. According to Min Gyo Koo, the formation of ASEAN+3 was partly a reaction to the perceived “desecuritization” of US foreign economic policy in the aftermath of the Asian Financial Crisis. The recurring debate about what countries should most appropriately be included in the East Asian Summit illustrates the stake that major powers have in defining the “Asian” region in a way that best suits their strategic security interests. The WTO too was originally formed with Cold War considerations in mind.

In contrast, non-traditional security has played a relatively minor role in driving the formation of Asian trade arrangements. While the US and the EU have displayed concern over labor rights, human rights, and the environment, Asian bilateral agreements neglect non-traditional security issues almost completely. While Japan’s recent EPAs with the Philippines and Indonesia represent a rare attempt to incorporate labor into Asian bilateral trade agreements, these EPAs continue to face many challenges, as outlined by Yamada in this volume.<sup>6</sup> The most common linkage between non-traditional security and economics in the Asian context involves energy security, as seen in APEC and the SCO. Given the concern over resource scarcity shared by a number of Asian states, this is a logical and relatively non-controversial linkage. However, energy security has not played a central role in driving trade agreements, nor has it been bindingly linked to trade; instead, it has been a byproduct or subordinate component of economic cooperation.

### ***11.4.2 The Influence of Organizational Size, Structure, and Scope***

Linking trade and security becomes more difficult as the number of participants in a trade arrangement increases. We see the most concrete linkage activity at the bilateral level. When only two actors are involved, asymmetric distribution of power has the potential to play a large role in bringing an agreement to a close; it may also be easier for them to come to a consensus about shared values and concerns. The strategic and economic tradeoffs being made are relatively clear to the parties involved. At the minilateral and multilateral levels, linkages have reflected countries’ concerns about the regional or international security environment and about balance of power. As the number of participants increases, however, it becomes more difficult to reach a consensus, and as a result, linkages have been most successful where asymmetry of power has allowed one country to dominate the agenda setting process. We see this with China in the case of the

---

<sup>6</sup> The KORUS FTA is another notable exception, but as Yamada argues, the labor and environment provisions in KORUS reflect US concerns, not those of South Korea.



SCO and the US in APEC post-9/11. In ASEAN, external economic and security threats have helped to bring member states together to some extent. With regard to other minilateral groupings—ASEAN+1, ASEAN+3, East Asia Summit, and APEC—power struggles between China, Japan, ASEAN, and the US have resulted in a number of overlapping organizations being pursued simultaneously as a hedging strategy, both in terms of economics and security. However, economics and security have rarely been linked in binding ways in these regional minilateral arrangements. Multilaterally, the GATT/WTO system was historically linked to the Cold War and the promotion of economic growth in Western capitalist countries, and security issues have also appeared in the context of membership issues. Linkages between economics and non-traditional security issues have been relatively rare in groupings of all sizes, but again, we see linkages being made most frequently at the bilateral level, as exhibited by labor and environmental provisions in FTAs concluded by the EU and the US. In contrast, it has been more difficult to link trade to human security issues at the regional level and in the WTO, where, despite attempts, there have been no binding linkages between trade and environmental or labor standards.

Underlying organizational structure plays an important role in defining the way that linkages play out in each of these agreements. Where formal agreements exist, as with bilateral FTAs and in the WTO, binding trade-security linkages become possible. However, the story is very different with regard to the Asian region's nascent multilateral groupings, whose amorphous structure and soft law orientation make specific tradeoffs or binding linkages practically impossible; it is difficult to link an economic agenda to security concerns when goals and activity on both fronts are highly ambiguous. Instead, as mentioned above, trade and security linkages take the form of debates over appropriate membership structure and over what organization should be seen as the premier vehicle for regional cooperation, which reflects the divergent preferences of Japan, China, ASEAN, and the US regarding what the Asian region should look like. Specifically, China would prefer that regionalism be driven through ASEAN+3, a forum in which it can dominate, while Japan would prefer to balance against China by bringing in countries such as the US, India, and Australia. ASEAN too has an interest in maintaining its place in the "driver's seat" of regional cooperation, lest it be sidelined by the larger powers in the region. Interestingly, countries have attempted to include linkages to non-traditional security in these organizations, to increase their legitimacy through cooperation in noncontroversial fields such as disaster relief and disease prevention. However, again, these non-traditional security issues have not been bindingly linked to economic goals or targets.

With regard to the relationship between geographic scope and trade-security linkages, our findings are mixed; in general, security concerns seem to be more salient among geographically concentrated countries, but agreements involving the US are an exception to this pattern. In the case of the EU, security concerns play a larger role in bilateral trade agreements with more geographically proximate states, particularly potential EU members, while FTAs with more distant partners are driven more by economic gains. With the US, however, security considerations

are an integral part of its trade strategy with countries both near and far due to its current status as the global superpower. American strategic interests played a key role in its FTAs with countries such as with Jordan, Israel, and Morocco, despite lack of geographic proximity. With regard to the Asian region, security concerns are generally more salient with regard to geographically concentrated countries. This is particularly obvious in groupings such as the SCO and ASEAN, but more broadly, the heated debates about membership in various regional multilateral groupings also reflect anxieties about security. However, again, the US is a notable exception to this pattern. Despite technically being an extra-regional power, the US plays a defining role in the security architecture of the Asian region, and as such, all agreements between the US and Asian countries involve security considerations to some extent.

### *11.4.3 Linkage Dynamics*

Of the types of linkages outlined in our theoretical framework, tactical linkages appear frequently in the cases examined in this volume. Large powers such as the EU, the US, and sometimes China leverage asymmetrical power to set the agenda for negotiations and to link economic issues to their security goals. The US, for example, has used this strategy in fora at every level, from its bilateral trade agreements to its attempts to garner support for the war on terror in APEC and the WTO. In the multilateral context, this tactical linkage strategy has often resulted in unstable or failed linkages, as smaller countries have come to reject these linkages over time. The EU has been described by some as using a similar strategy of tactical linkages to promote its “interests and values,” particularly in dealings with EU candidates. Although China is still establishing itself as a regional and global power, in some contexts such as the SCO or the ASEAN+China dialogue, it has been able to use economic cooperation as a means of ensuring a stable security environment and assuaging fears about its rise. Countries have sometimes attempted to tactically link economic cooperation with non-traditional security as well, mostly as a means of bolstering the legitimacy their multilateral grouping of choice and thereby increase their regional influence.

Attempts to substantively link economics and traditional security concerns have also been fairly common throughout the post-World War II period, but linkages between economics and human security have been seen much more rarely. The US and the EU are exceptions to this, as described by Aggarwal and Ahnliid in this volume. Responding to social pressure, the US began to make claims that trade, labor, and the environment are substantively linked in the 1990s, and the 2000 US–Jordan FTA was the first to explicitly include labor and environmental provisions in the text of the agreement. The EU has explicitly tried to promote peace, democracy, human rights, and sustainable development through its trade policy, both within the EU, as a condition for accession, and in its agreements with third countries. Critics might argue that both the EU and US have really been disguising

tactical linkages as substantive ones. However, these types of substantive linkages between trade and human security are rarely attempted by Asian countries and even more rarely believed by their negotiating partners. This is unsurprising, given the lack of trust and tension between many countries in the Asian region. While consensus is sometimes achievable on the traditional security front, Asian countries remain highly skeptical of the argument that non-traditional security issues such as labor rights, human rights, and the environment are substantively linked to economics, instead seeing these linkage attempts as simply protectionism by other means. Indeed, as Chow argues, ASEAN has even taken active steps to delink economics from non-traditional security to the greatest extent possible, a move that reflects member countries' belief that such non-traditional security is actually inimical to economic and traditional security goals.

#### ***11.4.4 The Effects of Trade Arrangements on the Security Environment***

Given the relative youth of many of these trade arrangements and measurement difficulties in assessing their impact, it is difficult to make concrete conclusions about how these trade arrangements have impacted the Asian regional security environment. However, we can make some general statements based on the findings in the preceding chapters. First, trade arrangements have undeniably been used by countries as tools with which to bolster existing security alliances and recruit new partners, as seen in cases as diverse as the KORUS FTA and the SCO, and to address balance of power considerations. Second, the proliferation of unilateral trade arrangements in particular has greatly increased the interaction between Asian countries and created a number of channels and opportunities for communication that have sometimes been used to deal indirectly with traditional security issues. Third, and perhaps unexpectedly, some tangible gains have been realized in the arena of non-traditional security. While Asian unilateral economic organizations are often criticized for their lack of concrete action, the flurry of non-traditional security initiatives seen over the last decade has resulted in at least limited cooperation in areas such as disaster relief, disease prevention, control of environmental problems, and the like. Although these activities may be peripheral to the stated missions of these organizations and not concretely linked to economic issues, this type of non-traditional cooperation would arguably be less common if not for these unilateral groupings.

#### ***11.4.5 Future Prospects***

As our review of the empirical work has found, the US and EU are the most active in the use of linkages, both traditional and nontraditional, in bilateral, unilateral,

and multilateral arrangement settings. By contrast, Asian countries have emphasized traditional security concerns at the bilateral and minilateral level in particular in their own negotiations. Will this differential pattern continue in the future? Here, we must look to the domestic politics of linkage formation and agenda setting.

With respect to nontraditional security, it would appear that the US and the EU will continue to attempt to engage in such linkages, both for domestic reasons with strong activist groups who push for labor and environmental standards in particular. Moreover, it would appear that the EU Commission, with its longstanding efforts to include not only these types of provisions but democracy and human rights issues as well in its relations with prospective accession states as well as poorer countries, shows little sign of shifting away from their use. Up to this point, both the US and EU have to this point had considerable success in pressing other states to accept such linkages in bilateral negotiations, although it is difficult to ascertain whether they have done so for substantive or tactical reasons. As Ahnlid suggests, given the power asymmetry or similarity of interests of the EU with countries with which it has sought bilateral FTAs to this point, there is little reason to believe that the EU would not continue to make these efforts and succeed on the whole, particularly in light of increasing EU parliamentary constraints on the Commission. But success with large countries such as India where the EU meets resistance may well be a different story, and lead to quiet exceptions to its linkage efforts. For its part, in the bilateral FTAs now being pursued primarily through the TPP process, the US has clearly made non-traditional security linkages an integral part of the negotiations. But up to this point, the TPP process has also consisted of the US and a group of relatively smaller countries, so success on this score is hardly surprising. Here, as in the case of the EU, efforts to expand the TPP to larger, more recalcitrant countries will prove a challenge.

For Asian countries, non-traditional security linkages to trade do not appear to be a central concern, and are unlikely to become one. Although some nascent efforts have been made on this score in fora such as ASEAN, as we have seen, these have been relatively weak and not binding in any case. This pattern appears within the “ASEAN Plus X” groupings as well. With sharply differing views of many countries regarding human security issues, a strong norm of non-interference, a top-down decision-making process, and a relative paucity of strong interest groups able to successfully put these issues on the negotiating agenda, we see no reason to believe that the use of such linkages will become the norm in Asia anytime soon.

With respect to traditional security concerns, most countries have been eager to enhance their perceived security through the use of linkages to trade. This pattern is common to the accords at the bilateral and minilateral level by the EU, US, and Asian countries. But having said this, the more explicit efforts of the EU to attempt to alter other countries’ policies (on WMD or small arms, for example) has been met with some resistance. Thus, even if they are included in trade accords, one might expect the resulting agreements to have little constraining value—except with very weak countries that the EU can threaten or

sanction with ease. There is little reason to believe that this pattern will change. With Asian countries as the most active participants in negotiating FTAs, security linkages to trade are likely to be a common phenomenon.

Looking to the future, then, linkages between trade and both traditional and non-traditional security will continue. In Asia in particular, the elite-driven process means that policymakers will view any agreements with other countries—even if technically only about trade—as an opportunity to enhance their alliances and alter the broader security context through confidence-building. The EU and US are likely to follow this pattern as well. But with respect to the use of non-traditional security linkages, as we continue to see an increasing shift of power toward the emerging countries, the limitations on the efforts of the EU and the US on these issues will become increasingly apparent.

## References

- Aggarwal, Vinod K. 1998. *Institutional designs for a complex world: Bargaining, linkages, and nesting*. Ithaca: Cornell University Press.
- Aggarwal, Vinod. 2001. Economics: International trade. In *Managing global issues: lessons learned*, ed. P.J. Simmons and Chantal de Jonge Oudraat, 234–280. Washington: The Carnegie Endowment for International Peace.
- Arase, David. 2010. Non-traditional security in China–ASEAN cooperation: The institutionalization of regional security cooperation and the evolution of East Asian regionalism. *Asian Survey* 50(4): 808–833.
- Haas, Ernst. 1980. Why collaborate? Issue-linkage and international regimes. *World Politics* 32(3): 357–405.
- Hafner-Burton, Emilie. 2005. Trading human rights: How preferential trade agreements influence government repression. *International Organization* 59(3): 593–629.
- Higgott, Richard. 2004. After neoliberal globalization: The “securitization” of US Foreign Economic Policy in East Asia. *Critical Asian Studies* 36(3): 425–444.
- Oye, Kenneth. 1992. *Economic discrimination and political exchange*. Princeton: Princeton University Press.
- Pekkanen, Saadia. Forthcoming. *Asian designs: Interests, Identities, and States in External Institutions*.
- Ravenhill, John. 2010. The ‘new East Asian regionalism’: A political domino effect. *Review of International Political Economy* 17(2): 178–208.
- Vogel, David. 1995. *Trading up: Consumer and environmental regulation in a global economy*. Cambridge: Harvard University Press.

# Index

- 110th Congress, 192  
2007 Bipartisan Agreement on Trade Policy, 192, 198  
2009 Roadmap to an ASEAN Community, 83
- A**  
Abkhazia, 113  
Afghanistan, 113, 114, 116, 118, 119, 130  
Africa, 9, 141, 163, 212  
African, Caribbean and Pacific countries (ACP), 202, 211, 237  
Agreement on Sanitary and Phytosanitary Standards (SPS), 30  
Albania, 210  
American Farm Bureau Federation, 190  
American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), 187, 191  
American Israel Public Affairs Committee (AIPAC), 181  
Andean countries, 193  
Arab Spring, 211, 217, 237  
Argentina, 31, 215  
Armenia, 113, 210, 211, 218  
Asia-Europe Meeting (ASEM), 6, 169, 219  
Asian Bond Market, 14, 96  
Asian Financial Crisis of 1997, 63, 73, 136, 147, 229, 230  
Asian Monetary Fund (AMF), 147, 148  
Asia-Pacific Economic Cooperation (APEC), 3, 5–9, 15, 16, 49–66, 78, 94–96, 99, 101, 104, 147, 162, 184, 219, 226, 228, 229, 232, 239–241  
Energy Security Initiative, 49, 54  
Energy Working Group (EWG), 54, 55, 57  
Transportation Working Group (TWG), 57  
Association of Southeast Asian Nations (ASEAN), 3, 6–9, 14, 15, 44, 53, 62, 63, 67–88, 89, 92, 94–98, 102–106, 111, 126, 136, 138–145, 149, 151–153, 159, 160, 162, 167, 204, 214, 217, 226, 228–234, 239–243  
ASEAN Bandar Seri Begawan Resolution on Environment and Development, 79  
ASEAN Charter, 67, 68, 84  
ASEAN-China FTA (ACFTA), 15, 231  
ASEAN Common Effective Preferential Tariff (CEPT), 73  
ASEAN Communiqué of the Twenty-Fifth Ministerial Meeting, July 1992, 78  
ASEAN Declaration on Environmental Sustainability 2007, 79  
ASEAN Economic Community (AEC), 14, 83  
ASEAN Economic Ministers Meetings, 69, 78  
ASEAN-European Union FTA, 82  
ASEAN Free Trade Area (AFTA), 8, 71  
ASEAN Industrial Complementation (AIC), 70  
ASEAN Industrial Joint Ventures (AIJV), 70  
ASEAN Intergovernmental Commission on Human Rights (AICHR), 84, 230

**A** (*cont.*)

- ASEAN Joint Communiqué of the Twenty-Fifth Ministerial Meeting, July 1992, 76, 78
  - ASEAN Plan of Action on Social Safety Nets, 75
  - ASEAN Plus Three (APT), 3, 8, 15, 16, 19, 56, 147
  - ASEAN Preferential Trade Agreement (PTA), 69
  - ASEAN Regional Forum (ARF), 50, 101, 114
  - ASEAN Second Meeting of Senior Officials on Rural Development and Poverty, 75
  - “ASEAN Way”, 9, 94, 102, 228
  - Astana summit, 119, 124
  - Atlantic Charter, 24
  - Australia, 2, 6, 14, 15, 17, 39, 44, 53, 55, 56, 72, 79, 82, 98, 101, 103, 104, 139, 140, 144, 152, 166, 193, 195, 197, 219, 234, 236, 240
  - Australia–Thai FTA, 166
  - Austria, 44, 78, 79
  - Azerbaijan, 211
- B**
- Bahrain, 17, 118, 180, 193, 195, 219, 236
  - Bali Concord, 67, 69, 82, 83
  - Bali Concord II, 67, 82, 83
  - three pillars, 82, 83
  - Balkan countries, 208
  - Bangkok declaration, 60, 76
  - Barcelona declaration, 211
  - Barroso, José Manuel Durão, 210
  - Barshefsky, Charlene, 77
  - Baucus, Max (D-MT), 190, 192
  - Belarus, 111, 113
  - Belgium, 77
  - Bilateral regional trade agreements, 8, 165
  - Bilateral transregional trade agreements, 6, 8, 223
  - Bosnia–Herzegovina, 210
  - Brand-to-Brand  
Complementation (BBC), 70
  - Brazil, 215
  - Brunei, 16, 68, 78, 105, 145, 197
  - Bulgaria, 27, 68
  - Burma, 41
  - Burns, William, 53, 183
  - Bush, George H. W., 37

- Bush, George W., 16, 56, 103, 104, 175, 185, 186, 190, 192, 193, 236
- Business lobby, 138, 168, 212, 233
- Business roundtable, 191

**C**

- Cambodia, 39, 42, 68, 70, 71, 84, 99, 126, 140, 186, 196
- Canada, 8, 31, 44, 53, 149, 175, 181, 183–185, 195, 204, 217, 235
- Canada–US Free Trade Agreement (CUFTA), 8, 175, 185
- Caribbean countries, 183, 192, 212, 213
- CARIFORUM EPA, 209
- Caspian Sea, 116
- Central America, 192, 204, 217
- Central Asia, 16, 113, 115, 116, 121, 125–130
- Central bank, 95, 96, 148
- Chiang Mai Initiative, 14, 95, 105, 148
- Chile, 6–8, 16, 55, 58, 105, 140, 149, 175, 181, 193, 195, 197, 213, 215, 236, 238
- China, 2, 7, 8, 11, 14–19, 27, 38, 42, 56, 64, 70–72, 79, 82, 89, 90, 93–98, 100–106, 111–133, 135–145, 149, 151–153, 158, 159, 162, 180, 231–234, 239, 240, 241
- economy, 17
- energy, 97, 114, 121
- military, 112, 120
- Chinese Communist Party, 141
- Choonhaven, Chatchai, 71
- Climate change, 32, 55, 79
- Clinton, Bill, 37, 38, 52, 76, 77, 93, 175, 185–189, 236
- Clinton’s speech to the UN in Geneva, Switzerland, 187–188
- Club Med, 218
- Cold war, 5, 13, 14, 18, 19, 23, 26, 45, 68–70, 72, 75, 76, 85, 86, 90–92, 116, 118, 120, 136, 145, 184, 229, 239
- Collective Security Treaty Organization (CSTO), 113, 126
- Colombia, 45, 192, 193, 195, 197, 214, 217, 236
- Commission on Human Security, 163
- Committee on Trade and the Environment (CTE), 29, 34, 35
- Committee on Trade and Sustainable Development, 214
- Commonwealth of Independent States (CIS), 128
- Communism, 13, 26, 75
- Conditionality Reports, 208
- Congressional research service, 183

- Convention on Biological Diversity's  
Cartagena Protocol on Biosafety, 30, 32
- Convention on International Trade in  
Endangered Species of Wild Flora and  
Fauna (CITES), 79
- Cooper, William, 183
- Cooperation Program on Multilateral  
Economic and Trade among SCO  
Member States, 120, 121
- Coordinating Committee for Multilateral  
Export Controls (COCOM), 18
- Copenhagen criteria, 67, 208, 210, 217, 237
- Corporate Average Fuel Economy (CAFE),  
186
- Corporate Social Responsibility (CSR), 24, 42,  
43, 46
- Cotonou agreement, 211–213, 237
- Council of the Heads of the Member States,  
121
- Croatia, 208, 209, 237
- Cuba, 26, 27, 227
- Czechoslovakia, 27, 183, 227
- D**
- Declaration of ASEAN Concord, 69, 70
- Declaration on Fundamental Principles and  
Rights of Work, 189, 197, 236
- Deep and Comprehensive Free Trade  
Agreement (DCFTA), 201, 205, 210,  
211, 217
- Democracy, 68, 80, 81, 93, 112, 116–118, 127,  
128, 180, 184, 191, 196, 202, 210, 216,  
236, 237, 241
- Democrats, 76, 188, 189–193, 196, 236
- Deng, Xiaoping, 72
- Denmark, 218
- Doha Development Round or Doha  
Development Agenda (DDA), 175
- Domestic Advisory Groups, 214
- DR-CAFTA, 178, 193, 195, 236
- Drugs, 39, 97
- E**
- Early Harvest Program (EHP), 142, 143, 153
- Earth Institute, 181, 186
- East Asian Economic Group (EAEG), 94, 147
- East Asian Free Trade Area (EAFTA), 148
- East Asia Study Group (EASG), 147
- East Asia Summit (EAS), 3, 5, 6, 8, 9, 14–16,  
64, 79, 89, 101, 147, 227, 230, 231, 240
- East Asia Vision Group (EAEG), 147
- Eastern Partnership, 205, 210
- Economic integration, 14, 49, 64, 68–70, 75,  
80, 83, 84, 98, 112, 135, 141, 145, 152,  
202, 205, 211, 230
- Economic Partnership Agreement, 97, 157,  
167, 170, 211, 212
- Economist Intelligence Unit's Democracy  
Index 2010, 117
- Energy cooperation, 231, 233
- Egypt, 209, 211
- Elliott, Kimberly Ann, 192
- Enforcement mechanism, 33, 119, 193
- Environment, 28–30, 35, 36, 40, 63, 71, 72,  
77–79, 86, 96, 111, 112, 114, 117, 120,  
122, 158, 162, 176, 180, 193, 214, 217
- Environmental groups, 43, 185, 186, 189, 195,  
196, 227, 234–236, 243
- Environmental provision, 161, 189, 193, 194,  
198, 238, 240, 241
- EU Commission, 77, 203–205, 210, 215, 243
- EU Committee of Permanent Representatives  
(COREPER), 205, 206
- EU–Israel Association Agreement, 206
- Eurasia, 112, 113, 115, 124, 130
- Eurasian Economic Community (EEC), 124
- Eurasian Union (EU), 113
- Euro–Mediterranean Partnership, 205
- European Bank for Reconstruction and  
Development, 115
- European Coal and Steel Community (ECSC),  
182, 183, 235
- European Council, 201, 206, 207
- European Economic Community (EEC), 183
- European Free Trade Association (EFTA), 7,  
140, 149, 152, 165
- European Neighborhood Policy, 210
- European Parliament, 203–207, 214–216, 220  
Committee on International Trade, 205
- European security  
conventional forces in Europe (CFE)
- European Union (EU), 3, 7, 8, 10, 12, 15, 17,  
18, 29, 30, 31, 33, 34, 38, 39, 41, 43,  
44, 46, 67, 68, 73, 77, 81, 82, 90, 95,  
98, 115, 120, 136, 138, 139, 149, 165,  
181, 184, 201–221, 227, 228, 233, 234,  
236–244
- EU–Ukraine Summit, 210
- Export–Import Bank of China, 121
- F**
- Federal Reserve, 14, 191
- Finland, 205
- Foreign Direct Investment (FDI), 72, 73,  
85, 149



**F** (*cont.*)

- France, 44, 77, 138, 168  
 Free Trade Agreement (FTA), 7, 8, 15, 17, 18,  
     82, 94, 96, 97, 104, 135–153, 175–181,  
     183, 184, 189–194, 204–210, 219, 232,  
     234, 240–242  
 Friends of the Earth, 185

**G**

- Gambari, Ibrahim, 81  
 Gas, 113, 116, 122, 125, 170, 186, 233  
 General Agreement on Tariffs and Trade  
     (GATT), 7, 9, 13, 19, 23–31, 33–37, 40,  
     41, 44–46, 57, 72, 94, 142, 146, 147,  
     165, 180–184, 186, 207, 226, 228, 233,  
     235, 240  
     1991 tuna-dolphin dispute, 184  
     1996 shrimp-turtle dispute, 184  
 General Agreement on Trade in Services  
     (GATS), 157, 164–166, 172  
 General System of Preferences (GSP), 183  
 Georgia, 126, 209–211, 218  
 Germany, 27, 44, 138, 168, 218  
 Global Europe, 204, 205  
 Globalization, 19, 60, 83, 93, 148,  
     151, 207  
 Gorbachev, Mikhail, 71  
 Gramm, Phil (R-TX), 190  
 Greenspan, Alan, 14  
 GSP program, 180, 187  
 Gulf-Cooperation  
     Council (GCC), 118, 237

**H**

- Hafner–Burton, Emilie, 2, 9, 46, 184, 212  
 Hanoi Plan of Action (HPA), 75, 83  
 Havana Charter, 24, 25, 207  
 Hong Kong, 6–8, 53, 159, 182  
 Helsinki, 169  
 House Ways and Means  
     Committee, 191, 193  
 Hu, Jintao, 114, 121  
 Human security, 2–5, 14, 16, 23, 24, 45, 46,  
     50, 56, 59–63, 67, 68, 70, 71, 75, 80,  
     83, 85, 86, 117, 157, 158, 161–163,  
     166, 172, 194, 230, 240–243  
     disaster, 5, 61, 62, 70, 75, 97, 99–101, 231,  
     240, 242  
     energy, 5, 32, 51, 52, 54–58, 60, 61, 65, 69,  
     79, 96, 97, 99–101, 114, 116, 120–125,  
     170, 229, 231, 233, 239

- environment, 5, 10–12, 14, 17, 23, 28–36,  
     39, 40, 43–46, 54, 62, 73, 75–80, 83,  
     85, 96, 117, 157–162, 170, 176, 180,  
     181, 184, 186–198, 202–205, 207, 208,  
     213–220, 223, 224, 227, 228, 230,  
     233–243  
 food, 52, 60–63, 65, 69, 97, 101, 186,  
     188, 229  
 health, 28–31, 52, 60, 63, 73, 83, 84, 168,  
     169, 172, 185, 190  
 human rights, 2, 9, 23, 24, 39, 40–43, 46,  
     62, 68, 73, 76, 77, 79–81, 84–86, 117,  
     118, 120, 128, 157, 162, 163, 171, 180,  
     184, 185, 194, 196, 197, 201–206, 208,  
     212–217, 228, 230, 233, 236, 237, 239,  
     241–243  
 Hungary, 27, 29

**I**

- Ibrahim, Anwar, 72, 80  
 Iceland, 209, 210  
 India, 12, 14, 17, 31, 37, 39, 44, 79, 82, 99,  
     101, 103, 111, 115, 119, 130, 140, 149,  
     204, 215–217, 219, 238, 240, 243  
 Indian–Pakistan territorial dispute, 123  
 Indonesia, 14, 17, 44, 53, 57, 68, 69, 72, 73,  
     77, 78, 80, 81, 85, 98–100, 138, 145,  
     159, 161, 162, 166, 170, 171, 230, 239  
     threatens to ban imports from Austria, 78  
 Industry, 82, 144, 145, 151, 166  
 Information Technology Agreement (ITA), 6  
 Institutionalization. Level of, 6, 9, 111, 113,  
     114, 128, 135  
 Interest groups, 10, 11, 13, 122, 180, 185, 225,  
     226, 237, 243  
     agriculture lobbies, 152, 180, 190  
     business lobbies, 12, 138, 168, 196,  
     212, 233  
     environmentalists, 28, 29, 31, 34, 170  
 Intergovernmental Panel on Climate Change  
     (IPCC), 79, 82  
 International Confederations of Free Trade  
     Unions, 38  
 International Coordinating Committee of  
     National Human Rights Institutions,  
     80–81  
 International Covenant on Economic, Social  
     and Cultural Rights (ICESCR), 80  
 International Criminal Court (ICC), 206, 237  
 International Energy Agency (IEA), 51  
 International Labor Organization (ILO), 24,  
     36, 77, 161, 187, 197, 228

- International Monetary Fund (IMF), 24, 56, 94, 106, 115
- International Trade Organization (ITO), 13, 23, 24, 182, 207
- Iran, 111, 115, 118, 119, 127
- Iraq, 17
- Islam, 113, 123, 145
- Israel, 8, 137, 175, 180, 181, 183, 185, 189, 194, 195, 206, 219, 235, 241
- Israel-EEC agreement, 183
- J**
- Japan, 2, 7, 8, 13–15, 17, 18, 27, 44, 50, 51, 53, 54, 56, 59, 60, 72, 79, 89, 90, 92, 95–98, 100–103, 106, 115, 121, 125–127, 131, 135–153, 157–174, 182, 195, 209, 229, 231, 233–235, 239, 240
- Japan–India EPA, 166
- Japan–Philippine Economic Partnership Agreement (JPEPA), 167–172
- Japan–Thailand EPA, 159, 166
- Japan–Vietnam EPA, 166
- Joint Declaration on Strategic Partnership for Peace and Prosperity, 142
- Jordan, 8, 137, 140, 175, 176, 183, 190, 192, 194, 195, 211, 219
- Jordan Standard, 189, 192
- K**
- Kazakhstan, 16, 111–113, 115, 117, 124, 128, 129, 211
- Khmer Rouge, 70, 71
- Kimberly Process (KP), 42, 228
- King Abdullah of Jordan, 189
- Koizumi, Junichiro, 98, 168
- Konfrontasi*, 69
- KORUS Accord, 17, 104, 137, 138, 146–153, 158, 161, 197, 234, 239, 242
- tariff on cars, 175
- trade adjustment assistance (TAA), 204
- US Republicans reticent to renew program to help displaced workers, 204
- Kosovo, 210
- Kupchan, Charles, 127, 132
- Kyi, Aung San Suu, 81, 82
- Kyoto Protocol, 32
- Kyrgyz Republic, 16, 211
- L**
- Laos, 68, 71, 84, 140, 144, 148
- Latin America, 195, 204, 211
- Lee, Myung-Bak, 98, 152
- Levin, Sander (D-MI), 191
- Libya, 167, 211, 237
- Lisbon Treaty, 202–204, 207, 216, 237
- Lomé Convention, 12, 212, 237
- M**
- Macapagal-Arroyo, Gloria, 167
- Macedonia, 208, 209
- Mainland China Closer Economic Partnership Arrangement, 8
- Malaysia, 14, 16, 31, 44, 49, 53, 55, 56, 68–70, 72, 73, 76–78, 80–82, 84, 89, 94, 99, 101, 103, 104, 144, 145, 147, 159, 166, 197, 209, 214, 230, 232
- Internal Security Act, 80
- Malaysian Federation, 69
- threatens to ban imports from Austria, 78
- Marchetti, Juan A., 165
- Marine Mammal Protection Act (MMPA)
- US bans import, 186
- Media, 122, 126
- Medvedev, Dmitry, 119, 124
- MERCOSUR, 73, 209, 215
- Mexico, 8, 28, 37, 58, 140, 149, 166, 184–186, 213, 235, 236, 238
- Minilateral interregionalism, 8
- Minilateral regionalism, 8
- Missile defense, 4
- Mohammad, Mahathir, 76
- Moldova, 210, 211, 218
- Mongolia, 111
- Montenegro, 208, 209
- Montreal protocol, 30, 35, 193
- Morocco, 193, 194, 195, 209, 211, 219, 236, 241
- Most Favored Nation (MFN), 143, 187
- Mulroney, Brian, 185
- Multi-Fiber Arrangement, 187
- Multilateral environmental agreements (MEAs), 23, 29, 31–36, 40, 41, 161, 214, 227
- Multilateralism, 9, 92, 146
- Multipolar, 123
- Murray, Patty (D-WA), 188
- Myanmar, 68, 80–82, 84, 86, 144, 214, 230
- ASEAN states openly criticize the Myanmar regime, 81
- criticism by the US and the EU regarding human rights, 81
- fraudulent elections of 2010, 82
- National League of Democracy (NLD), 81, 82

**M** (*cont.*)

- response to Cyclone Nargis in 2008, 81
- Saffron Revolution suppression, 81
- Union Solidarity and Development Party, 82
- visit from US Secretary of State Hillary Clinton, 82

**N**

- NAFTA, 6, 8, 15, 73, 104, 158, 175–177, 180, 181, 184–187, 189, 194, 195, 228, 235
- National Association of Manufacturers (NAM), 190, 191
- Nazarbayev, Nursultan, 117
- Netherlands, The, 44, 218
- New Democrats, 191
- New Trade Policy For America, 193
- New Zealand, 6, 7, 14, 16, 44, 53, 55, 79, 98, 99, 101, 103, 105, 140, 159, 197
- Nobel Peace Prize, 78, 81
- Non-Government Organization (NGO), 11, 35, 40, 61, 62, 76, 121, 181, 185, 203, 206, 215, 229
- Non-Proliferation Treaty (NPT), 215
- Non-traditional security, 3–5, 16–18, 50, 89, 97, 100, 101, 116, 117, 130, 175, 176, 180–182, 184–198, 224, 226, 228, 229–244
- North America, 6, 8, 94, 104, 163, 175, 177, 184
- North Atlantic Treaty Organization (NATO), 116, 118, 130
- Northeast Asian Cooperation Initiative (NE-ACI), 148, 149
- Northern Liberal group, 218
- North Korea, 15, 53, 59, 60, 151, 152, 228
- Nuclear energy, 69
- Nuclear proliferation, 12, 60, 206, 214–216, 237
- Nuclear weapons, 59, 237

**O**

- Obama administration, 18, 197
- Obama, Barack, 116, 176, 186, 196–198
- Oil/petroleum, 51, 54, 72, 113, 116, 122, 125, 185, 233
- Oman, 17, 179, 193–195, 236
- Orange Revolution, 123–124, 210
- Organization for Economic Cooperation and Development (OECD), 43, 46, 98
- Organization for Security and Cooperation in Europe (OSCE), 115

Organization of the Petroleum Exporting Countries (OPEC), 51, 54

**P**

- Pakistan, 7, 31, 39, 111, 114, 115, 118, 119, 130, 159
- Panama, 140, 179, 192–197, 236
- Paraguay, 215
- Partnership and Cooperation Agreement, 54
- Patt, Gideon, 183
- Perot, Ross, 186
- Peru, 16, 55, 104, 105, 159, 179, 192–198, 209, 214, 215, 217, 236
- Philippines, 17, 53, 68, 69, 77, 78, 92, 104, 126, 137, 146, 157, 158, 161, 166–172, 232, 234, 235, 239
  - nurses fail to pass Japanese tests, 169, 171
  - seventy percent of Pilipino nurses work abroad, 167
  - shortage of nurses in the Philippines, 168
- Pipeline, 113, 116, 125
- Poland, 27
- Portyakov, Vladimir, 123
- Powell, Colin, 191
- Preferential Trade Agreements (PTA), 2–6, 8, 9, 17–19, 64, 69, 70, 73, 212
- Protocol on the Accession of the People's Republic of China to the WTO, 38
- Public Citizen, 191
- Putin, Vladimir, 113

**R**

- Rafidah binti Jubur Aziz, 82
- Rajaratnam, S., 70
- Ramos-Horta, Jose, 78
- Rangel, Charles B. (D-NY), 193
- Reagan, Ronald, 183, 185
- Reid, Harry (D-NV), 192
- Republicans, 190–193, 197
- Revolutionary Front for an Independent East Timor (FRoTiLIIn), 78
- Roh, Moo-hyun, 148, 149
- Romania, 27
- Russia, 16, 64, 93, 99, 101, 103, 111–119, 121–128, 130, 232, 233

**S**

- San Francisco Peace Treaty, 92, 182
- Salinas, Carlos, 185
- Schell, Paul, 189

- calls out the National Guard for Seattle WTO in 1999, 187
  - Secure Trade in the APEC Region (STAR) initiative, 57–59
  - Security Council, 41, 42, 71
  - Sein, Thein, 82
  - Senate Finance Committee, 192
  - Sen, Hun, 71
    - official visit to Bangkok, 71
  - September 11, 2001 (9/11), 14–18, 55, 56, 101, 103, 105, 106, 112, 137, 176, 180, 181, 186, 190, 191, 227–229, 232, 236, 240
  - Serbia, 209, 210
  - Severe Acute Respiratory Syndrome (SARS) epidemic, 5, 60, 61, 63, 229
  - Shanghai Convention on Combating Terrorism, Separatism and Extremism, 112
  - Shanghai Cooperation Organization (SCO), 3, 7–9, 15, 16, 111–131, 227, 232, 233, 239–242
    - Business Council, 121, 123
    - economic cooperation initiatives, 123
    - interbank consortium, 121
    - treaty on deepening military trust in border regions, 112
  - Sierra Club, 191
  - Singapore, 6–8, 16, 17, 19, 37, 38, 44, 53, 59, 61, 68–70, 73, 76–79, 82, 98, 100, 104, 105, 136–141, 145, 146, 148, 149, 152, 159, 160, 165–167, 175, 178, 180, 193–195, 197, 207, 209, 214, 219, 232–234
    - declaration on climate change, energy and the environment, 79
    - labels Chinese refugees “human bombs”, 70
  - Smoot-Hawley Tariff, 8
  - South Africa, 41, 209, 213, 238
  - South China Sea, 15, 64, 72, 97, 99, 141, 142
  - South Korea, 8, 12, 14, 17, 18, 19, 79, 89, 98, 92, 102, 135, 137, 141, 146, 147, 192, 193, 195, 204, 209, 213, 215, 217, 219, 232–234, 238, 239
  - South Ossetia, 113
  - Soviet Bloc, 27
  - Soviet Union, 14, 27, 70, 71, 91, 113, 127, 235
  - Spain, 78
  - Sri Lanka, 111
  - Stabilization and Association Agreements (SAAs), 208, 210
  - Standards Agreement on Technical Barriers to Trade, 29
  - Sudan, 212
  - Suhakam, 80, 81
  - Suharto, 78, 80
  - Sukarno, 69
  - Sweden, 44, 218
  - Switzerland, 34, 166, 188, 209
- T**
- Taiwan, 53, 55, 136, 153, 181, 182
  - Taiwan lobby, 181
  - Tajikistan, 16, 111–113, 117, 120, 124, 128, 129
  - Taliban, 112
  - Tariff Act of 1930, 184
  - Technical Barriers to Trade Agreement (TBT), 44, 45
  - Terrorism, 5, 14, 16, 45, 56–59, 61, 62, 75, 96, 100, 112, 113, 116, 163, 191, 227, 229, 232
  - Thailand, 31, 53, 55, 59, 62, 68, 70, 71, 81, 85, 95, 99, 104, 121, 126, 138, 140, 144, 148, 166, 232
  - Thomas, Bill (R-CA)
    - introduces H. R. 3005, 191
  - Tong, Goh Chok, 78
  - Trade Act of 1974, 190
  - Trade, Growth, and World Affairs, 204
  - Trade linkages, 23, 40, 202, 223, 225, 236
    - failed substantive link, 11, 225, 227
    - failed tactical link, 11
    - substantive link, 10–12, 19, 70, 71, 77, 86, 90, 96, 181–185, 196, 208, 214, 216–219, 225–227, 229, 237, 238, 241–243
    - tactical link, 10, 11, 77, 79, 96, 181, 183, 196, 225–227, 229, 232, 237, 241
  - Trade Promotion Authority (TPA), 176, 186, 191, 192, 196, 198, 236
  - Trade-Related Intellectual Property Agreement (TRIPS), 35
  - Trading with the Enemy Act, 182, 235
  - Traditional Security, 13, 14, 16, 17, 50, 51, 53, 60, 64, 68–72, 75, 85, 106, 112, 137, 172, 176, 180, 182, 186, 228–233, 238, 239, 242, 243
  - Trans-Pacific Partnership (TPP), 7, 16, 64, 89, 90, 104, 105, 176, 197, 198, 232
  - Treaty of Amity and Cooperation (TAC), 15, 96, 104, 142
  - Tunisia, 211
  - Turkey, 115, 127, 210, 237
  - Tymoshenko, Yulia, 210

**U**

- Ukraine, [201](#), [204](#), [210](#), [217](#), [237](#)
- UN Human Rights Council (UNHRC), [80](#)
- Unilateral trade measures, [6](#), [7](#), [13](#), [18](#), [180](#)
- United Auto Workers (UAW), [191](#)
- United Kingdom (UK), [138](#), [167](#), [168](#)
- United Nations (UN), [4](#), [34](#), [41–43](#), [53](#), [54](#), [71](#), [80](#), [81](#), [92](#), [96](#), [115](#), [119](#), [187](#), [207](#), [230](#), [231](#)
  - Commission on Human Rights, [41](#)
  - Human Development Report, [4](#)
  - Security Council, [41](#), [42](#), [71](#)
- United States (US), [26](#), [28](#), [30](#), [31](#), [39](#), [46](#), [56](#), [77](#), [78](#), [89](#), [115](#), [116](#), [167](#), [197](#)
- United States Free Trade Agreements
  - DR-CAFTA, [193](#), [195](#), [236](#)
  - NAFTA, [6](#), [8](#), [15](#), [73](#), [158](#), [180](#), [184](#), [186](#), [187](#), [189](#), [195](#), [228](#)
  - US–Australia FTA, [178](#)
  - US–Bahrain FTA, [178](#)
  - US–Canada FTA, [177](#)
  - US–Chile FTA, [177](#)
  - US–Colombia FTA, [179](#)
  - US–Israel FTA, [17](#), [137](#), [177](#), [180](#), [183](#), [185](#)
  - US–Jordan FTA, [17](#), [137](#), [177](#), [183](#), [241](#)
  - US–Morocco FTA, [178](#)
  - US–Oman FTA, [179](#)
  - US–Panama FTA, [179](#)
  - US–Peru FTA, [179](#), [198](#)
  - US–South Korea FTA, [150](#), [179](#)
- United States Trade Representative (USTR)
  - environmental review of trade agreements, [188](#)
- Universal Declaration of Human Rights, [84](#)
- Uruguay, [215](#)
- Uruguay Round, [28–30](#), [35](#), [39](#), [57](#), [72](#), [163](#), [183](#), [184](#), [207](#)
- US Chamber of Commerce, [191](#)
- US Congress, [25](#)
- US Democrats, [188](#), [190](#)
- US District Court, [180](#), [186](#)
- US International Trade Commission (USITC), [189](#)
- US Labor Unions, [77](#)
- US McKinley Act of 1890, [184](#)

US–Mexico Free Trade Zone, [185](#)

US State Department, [26](#)

Uzbekistan, [16](#), [111](#), [114](#), [116](#), [117](#), [124](#), [129](#), [211](#)

**V**

- Van Rompuy, Herman, [201](#)
- Vietnam, [16](#), [39](#), [55](#), [68](#), [70–72](#), [84](#), [92](#), [104](#), [105](#), [126](#), [131](#), [138](#), [144](#), [159](#), [166](#), [197](#)
  - China’s invasion of Vietnam, [70](#)
- Voluntary Export Restraints, [182](#)

**W**

- Wang, Jisi, [114](#)
- Washington Declaration, [189](#)
- Weapons of Mass Destruction (WMD) clause, [206](#)
- Wen, Jiabao, [120](#), [122](#)
- Western Balkan countries, [208](#)
- World Bank, [24](#), [58](#), [115](#)
- World Conference on Human Rights, [76](#)
- World War II, [5](#), [19](#), [24](#), [146](#), [182](#), [241](#)
- World Trade Center, [191](#)
- World Trade Organization (WTO), [3](#), [5–7](#), [9](#), [14](#), [18](#), [19](#), [23–48](#), [62](#), [77](#), [78](#), [94](#), [142](#), [143](#), [147](#), [157](#), [161](#), [162](#), [164](#), [165](#), [167](#), [172](#), [175](#), [176](#), [186–189](#), [195](#), [196](#), [202–204](#), [207](#), [211](#), [213](#), [223](#), [226–228](#), [233](#), [236](#), [239–241](#)
  - WTO Dispute Settlement Mechanism, [77](#)
  - WTO First Ministerial Conference, [77](#)

**Y**

- Yaoundé Convention, [237](#)
- Yeo, George, [82](#)
- Yew, Lee Kuan, [76](#)

**Z**

- Zhao, Changqing, [122](#)
- Zoellick, Robert, [103](#), [176](#), [180](#), [186](#), [190](#), [191](#)