

Strategic Diplomacy in Southeast Asia: Concept and Practice

Evelyn Goh and Jochen Prantl, ANU

FINAL DRAFT for *East Asia Forum Quarterly*, forthcoming, June 2017

Seventeen years ago, Cambridge theoretical physicist and cosmologist Stephen Hawking declared that the 21st century will be the century of complexity.

Why should we bother? Because complexity – along with the on-going horizontal shift of relative power from West to East (and South) and vertical diffusion to non-state actors – creates a level of uncertainty for policymakers that they cannot ignore. The double challenge of order transition and complexity makes government and governance harder.

What is the difference between complexity and something that is *just* complicated, e.g. the International Space Station, aircrafts, or car engines? First, a complicated system follows linear – that is, predetermined – dynamics. Second, there are manuals available to operate the engines and fix problems, including system failure. As a result, a complicated system is relatively easy to maintain, because the level of predictability is high, while the level of uncertainty remains low.

By contrast, complex systems – e.g. international orders, cities, societies, the human body, the weather – display dynamics that are non-predetermined and hard to predict. The constituent units of a complex system are highly interconnected and interact in non-linear ways, meaning that there is a fundamental disproportionality between cause and effect. Understanding a complex system not only requires analysing the behaviour of the constituent agents but also how they interact with each other, and how this relates to the interactions among the other agents of the system. The complex system as a whole is more than the sum of its parts.

As a result of complexity and power transition, the policy space of governments is shrinking. Driven by what some have called the Fourth Industrial Revolution, connectivity transforms global affairs in three central ways:

1. Strategic surprises – like the financial crisis in 1997/98 and 2008/9 – pose a key challenge for governments, with the unprecedented velocity of crises often minimizing their response time.
2. Policy issues are hard to isolate because they form nexi with a range of highly interconnected problems – for instance, the nuclear non-proliferation-energy security-climate change nexus.
3. Small-scale problems have the potential to become tipping points, with consequences of large-scale and system-changing impact. These are the so-called ‘black swan’ events with ‘butterfly effects’, such as the breakdown of the Wall Street investment bank Lehman Brothers triggering the 2008 global financial crisis.

In sum, governments must cope with the twin effects of shrinking policy space and the interconnectedness of policy issues they cannot control. The repercussions for the analysis and design of global public policy are profound. Collective action problems must be situated in their complex systemic context. Rather than navigating dyadic and polyadic diplomatic relationships in achieving policy outcomes, policymakers must find ways to navigate the *system*.

Moreover, human cognitive biases persist, including what Singaporean policy-maker Peter Ho likes to call 'black elephants', manifest problems – the 'elephant in a room' – that no one wants to address. Yet, when the problem materializes, it will have black-swan impact with game-changing repercussions. For the contemporary East Asian regional order, two obvious black elephants are a severe economic crisis in China, and U.S. military withdrawal from the region.

To be successful, policy-makers must be innovative and adaptive; their policies should be based on non-linear and non-zero-sum concepts; and they need to strive for 'satisficing' rather than maximising core national interests. We argue that strategic diplomacy provides a framework for such an approach. Forging effective strategies is essential to maximising the policy space and minimising uncertainty. This is easier said than done in a world where there are no mutually agreed set of rules and principles on how societies should be organized and relate to each other. Hence strategies – national, regional, and global – are hotly contested. Yet, practising diplomacy with a renewed emphasis on strategy is crucial, particularly because the common reaction to complexity and uncertainty is to seek refuge in over-simplification, tactics, and process.

Strategic diplomacy is both a diagnostic tool and a policy tool. It provides a conceptual framework to study what makes the region hang together, and to form strategies to diplomatically engage with the system. At the same time, it generates critical analytical leverage to recast conventional analysis of relevant policy issues to arrive at different directions for policy planning. Our strategic diplomacy project has three analytical tasks:

- 1) To examine the differences between traditional diplomacy and diplomacy undertaken with accentuated *strategic* rationale.
- 2) To diagnose incidents of diplomacy that is pursued with long-term *system* implications in mind, with the objective of either maintaining or changing 'the system'.
- 3) To account for the (shorter-term) diplomatic practices of contesting and negotiating conflicting strategic ideas and priorities.

Post-Cold War Southeast Asia provides a particularly informative set of cases for analysing the concept and practice of strategic diplomacy, both because of its marked complex systems characteristics, and because of the range of significant examples of diplomacy undertaken with intensified strategic rationale. On the latter, three broad themes stand out: regionalism, economic diplomacy, and regional order.

Regionalism

In a region shaped so distinctly by the United States' hub-and-spokes bilateral alliances, the Southeast Asian countries have, since the mid-1990s, engaged in strategic diversification by expanding ASEAN-based multilateralism and helping to stimulate visions and plans for longer-term regional integration in political and economic terms. These regionalist enterprises serve the important function of nudging back into being a regional system – consisting of Southeast as well as Northeast Asian states interacting and interdependent with each other, negotiating regional norms and conflicts, and creating a new entity whose sum is more than its distinct parts – where none has existed since the height of western colonial interventions in the 19th century. But ASEAN's relative success in stimulating regionalism has created new challenges for strategic diplomacy.

On the one hand, the accentuated strategic rationale of creating security and economic regional institutions to help enmesh the great powers and to provide a conduit for strategic competition has led to competitive regionalism. For example, ASEAN Plus Three and the East Asia Summit (and the ASEAN Regional Forum) are channels of strategic diplomatic engagement that reflect contending visions of regional order, especially the disagreement about the extent to which it ought to be China-led. In this regard, ASEAN's strategic diversification has structurally altered the regional system: as Amitav Acharya argues, it is now akin to a 'multiplex' cinema, with different options for regional cooperation and community. Moreover, from a complexity perspective, what happens in one 'cinema' can have unintended consequences on what happens in another 'cinema', and cumulatively create feedback effects across the regional system. For example, the collapse of the Trans-Pacific Partnership initiative with Trump's surprise election has provided unprecedented impetus for negotiations for the Regional Comprehensive Economic Partnership. If successful, the latter will set the standard for regional trade agreements, including the services trade sector, in which it will provide less restrictive protection of intellectual property rights. This, along with the size of the Asian production and consumer markets, will create systemic path dependency that will in turn shape emerging areas of services and financial regulation at the global level.

The other set of challenges lie at the sub-regional level of strategic diplomatic practice. As a political community fundamentally designed to manage intramural tensions, ASEAN arguably requires strategic diplomacy more than ever before to navigate the rapid and complex transitions in geopolitics and economics today. As Kishore Mahbubani notes, even as it celebrates significant successes in its 50th year, the Association must still address the unfinished business of creating a Southeast community in the political, economic and social senses. Here, the challenges lie in leadership renewal, drive and the vision for how to sustain ASEAN's strategic coherence and relevance, not just in Asia and the world, but more importantly for each of its member states. Yet, ASEAN members have been adaptive and innovative in seeking ways to deepen regionalism, particularly using functional channels. One important development has been ASEAN's growing deployment of strategic legalisation and formal institutionalisation to establish its reputation and competitiveness as what Hsien-li Tan calls a "reliable and structured inter-governmental organisation with legal obligations". This is a

significant departure from traditional ASEAN diplomacy that prized flexibility and informality.

Economic Diplomacy

There are somewhat different entry points into analysing and using strategic diplomacy in the economic realm. States in Southeast Asia cannot make international economic strategies the way they make foreign policy strategies, mainly because of the current characteristics of national and regional economies. The economic order is more obviously a complex system, especially if we consider the cross-regional and trans-national production networks into which most Southeast Asian economies are crucially plugged. Within this landscape, the state must play alongside global corporations, transnational regulators, and international economic institutions. Thus, the state's role and the strategic tools needed to leverage economic advantage and development have changed significantly, as the neat distinctions between states and firms, and between national and foreign dissolve. As Henry Yeung notes, Southeast Asian states must navigate global production networks as the challenges of creating incentives and conditions for competitive national industries become more complex in this context than in previous export-oriented industrial models. Strategic economic diplomacy entails state actors having to facilitate "strategic coupling" between specific sectors of the national industry and key corporations that orchestrate complex global production networks.

Yet, governments still have crucial roles in economic regulation, especially trade agreements and other forms of conditional market access. Here, Alan Tan shows using the case of regional aviation markets, how Southeast Asia's existence as a ten national economies rather than a common market exacerbates the asymmetry that these smaller states face, especially vis-à-vis their most important economic partner, China. Thus, economic diplomacy with accentuated strategic rationale aimed at evening out this systemic asymmetry is increasingly required in managing growing interactions and interdependence with China.

Regional Order

If strategy is about connecting ways, means and ends, what should be the end-point of strategic diplomacy in Southeast Asia? Over the past 25 years, the general Southeast Asian preference has been to perpetuate the status quo in the East Asian order. In spite of the proliferation of regional institutions, growing regionalism, and the challenges of the new global economy, the fairly constant perception has been that regional stability ultimately rests upon the maintenance of American primacy in the military realm. In recent years, China's growing maritime assertiveness and the U.S. pushback indicate great power intolerance of the status quo.

Such dynamics raise urgent concerns about potential tipping-points in regional order – junctures at which the system is significantly destabilised and could tip over into something new and different. Huang Jing's examination of what is an acceptable Southeast Asia order for China stimulates consideration of how

regional states might use strategic diplomacy to keep the system just below the threshold under which China may decide that it prefers to create a new status quo. This is a vital question for strategic planning, particularly in light of the uncertainties associated with Trump's Asia policy, which has helped to heighten risks of cascading effects and nonlinearity in a destabilised complex system. These are the conditions under which black swan events are likely to occur: for example, a relatively small event such as China declaring an ADIZ in the South China Sea may generate unexpectedly large systemic consequences. At the same time, as Yuen Foong Khong reminds us, the region should also be alive to 'black elephants', especially that possible end-point very few want to talk about because all the likely consequences we can imagine are perceived as sub-optimal: a regional order without the United States.

In dealing with these unpalatable uncertainties, the key insight of strategic diplomacy lies in the focus on how to make the Southeast Asian system as a whole more resilient – be it through more sophisticated confidence building, great power assurance, or other mechanisms for managing crises and shocks that go beyond single governmental units. For it is only with resilience that complex systems can absorb shocks, self-organise, and recover from crises to find new equilibria.