

Paul Hong
Young Won Park

Rising Asia and American Hegemony

Case of Competitive Firms from Japan,
Korea, China and India

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Paul Hong
College of Business Innovation
University of Toledo
Toledo, OH, USA

Young Won Park
Faculty of Economics, Graduate
School of Humanities and Social Sciences
Saitama University
Saitama, Japan

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Preface

This book traces the evolution of our research over the years. Since 2004, both Park and I have been studying the global practices of Asian firms in general and Korean and Japanese firms in particular. Under the theme of global supply chain management, numerous articles have been published in the area of new product development, innovation, information system design, strategic initiatives, and global firm practices in emerging economies. Thriving under the rules of engagements is as important to a firm as developing internal and external capabilities. Since firms increasingly compete based on their global network capabilities, it is crucial to sense the changing dynamics of the macro-level world that influence how successful business models are developed and implemented for sustainable competitive advantage. This book examines the relationships between the macro-level context (i.e., international order) and micro-level practices (i.e., strategic responses of competitive firms) with the following observations.

First, global firms rise and fall with the changing nature of the international order. The global Fortune 500 firms are mostly from ten countries—USA, China, Japan, Germany, UK, France, South Korea, Switzerland, Canada, and Italy. These ten leading nations along with ten countries (India, Brazil, Russia, Taiwan, Australia, Mexico, Spain, Sweden, Finland, and Ireland) generate most of the Forbes 2,000 firms. They thrive on the rules of engagement for global markets supported by their national political strengths and innovation ecosystem. These countries build their global supply chain infrastructure through actively collaborating with both advanced and emerging economies. The firms achieve competitive advantages through scale of production and scope of innovation for global market needs. The political and economic conditions of their home nations provide necessary conditions for them to thrive and prosper in global markets. With this in mind, our attention turned to the international order that sets the rule for trade, innovation, and market practices.

Second, the international liberal order has contributed to the rise of Asia. This order is an US-initiated rules-based system of governance. The essential aspects are American hegemonic leadership, trade flows, and coordinating mechanisms by international organizations. The rise of the former Soviet Union after the Second

World War facilitated the USA and its allies to accept and welcome Germany, Japan, and Italy into the new liberal international order. It helped them to attain legitimacy and normalcy beyond the mark of “defeated aggressor states” and gain access to growing market opportunities. Certainly, their national resolve for reconstruction bore fruit only due to the size and scope of the postwar liberal international order.

The contemporary factors associated with a rising Asia are complex. These rapidly growing nations from Asia (e.g., Japan, Taiwan, South Korea, Singapore, China, India, Indonesia, Vietnam, Malaysia, and Thailand) all benefited through their engagements in the US-led global market. The rising of Asia is more than about China’s rise. Asia is much larger than China. Its growth potential also includes India, Vietnam, Indonesia, Japan, South Korea and a unified Korea, and the Middle East. Therefore, rising Asia includes China but much more than that.

Because of the rapid growth of China since 1970, the focus of attention has been on China—its implications to the world and its competitive position with the USA. Since 2017, China’s annual growth rate is slowing down. Its path toward autocratic governance in the midst of increasing internal conflicts suggests that its dominant global leadership is not necessarily assured. In a sense, China is going through multiple tests to establish “its respectful position of leadership in the world” in terms of politics, economy, culture, innovation of ideas, and quality of life.

Third, the rise of Asia challenges the nature of the international liberal order. After the Second World War, the United States coordinated the establishment of this new order through which its key allies (e.g., Germany, Japan, South Korea, Canada, Mexico, UK, and France) had access to US markets and form international coalition to contain the Soviet Union and China. With the breakup of the former Soviet Union, the US remained a dominant position until China’s rise challenged it on multiple fronts. However, the international order is dynamic. Serious transitions are occurring in the USA, Europe, and Japan. Leading groups are more or less divided, not united. A new form of international order is emerging. Chinese efforts of redefining the world order include regular meetings of the BRIC nations (Brazil, Russia, India, and China) and the Belt and Road Initiative (BRI). The world looks for more than what the United Nations General Assembly does or the World Economic Forum in Davos, Switzerland could offer—“endless discussions without effective actions”. Some might argue that to the extent that as the USA withdraws from its “rightful” place of international leadership, the Chinese are more likely to step in with its plans. Then, the question is, “Will the China-led world order replace the liberal international order?”

The rivalry between the US and China are taking steps toward a collision course. Trade issues reflect a symptom of deeper geopolitical issues. The outcome of rivalries requires the capabilities of national and international alliances. While China’s achievements over the past 30 years are noteworthy, its real strengths and weaknesses deserve careful analysis. This book assesses China’s capabilities in terms of prospects for the education for next generation, wealth creation and preservation, and innovation, and quality of life—beyond GDP and military budget growth.

The central thesis of this book is that prominent firms in global markets are mostly from countries that either set the rules of international engagements or stay in close proximity to a hegemonic power center. The growing challenges within the international order make the global market environment turbulent. Asia is rising in terms of economic wealth, political prowess, and social impact. At the same time, American hegemony is not likely to decline because it shows great resilience. Competitive firms are required to “keep things working” (i.e., maintain timeless business fundamentals) and “keep things intact” (i.e., implement timely strategy). This book examines the changing macro-dynamics of the international order and discusses prudent responses of competitive firms from Japan, South Korea, China, and India.

We argue for building and using network capabilities at different levels. Individuals, organizations, communities, and nations create and deliver value through their own competencies and their network capabilities. For a historical perspective, we examine evolving patterns of trade partnership since World War II. It presents the changing requirements of an industry’s market and explains the vital relationships between trade partnerships and industry competitiveness. In recent years, industrial competitiveness is becoming a serious strategic priority of nations—both advanced and emerging economies.

The theoretical discussion in this book focuses on the characteristics of global networks for firms operating in the top of the pyramid (ToP) and base of the pyramid (BoP) environments. Special focus is on trade partnerships and industry competitiveness in the Asian economies (Japan, South Korea, China, and India), three ASEAN nations (Vietnam, Thailand, and Malaysia), and Mexico. Extensive industry and firm-level case studies discuss ToP and BoP interface capabilities in the form of manufacturing and services life-cycle management, which extends value creation and delivery of manufacturing and services. This extension integrates the cloud ecosystem, such as timely data/information/knowledge flows via the virtual world; and ground value chains, such as the flow of complex real goods and services in the visible world.

The book has 3 sections with 16 chapters. A brief summary of each section and individual chapter is provided. Each chapter also includes at least one or two figures that summarize the main idea. Different tables provide numerical data that are relevant for discussion. Textual explanations, descriptive statistical details, and visible presentations are combined. The emphasis is not to be comprehensive and thorough but relevant and clear. A modest goal of this book is to provide valuable insight into macro-events from a historical and business perspective. The two of us divided the work of creating this book according to our expertise. Paul Hong has contributed to most of the macro-level discussions, industry competitiveness, changing business models, and growth model of global firms, while Young Won Park has provided rich details in case studies of business firms from Japan, Korea, China, and India.

We appreciate timely reviews of colleagues who have read the manuscript and contributed to improving the content with their valuable comments. We appreciate Yue Zhang, Fred Ahrens, Euisung Jung, Blaine Stout Zhezhu Wen, and Seyedeh Golnoush of University of Toledo, USA, of University of Toledo, Erika Marsillac

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Finally, many thanks to colleagues and students at the University of Toledo and the University of Tokyo who have shown a great deal of interest in this book. We dedicate this book to the bright future of young people around the world of which we visited for our research for more than 40 countries over the past decades. We appreciated friends, colleagues, and business leaders who have shown great deal of hospitality. Regrettably, we have not yet visited North Korea. Someday we hope to have presentation opportunities to aspiring young people in North Korea as well. We dedicate this book to these friends at large.

This book is organized in two sections and each section has 6–7 chapters. A brief summary of each section with the associated chapters is provided.

Toledo, OH, USA
Saitama, Japan

Paul Hong
Young Won Park

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About the Authors

Paul Hong is a Distinguished University Professor of Global Supply Chain Management at the University Of Toledo, USA. He is a graduate of Yonsei University, Korea, with a B.A. in Economics. He also has an M.B.A. and an M.A. from Bowling Green State University and a Ph.D. in Manufacturing Management and Engineering from the University of Toledo, USA. He is a certified management accountant (CMA). He has received numerous research and teaching awards, including an appointment to the rank of Distinguished University Professor (2018), 16th Korea SCM Industry-wide Award for Research and Service Excellence (2017), J. William Fulbright-Nehru Teaching and Research Excellence Award (2016), University of Toledo Innovative Teaching Excellence Award (2016), University of Toledo Research and Scholarship Award (2015), Harold E Pearson Best Paper Finalist Award of Journal of Supply Chain Management (2015), Emerald Literati Network Awards for Excellence (2011), and Journal of Operations Management Finalist Paper Award (2006). He has published in numerous reputable journals including *Journal of Operations Management*, *Journal of Supply Chain Management*, *Journal of Business Logistics*, *International Journal of Production Research*, *Corporate Governance: An International Review*, *Journal of Business Research*, *International Journal of Operations and Production Management*, *International Journal of Production Economics*, *Journal of Service Management*, *Journal of Engineering Technology Management*, *Business Horizons*, and *Journal of Cleaner Production*. He has also received research and teaching grants from the US Department of Education, US Department of Transportation, and Society of Automotive Engineers. He has been a frequent keynote speaker for major international global supply chain and technology conferences and global executive training workshops. He has also conducted research workshops for faculty/Ph.D. students in the areas of building research agendas for cross-disciplinary research and conducting research on impact in the USA, Canada, Germany, Korea, Japan, China, India, Lebanon, and many other countries.

Young Won Park is a Professor of the Faculty of Economics, Graduate School of Humanities and Social Sciences at Saitama University, and an Associate Professor of the Project of the Manufacturing Management Research Center at the University of Tokyo, Japan. He holds a Ph.D. degree from the Department of Advanced Social and International Studies at the University of Tokyo, Japan. His articles have been published in journals including *Management Decision*, *International Journal of Production Economics*, *International Journal of Technology Management*, *International Journal of Information Management*, *Business Horizons*, *Journal of Business Research*, *Journal of Purchasing and Supply Management*, *Benchmarking: An International Journal*, *International Journal of Services and Operations Management*, *International Journal of Logistics Systems and Management*, *International Journal of Business Excellence*, *International Journal of Procurement Management*, *Akamori Management Review*, *Japan Academy of International Business Studies*, *Japanese Society for Science and Technology Studies*, and the *Japan Society of Information and Communication Research*. He has received research awards, including a Certificate for Highly Cited Research in Business Horizons, Dissertation Paper Awards from the Japan Association for Social Informatics (JASI), Best Paper Awards from The Japan Society of Information and Communication Research (JSICR), Research Awards in the Social Sciences Field from The Telecommunications Advancement Foundation (TAF), and Research Students Awards in the Social Sciences Field from The Telecommunications Advancement Foundation (TAF). His research interests are in technology management, global strategy and IT strategy, and global supply chain management.

Part I

Liberal International Order, Global Trade and Industry Competitiveness

“You must never forget that the unification of Germany is more important than the development of the European Union, that the fall of the Soviet Union is more important than the unification of Germany, and that the rise of India and China is more important than the fall of the Soviet Union.” (Henry Kissinger)

With prolonged slow growth rates of advanced nations, the perception of long-term “Decline of the West” is widespread. Recent Trump Administration’s “America First” policies, Brexit debate, and a hint of disunity among G7 nations raise questions about the role of liberal international order. In this context, it is timely to examine the historical progress of nations and discuss how four Asian countries—Japan, Korea, China, and India—have achieved enormous level of growth. This section lays a groundwork for examining the role of international liberal order for “Rising Asia and American Hegemony”. It covers national level issues in relation to trade partnership and industry competitiveness. The size of economies (e.g., GDP) of China and India exceeded both Japan and Korea in recent years. Their standard of living (e.g., GDP per capita) is in the order of Japan, Korea, China, and India. This book highlights the growth patterns and the role of trade sectors. An increasing rivalry between US and China requires careful examination in historical perspective and realistic prospect.

This section includes:

- Chapter 1: Rising Asia and American Hegemony. This chapter defines liberal international order (LIO) in terms of three crucial elements: *liberal* with free and independent nations, *international* with effective flows of capital and goods through international markets, and *order* with shared governance rules in pursuing national interests. It also discusses how America’s transition from absolute advantage to relative advantage impacts the nature of international order after 1991.
- Chapter 2: Liberal International Order and Global Trade Growth. Relationship between liberal international order and global trade has evolved over the years. This chapter examines the relationship between liberal international order and

global trade growth. Liberal international order facilitates the rise of Asian nations, Japan, South Korea, and China, through the growth of their trade sector performance. America First policies, Japan's initiatives of TPP renewal, and Chinese One Belt One Road (OBOR) efforts may redefine the patterns of global trade and international engagements.

- Chapter 3: Rise of Four Nations: Case of Japan, South Korea, China and India. An overview of the background of the rise of four leading nations in Asia—Japan, South, Korea, China, and India—is presented. Special focus is on the economic growth of four countries: Japan, South Korea, China, and India. These high growth economies (e.g., Japan, South Korea, China, and India) suggest different patterns of growth, challenges, and transitions. Economic growth movement in Asia suggests national leadership roles, unified efforts of public and private capabilities, and enabling mechanism of international liberal order.
- Chapter 4: Growing Rivalry: China's Rise and American Hegemony. This chapter examines China's Rise and Trump Administration's policy priorities. Special attention is on the impact of liberal international order. Key factors that support American Hegemony and achieve China's Rise are mentioned, and their impacts on liberal international order are further discussed.

Chapter 1

Rising Asia and American Hegemony



Rome's fate seems to act as a warning that strength and success will always prove transitory in the end, and that civilisation will not automatically triumph. (Adriand Goldsworthy on How Rome Fell).

Abstract This chapter defines liberal international order (LIO) in terms of three crucial elements: *liberal* with free and independent nations, *international* with effective flows of capital and goods through international markets, and *order* with shared governance rules in pursuing national interests. It also discusses how America's transition from absolute advantage to relative advantage impacted the nature of international order after 1991.

1.1 Introduction

World events are like diverse movements in the wide sea. On the surface, it shows a wide level of fluctuations—stormy sea, still water, raindrops, and violent nightly wind. In the depths of the ocean, there are slow and steady flows of movement. Ocean science can assess and predict enormous variety of flows. However, mega flows of political-social-economic phenomena are observable but not necessarily understandable. Samuel Huntington's "Clash of Civilizations" (1996) predicted the prolonged rivalry between different civilizations. Differences among civilizations in terms of history, language, culture, tradition, and religion remain. The more people experience interactions across the world, the awareness of differences between civilizations becomes greater than shared understanding and acceptance. As self-interests of nations collide, these differences may take the extreme form of defense and radical elements may fuel the flames in a larger scale. The attacks on Twin Towers (2001) and subsequent US invasion in Iraq and military engagements in Afghanistan highlighted this "clash" of civilizations between the West and the radical Moslem elements. Recently, the rise of Asia in general and China in particular turns the broad attention to potential conflicts in different patterns. The initial trade tension may

move toward its bigger “rivalry clash” in the years ahead. These mega themes are embedded in complexity of events before they come to surface in definite form. In the meantime, the ordinary flows of history entail quiet and routine events and incidents at the micro-level.

A brief review of modern history notes diverse patterns of quality of life among nations. Countries with rich resources are not necessarily prosperous. Size is not the real differentiator. Small countries like Switzerland, Singapore, and Arab Emirates enjoy prosperity. Nations rise and fall because each nation utilizes its unique capabilities in terms of natural (e.g., geographical and demographic) advantages and political-social-cultural infrastructural strengths (Bremmer 2006). Just as an individual’s success does not depend on their ingenuity and hard work alone, nations thrive within their network contexts, which provide stable and reliable order and allow them to pursue their national opportunities and individual possibilities. This is the power of international order. Some of mid-sized countries—Germany, Japan, and South Korea, for example—overcame the damages of war, regrouped and actively engaged in various forms of international order. On the other hand, other countries remained obscure and inactive apart from prevailing international order. This chapter discusses the historical process and the role of international order for development, growth and impact of nations in general and the rise of Asian nations.

1.2 Historical Process of Establishing International Order

A review of past two hundred years of world history includes amazing stories of progress and unbelievable sufferings among nations. Massive human sufferings include prolonged religious wars in Europe, destruction of Indians in new world (1700–1800s), Nazi’s final solution deaths of millions of Jews (1940s), atrocities of the imperial Japan against Korea and China (1910–1940s), disappearance of Armenians (1910s) and many more. Reckless ambition of kings and political leaders also resulted in heavy casualties of innumerable people. Lawless jungles of the world have such devastating effects on humanity. Although regional conflicts continued, important parts of the world experienced restoration, development and growth.

Over time, the vision of liberal order, supported by international institutions, has expanded to create a world with enforceable and applicable rules. International order is “a cohesive entity ...in the form of an aggregation of various rules and institutions” (Ikenberry 2018). Fioretos (2018) notes that “great powers” thrive through stable institutions in liberal international order than “exercising economic and military power at will”. Such “gradually transformed great power behavior” commits to “economic integration, collective security, and universal human rights”. Nations accept the rule of an international order tested through historical processes rather than any dominant mechanism by selected powers.

Table 1.1 is a summary of various modern conferences, settlements, and impacts. For example, the *Peace of Westphalia* (1648) ended the European wars of religion. The *Peace of Utrecht* (1713–1715) resolved the War of the Spanish Succession. It established the maritime, commercial, and financial supremacy of Great Britain. However, the collective experiences of these treaties also enabled to forward movement with more proactive measures for rule-based international order.

Treaties of Paris (1814–1815) focused on the new order of Europe after Napoleonic War. This reframed the order in Europe by reducing France to her 1792 borders. Britain acquired Guadeloupe, Tobago, St. Lucia, Seychelles and Mauritius and the island of Malta. The independence of Switzerland was formally recognized

Table 1.1 Various modern conferences, settlements and impacts

Treaty (Year)	Participants	Goals	Impact
The <i>Peace of Westphalia</i> (1648)	Sweden and France	Ending the European wars of religion. Catholics and Protestants accepted each other	A milestone in the development toward tolerance and secularization and the imperial Estates The legal independence of the Swiss Confederation
The <i>Peace of Utrecht</i> (1713–1715)	France versus Great Britain, Sardinia, Portugal and the Netherlands	Resolving the War of the Spanish Succession	The maritime, commercial, and financial supremacy of Great Britain
Treaties of Paris (1814–15)	France versus the Allies (Austria, Great Britain, Prussia, Russia, Sweden, and Portugal)	Ending the Napoleonic Wars. France had to pay 700 million francs in indemnities, and the country's borders reduced to their 1790 level	Peace between France and Great Britain, Austria, Prussia, and Russia. Confirmation of the neutrality of Switzerland
Paris Peace Conference (1919)	Primarily Five major powers (France, Britain, Italy, Japan and the United States) and 32 countries and Germany	Resolution of World War I Expensive reparations imposed on Germany	The creation of the League of Nations ; Drawing of new national boundaries; Too humiliating for Germany and set the stage of the rise of Nazis
San Francisco Conference (1945)	The United States, the United Kingdom and the Soviet Union. France joined later	Postwar reorganization of Europe and Asia	Re-establishment of the nations of war-torn Europe Creation of the United Nations Charter

as well. After World War I, Paris Peace Conference (1919) officially ended World War I and redefined the national boundaries in Europe. In addition to the creation of the League of Nations, the multiple peace treaties are mostly remembered for imposing costly reparations primarily on Germany. The national humiliation that German people felt might have triggered subsequent Nazi's electoral victories, which was likely to a major cause of World War II. Numerous other nations including Korea sent delegations to call attention to their dire needs. However, the four major powers (France, Britain, Italy, and the U.S.) were too preoccupied with their national interests to address broad issues from groups of nations with "minor importance". In all these conferences, the "lost" nations gave up substantial territories and their competitive position. The leading major powers claimed their leadership in the new order.

By 1940s, Germany and Japan both reached more than 60–70% of U.S. GDP. Since both countries expanded their national boundaries beyond their traditional borders—Germany into Eastern Europe and Japan to Korea and China, these two countries needed to secure their free flows of natural resources from larger parts of the world—Japan from Northeast Asia and Southeast Asia and Germany from Europe except England. After World War II, USA initiated efforts to establish rule-based international order. As the single most influential major power, USA hosted both the Bretton Woods Conference (July 1–22, 1944) and San Francisco Conference (April 25–June 26, 1945). In redefining, the world order after World War II, USA aimed to offer three vital global international order mechanisms. They were the International Monetary Fund (IMF) for emergency finance of nations, the World Bank for long-lending needs, and the General Agreement on Tariffs and Trade (GATT) for promoting international trade. In 1995, the World Trade Organization (WTO) adopted the GATT principles and agreements. San Francisco (1945) Conference resulted in the creation of the United Nations Charter. However, a series of negative economic trends of slower growth, rising trade imbalance between huge trade surplus nations, trade deficit ones, and declining upward economic mobility among shrinking middle class have called for reexamination of the very foundation of international order.

1.3 International Order and Destiny of Nations

Throughout history, small nations experienced that stronger neighboring powers determined their destiny. For example, after 36 years of Japanese Imperial rule, Yalta Conference dictated the destiny of Korean people. It divided Korea into two nations, North and South Korea, which engaged in an ideological war for years. While Japan achieved rapid economic progress from 1945–1955, Korea, at the forefront of Cold War, went through Korean War that cost millions of innocent lives.

Japan's prominence after it started engaging with the outside world in Meiji Era is mostly due to its understanding of international order. After its consecutive victories in the Sino-Japanese War of 1894–95 and the Russo-Japanese War of 1904–1905, Japan participated in international order as a sole power in Northeast Asia. In 1919

Paris Peace Conference, Japan was one of five major powers that involved in the League of Nations. On the other hand, most of Asian countries—including China, Korea, and Vietnam, India—were actively involved in the formation of international order after World War I and World War II. Prior to Japan's surrender, hundreds of thousands of Japanese and Korean people in two cities—Nagasaki and Hiroshima—died due to atomic bombs. In a sense, Japanese people paid the terrible cost for its imperial policies against its Asian neighbors and US. Fortunately, with the looming threats of communist China and Russia, Japan was spared from division. Unlike Germany and Korea, Japan was able to maintain most of its domestic territorial integrity. Besides, the Korean War turned out to be a bonanza for Japan to rebuild its manufacturing base. Japanese's ingenuity, hard work, and access to US markets and technological innovation have facilitated its export-driven economy to achieve rapid reconstruction.

Understanding the dynamics of international order is essential for small nations to chart their course of security and prosperity. It is crucial for nations to maintain their desirable destiny within international order and develop effective network capabilities. Small countries achieve survival and independence with the threats of "hostile neighbors" and their "strategy of interference" (Lee 2018). However, with international alliance arrangement, smaller states maintain peace and security. Israel, with a small population size, surrounded by unwelcoming neighbors, has survived through "diasporic influences", national defense capabilities and the support of international order (Shain and Barth 2003; Herrmann 2017). South Korea's security and prosperity is unthinkable apart from its strategic alliance with the US and "a global security network" (Kinne 2018).

1.4 Competing Visions of International Order

After World War II, the United States created an international liberal order within the framework of rules of law among competing national interests. The goal was to establish "orderly gardens" among "lawless jungles" out of this world. Eichengreen (2006) states, "...licensing American technology, capitalizing on American producers' knowledge of mass-production methods, and adopting American personnel-management practices, Europe could achieve rapid catch-up and pursued economic opportunities." Undoubtedly, US-led liberal international order allows free flows of capital from those investor nations to investee countries. The rebuilding of Europe and economic growth of many nations have been the fruit of a liberal international order.

After defeating Nazi Germany and Imperial Japan, US allies (and Russia joined) led the formation of a new world order. Under macro-contexts for stability and predictability, responsible units operate for greater achievements. No individuals, organizations, and nations achieve growth outcomes without a sense of destiny exercised by responsible actions. The growth of nations requires the right definition of a nation state for independence, accountability, and collective efforts for striving for

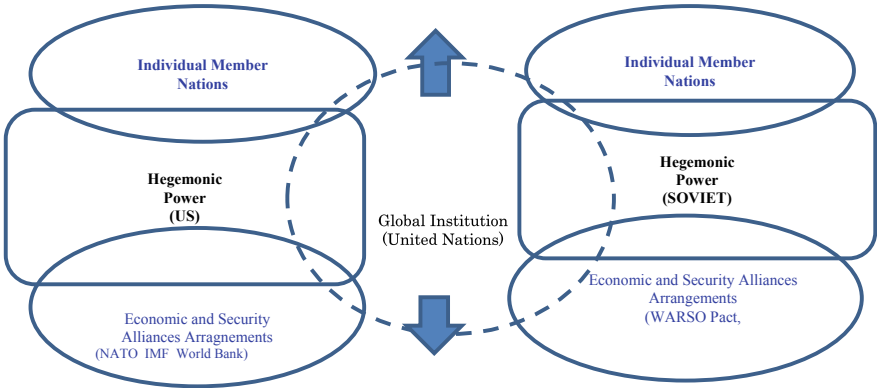


Fig. 1.1 Post-war: two opposing visions of international order

larger unified goals. The concept of a nation state is crucial for development and growth of national economies.

Since 1950, many of European countries experienced rapid reconstruction and subsequent economic growth. It has much to do what Europeans did for themselves. At the same time, it was massively aided by the Marshall Plan and the establishment of North Atlantic Treaty Organizations (NATO), a well-coordinated security arrangement.

Figure 1.1 shows two visions of international order by the USA and Russia. Competing visions of political worldviews influenced different paths for nations. Two hegemons (US and SOVIET) interacted with individual nations and provided various economic and security alliances. The United States after World War II pursued the policy to contain the influence of SOVIET hegemony. United Nations, a global institution, functions as a stage for membership nations of these two orders interact. The US alliance arrangements (NATO, IMF, and World Bank) include both military and economic aspects. In response, SOVIET mobilized Warsaw Pact nations for similar purposes. The number of countries that are associated with NATO and WARSAW are 16 (as of 1982) and 8 respectively. US also formed numerous other allies in Asia, Middle East and Africa whereas SOVIET also extended its alliance structure to Central America, Asia and Africa including Cuba, Congo, Angola, Mongolia and North Korea.

Table 1.2 compares US-led liberal international order and Russia-led Soviet International Order. With post-World II American involvement in Europe, Europe’s rebuilding efforts have revived the leading European countries of United Kingdom, France, Germany, and Italy. Relatively undamaged Scandinavian countries, Switzerland, Netherlands, and Spain also reaped the benefits of redevelopment and rapid growth. Russia-led international order also had a large following of most of Eastern European countries (e.g., Hungary, Poland, Czechoslovakia, Romania, Bulgaria, and Ukraine). Multiple central Asian countries were added to Russia and became Soviet Union. Although economic development and growth of these SOVIET blocs were

Table 1.2 US-led liberal international order versus Russia-led SOVIET international order

NATO countries (As of 1982)	WARSAW countries
16 Countries (Belgium, Canada, Denmark, France, Iceland, Italy, Luxemburg, Netherlands, Norway, Portugal, United Kingdom, United States, Greece, Turkey, West Germany and Czechoslovakia, Spain)	8 Countries (Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Soviet Union)
Other Allies Japan, South Korea, Australia and numerous friendly nations that allow US military operational units in their soil	Other Allies Yugoslavia (taking non-alliance position after 1948), Cuba, Grenada, Benin, Congo, Angola, Mozambique, Ethiopia, Somali, Yemen, Mongolia, North Korea, Vietnam, Kampuchea

also impressive for the next 30 years, overall countries that held memberships in US-led international order did better in terms of economic performance and overall quality of life.

International order is inherently hierarchical in that not all participants have same level of power and influence. Mattern and Zarakol (2016) identify hierarchy as “a logic of trade-offs”, “a logic of positionality” and “a logic of productivity”. Hegemons of international order use their strategic trade-offs in the form of shifting geographical priorities according to its resource allocations criteria, strengthen its overall positional advantage and effectively creating, delivering and capturing wealth. Enduring hegemon depends not merely its sole economic, political and military power but by its network capabilities that foster long-term reliable alliances (Hafner-Burton et al. 2009).

Goddard (2018) also regards “institutions as networks—as patterns of ongoing social transactions” in which a state’s position significantly influences the material and cultural resources the state can deploy in pursuit of its aims...” The four patterns of strategy are: (1) “integrated revisionists, who are likely to pursue institutional engagement”; (2) “bridging revisionists, who will seek rule-based revolution”; (3) “isolated revisionists, who prefer to exit the institutional system” and (4) “rogue revisionists, who have few resources at hand, and thus ultimately must resort to hegemonic violence.” Different network examples include “Russia in the 1820s”; Prussia in the 1860s; the Soviet Union in the early Cold War; and Japan in the 1920s and 1930s”.

In contrast to Francis Fukuyama’s optimistic assertion (1992) that “Western liberal democracy may signal the endpoint of humanity’s sociocultural evolution and the final form of human government”, recently there is an increasing skepticism of the role of liberal international order. This has become evident with Trump’s America First policy, which assumes “no permanent friends and no permanent enemies”. Its policy of great power rivalry—particularly with China—is likely to “destabilize international order”. His policy reflects both a popular sentiment that elected him to the presidency and a large segment of academic realism.

Mearsheimer (2018) argues, “Liberal hegemony, the foreign policy pursued by the United States since the Cold War ended, is doomed to fail. . . . liberal democracy across the world should foster an open international economy, and build institutions. . . . make the world safe for democracy. But this is not what has happened”. As a realist that recognize the impact of nationalism, his comments about globalism and liberalism are forthright and critical. Changes occurring in international order are in essence political and yet its implications are largely economic and thus not dictated by liberal value orientation.

However, *the enduring legacy of liberal international order is not likely to disappear soon for several obvious reasons*. Liberal international order has a very good chance to survive. First, Ikenberry (2018) argues strongly for the survival of the liberal international order because it is deeply rooted within the multiple levels of global network of relationships—political, cultural and economic. Second, the elements of liberal international order, including open engagement, shared governance rules, cross-national cooperation, have been formulated and settled through the initiatives of leaders from hegemonic powers through international conferences and complex organizational processes. These elements are rooted in long historical processes. Third, the basic elements of liberal international order, namely “openness, rules and multinationalism” are more likely to continue and evolve. From the standpoint of the Rest, it is worthy to consider the role of liberal international order in its development, growth and prominence. The rise of Asian countries requires a historical perspective from the positive role of liberal international order in the past and its evolutionary nature in the future.

1.5 US-Led International Order

US-led liberal international order applies multiple institutional mechanisms. One is security alliance (e.g., NATO, Japan, South Korea and Australia and other military presence in over 35 nations). Another one is through financial instruments (e.g., IMF, WTO, World Bank). US dollar (USD) is widely distributed to almost all over the world as key value determining financial instrument. Another one is the United Nations that is located in New York, USA.

Rising states, including China, operate within the existing world order until they are proven to offer realistic alternatives. Ikenberry (2018) argues that liberal international order is “complex, multilayered, multifaceted” and the core global rules and institutions, such as the United Nations, International Monetary Fund (IMF), World Bank, and World Trade Organization “cut across diverse realms, including security and arms control, the world economy” and thus deeply settled in the form of “a much broader set of interests”. The sustainable prosperity of China and other emerging economies count on liberal international order. Although world order might move away from a bipolar model to a multi-polar model, the long-term impact of liberal international may not quickly diminish.

The US is not a sole global hegemon, but it is a regional hegemon in that it cannot engage in multiple large-scale wars in this world. Thus, its global hegemony requires strong regional alliances in Europe (NATO), Asia (Japan-South Korea-Australia) and then it extends to friendly states including India, Philippines, and Singapore. Since majority of economic activities occur in European Union, Asia and North America, an international liberal order focuses on these three regions. Latin America and Africa mostly participate in modest sense except Mexico.

1.6 Nationalism and International Order

Hazony (2018) discusses “two antithetical visions of world order: an order of free and independent nations, ... and an order of people united under a single regime of law, ...” (pp. 16). After World War II, two visible realities are the amazing comeback of Germany, Japan, and Italy out of their devastating ruins and rapid reconstruction of widely damaged infrastructure of United Kingdom and France. Liberal international liberal order in Europe also provided predictable and stable rules for continuous engagements among free and independent nations. In particular, the post-war growth of Germany, Japan and South Korea suggests the positive effect of liberal international order.

Rose (2019) argues from American standpoint, international liberal order was to “resolve the tension between American interests and American ideals by achieving them simultaneously...nurturing an ever-growing community of independent countries that ...Cooperation would lead to integration and prosperity.” American independence from England was economic and nationalistic. Its independence was all the more sensible because more people from non-English origin joined the nation and built a “new world” with distinct sense of purpose. By 1940s, the size of US economy surpassed that of England and even the combined wealth of Commonwealth nations. Niall Ferguson notes in his book, *Empire* (2002), that the transfer of international leadership was peaceful because England and USA shared cultural foundations of liberal democracy.

In recent years, nationalism has been on the rise throughout the West. In the United States, nationalism has arisen in the form of populism in response to the stagnation of real wages and declining quality of life. Across Europe, including Britain, people have been against the main political parties that have not been straightforward about the costs of EU membership. There has been a deep mistrust against political elites that insist monetary union and have taken administrative actions of integration apart from national sovereignty. In the course of doing so, the majority views of voters have been discarded. In this environment, international order needs redefinition.