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**CONTESTED LEGITIMACIES:
ASIAN MULTILATERALISM WITHOUT THE UNITED STATES**

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For most of the postwar period, the United States was a vigorous supporter of multilateral institutions. America's early postwar strategy involved creating and expanding the GATT, the IMF, the WHO, and the United Nations, among others. Preponderant U.S. influence within these bodies often left them vulnerable to the charge that they were little more than extensions of U.S. policy rather than robust multilateral institutions capable of counterbalancing national sovereignty. Nevertheless, for the U.S., participation in such multilateral bodies was integral to the creation of a particular world order, to the legitimation of its own policies, and to generating a broad coalition behind specific global policies (Ikenberry, 2001, Chapter 6). By binding the U.S. to abide by a series of multilateral rules America assured other countries that these institutions would create regularized checks that would circumscribe the raw exercise of America's overwhelming power. Indeed, in numerous instances, U.S. policy actions were in fact constrained by this overarching commitment to multilateral institutions.

Nevertheless, the legitimacy and effectiveness of many such bodies came into question with time. The rules under which they operated often appeared anachronistic due to changing economic and political power dynamics. Veto power in the United Nations Security Council, drawing rights and voting powers in the IMF, and trade biases within the WTO are all subject to such criticisms. More specifically related to Asia, it was not clear that these institutions were sufficiently adaptable to deal with Asia's tremendous economic expansion during the last two plus decades, showing an ability to

accommodate the region on terms that accepted its fundamentally different political and economic structures.

A particularly stark challenge to the legitimacy of multilateral institutions also came with the onset of the Bush Administration. Bush made a jolting break from more than half a century of American multilateralism. With a shameless articulation of its intent to wield American hegemonic powers unilaterally, the administration announced boldly that other countries would be have to take actions to show whether they were “for us or against us.” This posturing enhanced the administration’s legitimacy domestically, particular in the early days of its invasion of Iraq. But with no United Nations mandate and an exceedingly thin “coalition of the willing” the global legitimacy for American actions quickly depreciated.

Interestingly, despite the Administration’s explicit disdain for multilateral bodies and treaty obligations incurred by prior administrations, its actions did not stimulate any massive exodus from multilateral institutions or regional cooperation by other countries, including America’s closest allies. Quite the contrary: at the global level, new bodies were formed and others gained renewed vigor despite America’s withdrawal. Among the major examples are the International Criminal Court, the Cartagena Protocol on Biodiversity, the Convention on banning landmines, the Kyoto Protocol on Climate Change, the UNESCO treaty on cultural diversity, the Convention against Small Arms, the Biological Weapons Convention, and the Chemical Weapons Convention to name only the most prominent. In most cases, the United States had participated in initial negotiations and was initially supportive of the new agreements and regimes created. Yet the Bush Administration broke with prior commitments to all of them.

Somewhat surprisingly to many, and particular to adherents of hegemonic theory, rather than being derailed by American opposition, all of these new regimes, institutions and conventions have gone forward, developing broad global legitimacy and stimulating meaningful behavior changes across a range of policy areas. Multilateralism is finding new leaders as the U.S. staggers off the multilateral path.

Within Asia, a somewhat similar process evolved. Asian governments had been early and strong supporters of most global bodies. Japan joined the GATT in 1955. South Korea followed in 1967. The members of ASEAN joined as did China in December 2001 followed by Taiwan in January of the following year. In Asia only the DPRK and Taiwan are not members of the IMF, the latter hardly by choice, but instead as the result of Chinese insistence. But prior to the Asian Economic Crisis of 1997-98, Asia had few specifically regional bodies to complement its memberships in such global bodies.

Into the late 1990s, Asia's major regional bodies were limited essentially to either the sub-regional ASEAN, or else to pan-Pacific bodies such as the Asia-Pacific Economic Cooperation (APEC) forum or the ASEAN Regional Forum (ARF). Though initially somewhat reluctant to join either of the latter two, the United States under President Clinton finally bought in, eventually going on to become a strong advocate of both and actively utilizing each of them as complements to its overall policies on economics (APEC) and security (ARF). Since the economic crisis, however, and with accelerating speed since the onset of the Bush administration, APEC has become largely dormant (Ravenhill, 2006).

Yet, just as a host of global multilateral regimes have gone forward despite the American pull out, so too a number of new regional bodies have been created by Asian

governments without the U.S. as a member. In the process, the character of Asian regionalism has shifted from pan-Pacific memberships to institutional bodies that are “of Asians and for Asians.” And although these bodies have often been derided as mere “talking shops” by many Bush administration policy makers, in fact they have gained an enhanced legitimacy and credibility among its members throughout the region, just as have the various global regimes, such as the Kyoto Protocol and the ICC, that are proceeding without American participation. A key question remains as to whether or not such bodies can undertake meaningful actions in the face of explicit U.S. non-involvement let alone its overt opposition. The answer remains unclear for the present. But at a minimum, moves are clearly underway to create regional institutions that do not require U.S. membership for their validation. Their legitimacy rests instead, not on American license, but on the support of regional states seeking a common agenda and eventually a more common identity.

This paper examines these recent shifts in the balance among existing multilateral institutions, American unilateralism and Asian regionalism. It argues that several multilateral institutions, most notably the IMF and the WTO, have lost considerable legitimacy particularly within Asia. Meanwhile, American actions under President Bush, rather than de-legitimizing regional or multilateral bodies and regimes, have in fact led more to a de-legitimizing of American actions, and if anything, to a validation of Asian regional cooperation despite American abstention.

AMERICAN UNILATERALISM AND THE MILITARIZATION OF FOREIGN POLICY

America's uncontested military prowess became unmistakable with the collapse of the Soviet Union and its Eastern European allies in 1989-90. The military capabilities of the U.S. now vastly outstrip those of any other single country or plausible group of countries. In the early years of the Twenty-First Century the U.S. is spending about five times more on its military than its next closest competitor while its total military budget is greater than that of the rest of the world's countries combined. Among the capabilities it possesses that most other countries do not even own in proportionate terms are long-range strategic transport, mobile logistics, advanced precision-guided weaponry, stealth technology, and global satellite surveillance and communications systems (O'Hanlon, 2003: 172).

Exploitation of this unparalleled military power was, however, circumscribed during the first Bush and Clinton administrations by both multilateral constraints as well as the longstanding American embrace of multilateralism (Bush 41 and the START Treaty, the expansion of NATO, the global coalition created to roll back Iraq's invasion of Kuwait, the decision not to topple Saddam, etc.; Clinton, NATO and the intervention in the Balkans; the signing of the Comprehensive Test Ban Treaty; the creation of KEDO to offset DPRK nuclear ambitions, etc.). In the period following the Republican take-over of Congress in 1994, domestic U.S. Congressional powers further constrained any

unchecked use of U.S. military power by the Democratically-controlled executive branch (restrictions on Clinton vis a vis the Balkans and Haiti, for example).

American military power was given heightened prominence under George W. Bush and a Republican Congress. From its earliest days, the Bush administration began re-defining U.S. national interests unilaterally, assuming that the end of the Cold War gave the country a unique opportunity to transform the world (Soeya, 2005: 74). Thus, when the Bush administration took office early in 2001 it quickly moved to shuck off any constraints that might otherwise be placed on its actions by international organizations or global treaties (except notably within the economic area where it continued to support WTO, IMF and other such bodies).

Early on, reflecting the new dominance of neoconservatives and classic realists within the Executive branch, the Bush administration explicitly renounced a host of longstanding and relatively new global agreements: the ABM treaty, the Kyoto Accord; the Convention Against Small Arms, the Biological Weapons Convention, the Chemical Weapons Convention, the International Court of Justice and many others. In a series of unilateral strategic and foreign policy actions aimed at reshaping the global status quo, the Bush administration engineered a self-conscious and sharp break with the prior fifty years of a predominantly multilateral and status quo oriented US foreign policy (Daadler and Lindsey, 2003: 13; Ikenberry, 2001).

Ironically, however, the U.S. decision to abandon such institutions did not lead, as many had predicted, to their demise. Rather some, such as the Kyoto Protocol were forged in the absence of U.S. commitments while others gained renewed strength despite America's non-involvement. Indeed, the European Union, Canada and Japan in various

combinations took leadership roles in advancing global multilateralism across a wide array of problem areas, despite American opposition (Tiberghien and Dierkes: 2006; Pempel, 2006).

The administration's overall anti-institutionalism was reflected in American actions toward East Asian regionalism. Despite an initial foreign policy orientation that put China at the top of the list of potential threats to U.S. interests, and the U.S.-Japan Security Treaty as the centerpiece of a countervailing strategy, following the 9/11 attacks, the U.S. became largely AWOL in Asia. It has been dismissive of ARF; in 2005 Secretary of State Rice became the first holding that office to skip an ARF meeting since its foundation in 1994. More broadly, the Bush administration has downplayed APEC and the economic orientation that was its founding rationale, instead pressing APEC to jettison its original mission so as to become a tool in the so-called Global War on Terror. Beginning with the Shanghai summit on October 21-22, 2001 the American delegation to APEC has pressed continually for statements concerning opposition to terrorism while ignoring most economic issues. The result has been an evisceration of APEC as a pan-Pacific regional body. But as will be seen below, Asian regionalism has moved ahead without the U.S. much as has the Kyoto Protocol or the International Criminal Court on a global basis.

As Daadler and Linsey (2003: 15-16) argue, neo-conservative thinking provided much of the ideological ballast propping up the Bush Administration's unilateralism. The neo-cons, though largely outside of government, exerted a powerful influence in support of America's going it alone, highly skeptical of the extent to which various allies could be counted on to follow the U.S. lead. Meanwhile, the bulk of Bush's foreign policy

team—Cheney, Rumsfeld, and Rice though nominally “realists” were essentially assertive nationalists, deeply skeptical of constraints on the use of American power, and oriented toward the definition of power largely in military and security terms (as opposed to economic leverage and ‘soft power.’ (Nye, 2004) The neo-cons and Bush’s “realists” combined in sharing an equally deep skepticism toward traditional Wilsonian commitments to the rule of law and international institutions. Instead they placed their faith less in diplomacy and treaties, and more in strategic power and moral resolve. Agreement on this key point allowed the two to form a marriage of convenience aimed at overthrowing the American approach to foreign policy throughout the Cold War. In this they were bolstered by a pliant Republican Congress and political strategist Karl Rove, both of whom sought to polarize foreign policy, rejecting prior bipolarity, demonizing the opposition and governing by the slimmest of majorities (Hacker and Pierson, 2005).

This is not the place to devote serious analysis to the broad sweep of American policies in Afghanistan, Iraq, and North Korea. But for the purposes of understanding relations with multilateralism and in particular regional institutions in East Asia it is valuable to highlight a few particular points. First, in keeping with its new unilateral and preventative military actions, U.S. military and strategic thinking also underwent comprehensive overhaul. There was an explicit move from a “threat-based” to “capabilities-based” military. The new U.S. doctrines were laid out in the Quadrennial Defense Review (QDR) of 2001, the Bush speech at West Point June 2002 and the National Security Strategy (NSS) of September, 2002 and February, 2006. The QDR argued that new, post Cold War challenges would require massive changes in the existing US basing system. Forces would need to be closer to what the U.S. identified

as the “arc of instability” stretching from Northern Africa to Southeast Asia. It would also require additional bases and stations in the Middle East and Central Asia (Katzenstein, 2005: 213). Certain “bedrock” allies such as Japan and probably Australia would be home to central U.S. basing hubs. These hubs would be supplemented by a large number of “lily pads” holding pre-positioned equipment to which rapidly deployable forces can deploy and/or ‘leap to and from’ in response to contingencies in a wide variety of geographical locations. This shift in basing structure came to have important effects on U.S. policies toward Japan, the ROK, and China as well as in Central Asia.

In addition, in his January 2002 State of the Union address, President Bush declared that the greatest threats to the U.S. came from three countries, labeled the ‘axis of evil’: Iran, Iraq, and North Korea. At that time Iraq was militarily contained and growing weaker on a daily basis and none of the three countries had nuclear weapons. But as of this writing the situation had changed dramatically. Iraq, whose alleged nuclear program was shown to be non-existent, is currently in the midst of a civil war that threatens to engulf and destabilize the entire Middle East. The DPRK successfully tested a nuclear weapon in October, 2006 and is generally believed to have increased its nuclear material holdings from what would have been needed to make one or two nuclear devices to now having material for eight to ten. The situation in North Korea has become a powerful catalyst to the deterioration in relations across Northeast Asia, exacerbating the once relatively calm relations among the U.S., Japan, the ROK and China. Iran is publicly and actively pursuing a nuclear capability, allegedly for peaceful purposes, and is perhaps three to five years away from testing. Meanwhile, its regional influence has

grown geometrically in the wake of Iraq's collapse. Moreover, Iran was welcomed as an observer in the Shanghai Cooperation Organization (SCO) meetings in 2006 and seemed poised to forge closer ties with SCO members—including China—presumably in ways that could challenge U.S. policies in South and Central Asia.

Furthermore, by failing to do any serious cost-benefit analysis of the dangers of its new policies, the U.S. ignored the possibility of creating failed states, setting precedents for other powers wishing to take aggressive military actions, or of damage to its overall global alliances and prestige (Korb and Wadhams, 2006: 1-5). The result has been a radical decline in the previously positive images of the US across the world, including East Asia, as well as a diminished predisposition or capacity for the U.S. to rely on its 'soft power' in lieu of harder versions (Pew, 2006). Table One shows the dramatic fall-off in positive images of the U.S. across virtually all of Europe. In Muslim Indonesia the drop is from 75 percent to 30 percent in six years. Even in generally pro-American Japan, there is a 14 point drop in the same period.

TABLE ONE

	1999/ 2000	2002	2003	2004	2005	2006
	%	%	%	%	%	%
Great Britain	83	75	70	58	55	56
France	62	63	43	37	43	39
Germany	78	61	45	38	41	37
Spain	50	--	38	--	41	23
Russia	37	61	36	47	52	43
Indonesia	75	61	15	--	38	30
Egypt	--	--	--	--	--	30
Pakistan	23	10	13	21	23	27
Jordan	--	25	1	5	21	15
Turkey	52	30	15	30	23	12
Nigeria	46	--	61	--	--	62
Japan	77	72	--	--	--	63
India	--	54	--	--	71	56
China	--	--	--	--	42	47

1999/2000 survey trends provided by the Office of Research, U.S. Department of State

More broadly, there has been a major deterioration in popular support across Asia for the so-called ‘war on terror.’ In Japan, support has collapsed from 61 percent in 2002 to 26 percent today. Only about four-in-ten Indonesians (39%) back the war on terror, compared with 50% a year ago. In China three times more citizens view the U.S. presence in Iraq as a greater threat to world peace than the DPRK. (Pew, 2006: 14). See Table Two.

To the extent that “global public opinion” is any guide to international legitimacy, such figures make it clear that U.S. actions under President Bush have contributed greatly to the de-legitimation of its actions.

TABLE TWO

% saying 'great danger'	Iran %	US in Iraq %	North Korea %	Israeli- Palestinian conflict %
U.S.	46	31	34	43
Great Britain	34	41	19	45
France	31	36	16	35
Germany	51	40	23	51
Spain	38	56	21	52
Russia	20	45	10	41
Indonesia	7	31	4	33
Egypt	14	56	14	68
Jordan	19	58	18	67
Turkey	16	60	6	42
Pakistan	4	28	8	22
Nigeria	15	25	11	27
Japan	29	29	46	40
India	8	15	6	13
China	22	31	11	27

Enhancing American global influence through economic prowess had been a vital component of Clinton Administration foreign policies. Considerable attention was given to internal fiscal balances, as well as to the strength of the U.S. currency and improved bond markets. Bilateral tax hikes in 1994 led to a series of balanced budgets and a gradual reduction in cumulative national debt. When the Bush Administration came to power it inherited a budget surplus of \$236 billion with a forecast ten year surplus of \$5.6 trillion. It quickly reversed the Clinton economic and financial policies generating a massive public debt.

A series of massive anti-progressive tax cuts, carefully calculated to provide their greatest benefits to upper income brackets that Bush refers to as his 'base,' toward the

year 2010 eliminated the Clinton surplus. In reply to Treasury Secretary Paul O'Neill's protests, Vice President Cheney gave a short and simple reply "Reagan proved that deficits don't matter. We won the elections. This is our due." (Suskind, 2004: as quoted in Hacker and Paulson, 2005: 4-5). The result was striking. As of FY 2005, the budget deficit had ballooned to \$423 billion—a shift from the inherited Clinton surplus of nearly \$700 billion. The result has been to expand the U.S. governmental debt to \$8.4 trillion, half of this now held by foreign entities with Japan and China the two largest holders.

Because the U.S. is the most powerful country in the world and the one most dominant in setting the agenda of the IMF it is unlikely to face the same fate as debtors such as Mexico, Argentina or Korea, namely IMF intervention with mandatory fiscal austerity programs. Instead, the Bush policies have relied on importing deflation from both China and Japan, thus containing domestic inflationary growth. But at the same time, U.S. Treasury officials and Congressional leaders have pressed the Chinese government to increase the value of the yuan, a move aimed at making Chinese exports to the U.S. more costly and thereby "protecting American jobs." Obviously however, such actions would mean a de facto devaluation of the U.S. dollar creating a tremendous financial incentive for Chinese (and Japanese) holders to dump U.S. Treasuries. Regardless of how the relationship eventually plays out, current U.S. financial and tax policies make it ever less likely that the U.S. will be able to utilize its economic muscle to advance its interests in Northeast Asia or elsewhere in the world. It also makes that economic prowess a less valuable tool in dealing with the growth in Asian regional financial ties. In the shorter run, as Ferguson (2006:48) has put it "...foreigners are accumulating large claims on the future output of the United States. However the

borrowed money is used, whether productively or not, a proportion of the future returns on U.S. investments will end up flowing abroad as dividends or interest payments.”

This Bush combination of military and economic policies has undercut much of the legitimacy that had long underpinned American actions in both areas. Unilateralism, particularly in military actions including secret ‘renditions,’ refusal to adhere to the principles of the Geneva Convention and the maintenance of a prison camp for “enemy combatants” who are denied all legal rights at Guantanamo, combine to belie any claims that the U.S. is bound by broader multilateral rules or norms. Instead Bush policies have been a sequential manifestation of ad hoc applications of sovereignty unbound.

Similarly it is difficult to demand budgetary discipline from other countries when the U.S. is running a deficit of over 25 percent, three to four times higher than the OECD average. Nor is the global stature and neutrality of the IMF enhanced when the U.S. is its most powerful member and the biggest flaunter of its basic economic criteria.

With the shadow of failed policies in the Middle East looming in the background, the Bush administration has been largely AWOL in Asia. It has shown a protracted indifference to the enhanced strategic importance of Asia as a new source of economic vitality, albeit one that is predicated on a different set of arrangements for political economy. Indeed as was noted above, core policymakers within the Bush administration have long rejected the notion that economics or any other form of ‘soft power’ was a substantial resource, opting instead for a perception ironically redolent of Mao’s argument that “Power comes out of the barrel of a gun.”

By failing to respond to the unprecedented but minimally perceived challenge posed by the need to accommodate the first large, truly successful non-Western region

since the industrial revolution, the Bush administration fed into a changing climate for East Asian regionalism that had already begun with the Asian economic crisis. There is as yet no institutional venue that successfully integrates the Asian economies into the global financial and economic architecture on terms that accept its fundamentally different political and economic structures. But across Asia most major political economies have substantially enhanced their regional ties to one another.

A CHANGING EAST ASIAN REGIONALISM

The Asian economic crisis of 1997-98 provided a major catalyst to rethinking the nature of Asian regionalism. The sources of the crisis have been subject to extensive examination by a host of scholars and pundits. There is already considerable literature on the events of 1997-98 (Haggard, 2000; Higgott 1998; Pempel, 1999; Webber, 2001 *inter alia*). The events themselves are largely agreed upon, as indeed, are many of their specific economic causes. But the larger meaning of the crisis remains under heavy dispute, particularly within Asia. Within policy circles in North America and Europe what occurred was “an Asian contagion,” “Asian cronyism,” or “an Asian economic crisis,” analyses that reflected the predisposition to find the source of the problems within the affected countries themselves and their failure to adapt U. S.-style market economies.

In contrast, the crisis as seen from Asia has come increasingly to be seen as about more than simply the redress of speculative excesses in certain Asian markets or the need to make specific reforms in the banking and financial sectors. In addition, and most powerfully, it conveyed the unmistakable realities of the decisive dominance of America’s economic and political hegemony and the power of American-backed norms

about the 'correct' functioning of economics. There, the same events have increasingly been treated as the result of insensitive and draconian policies pursued by the United States, the IMF and the World Bank, with their collective commitment to a "Washington Consensus." To such critics, the crisis was not an "Asian crisis," but an "IMF crisis" (Higgott and Breslin, 2000). Indeed, as The Economist (2000: 109-110) put it, "The International Monetary Fund is so unpopular in East Asia that it now has an entire economic crisis named after it." What is not in doubt is the extent of its impact on the countries of Asia and the patterns by which they had previously organized their political economies.

As will be quickly remembered, the currencies first of Thailand, then Indonesia, and subsequently several other Asian countries including South Korea, underwent sustained speculative attacks, largely through foreign exchange markets. In all cases the Asian currencies plummeted dramatically in value. Unhappy over what it saw as the global (and particularly American) non-response to the first crisis, in Thailand, Japan then proposed a \$100 billion Asian Monetary Fund (AMF), with approximately one-half of the funds to be contributed by Japan. The fund would have provided rapid short term liquidity to the affected countries. The United States, China and the International Monetary Fund (IMF) all opposed the Japanese proposal. To varying degrees these opponents claimed that such an institution might challenge the primacy of the IMF, create problems of moral hazard, and dramatically enhance Japan's regional influence. The short-term results of the crisis proved disastrous in both financial and human terms. Local stock markets lost well over half their value; currencies depreciated dramatically; macro-economic growth stalled; unemployment escalated astronomically. In exchange

for promises of fiscal austerity, the recipient countries underwent price liberalization that more than doubled the prices of staples such as rice, and eliminated most restrictions on movements of foreign capital in or out of their countries. Hundreds of billions of dollars of hard currency reserves that had taken decades to accumulate were eliminated in a matter of months. Ownership of banks, factories, utilities, and natural resources--prized productive assets once valued in the trillions of dollars-- were transferred to foreign ownership at fire sale prices. Ethnic, social, and political unrest exploded in many of the affected countries. Certainly, none of the recipient countries saw IMF intervention as an unalloyed benefit. For most the nature of the intervention simply demonstrated that its fundamental orientation was completely at odds with any agenda of providing meaningful assistance to the Asian economies.

When the crisis hit, the overwhelming majority of links connecting East Asia were economic and market-driven. By selectively riding the broad wave of globalization, East Asia became more closely linked through the development of bottom-up, largely corporate- and market-driven networks (Hamilton 1996; Katzenstein and Shiraishi 1997, 2006; Pempel 2005, *inter alia*). Increasing amounts of foreign direct investment—substantial portions of it East Asian in origin--created a criss-crossing web of transnational production networks, investment corridors, export processing zones, and growth triangles across the region. These in turn generated substantial increases in intra-regional trade and an escalation of regional economic interdependence. Markets, investments and corporations served as the key drivers of regional ties, leaving formal institutionalization quite thin and top down governmental commands rather few. (Grieco, 1997).

Several formally institutionalized bodies including ASEAN, APEC, and the ASEAN Regional Forum (ARF) did operate in pre-crisis East Asia, but all were minimally legalized, thinly staffed, and consequently constrained from exerting binding control to resolve disputes involving member states (Kahler, 2000).

Such regional bodies as existed in Asia at the time of the crisis were essentially pan-Pacific in nature. The two most emblematic examples of this “open regionalism” were, as noted, APEC (the Asia-Pacific Economic Cooperation forum) and the ARF (ASEAN Regional Forum). APEC had twenty-one member “economies” including two non-states, Hong Kong and Taiwan, as well as several states geographically “outside” East Asia including the US, Canada, Mexico, and Russia. The security-oriented ARF, meanwhile, had twenty-four members, most of them also in APEC. Unlike APEC, however, ARF includes the otherwise rarely regionalized DPRK and the geographically distant European Union, while excluding unmistakably East Asian Taiwan. Finally and in contrast, ASEAN (the Association of Southeast Asian Nations) with ten Southeast Asian member states was Asia’s earliest regional body (formed in 1967) but in today’s context it is best viewed as “sub-regional” since none of its member countries were from Northeast Asia. Equally salient, these different regional institutions had porous and non-overlapping memberships. The outer boundaries of many of East Asia’s regional institutions were thus heavily trans-Pacific while different institutional agenda brought in quite distinctive and non-overlapping memberships.

There was widespread support within Asia for these arrangements. Political and economic demands from them were quite limited. For example, the low levels of institutionalization and the minimal formal rules were broadly compatible with the

protection of sovereignty and the minimum level of demands that drove the foreign policies of virtually all Asian countries. That Asia was largely woven together primarily through commercial and market actions, rather than formal government institutions, dovetailed nicely with the widespread Asian focus on economic development, as well as the longstanding “ASEAN way” (Acharya 1997). That Japanese capital and corporate production networks were at the heart of regionalization was occasionally problematic, particularly when Japanese companies showed a reluctance to share the highest levels of corporate technology with lesser developed partners or when Japanese governmental agencies acted as if they were the enforcers for contracts entered into by Japanese firms. But there was no logical competitor to Japan’s economic and technical primacy even as Taiwanese and Korean and eventually Singaporean firms began to play backup and occasionally competitive roles with their Japanese counterparts. And finally it was quite logical that Asian regional institutions should be pan-Pacific given the huge reliance on the U.S. market, plus the dependence of so many Asian countries on the American military presence in the region, despite the episodic calls to the contrary by proponents of “Asian only” arrangements such as Malaysian Prime Minister Mahathir.

ASIA’S GOVERNMENTAL PUSH-BACK

The Asian crisis magnified a number of structural realities that had previously been lurking in the shadow of preexisting regional ties. In hindsight at least four became unmistakable. First, although the crisis exerted differential impacts on specific

economies, its impact was unmistakably regional, underscoring the interdependence of most economies across East Asia (e.g. Pempel 1999a; 1999b). Second, few governments in East Asia had structured their economies along the lines of laissez faire, Anglo-American capitalism. Nevertheless, the rapidity and devastation of the crisis brought home the heightened vulnerability of small individualized Asian economies confronting unfettered markets and highly mobile and exceptionally volatile capital flows—by, what Winters (1999) aptly characterized as plugging into a global economy without adequate governmental surge protectors. Third, existing minimalist and Asia-Pacific regional bodies demonstrated neither the willingness nor the ability to stem the spread of the crisis. Fourth and finally, the crisis revealed how, with the end of the Cold War, the world had become unipolar and the U.S. showed no continued predisposition to tolerate East Asian models of development when these conflicted with broader US economic or security concerns. Indeed, U.S. actions during the crisis underscored a new willingness to utilize its influential position within global institutions such as the IMF to advance its own national economic interests and its own vision of global capitalism, even if this came at the expense of friends and allies in East Asia. Nowhere was this clearer than in the livid opposition of Secretary of the Treasury Robert Rubin and his deputy Larry Summers to Japan's proposal for an Asian Monetary Fund (AMF) and Summers' gleeful triumphalism over the IMF's conditional aid packages to Korea, Thailand and Indonesia: "The IMF," Summers crowed, "has done more to promote America's trade and investment agenda in East Asia than thirty years of bilateral trade negotiations" (quoted in Hale 1998, 25).

The countries of East Asia have responded with a combination of increased governmental actions aimed at taking greater control of their (and the region's) foreign economic policies. These represent what I would call governmental "push-backs" against the forces of unbridled globalization. Much of this "push-back" has involved creating a body of regional institutions that put in place a new level of intermediation between simple national sovereignty and comprehensive global institutions. And among the most powerful of these efforts have been measures to enhance the regional architecture, particularly within the areas of finance and trade. Most specifically, the governments of Asia have made major efforts to mobilize the region's underlying financial strengths in an effort to ward off any possible repeat of the devastating impact of the global forces that devastated the region in 1997-98.

Existing regional institutions, such as APEC and ASEAN, had proven completely feckless in warding off the crisis or in coping with its after effects. APEC became further marginalized when the U.S., with its singular focus on treating it solely as a vehicle for trade liberalization (at the expense of its other two goals of economic cooperation and economic development) had lost confidence in that institution when the Early Voluntary Sector Liberalization (EVSL) process failed to open Japanese agricultural markets (Krauss 2004; Ravenhill, 2000; Tay 2006, 4). The final step in APEC's marginalization on economic matters came, as noted above, when APEC was pressed--as part of what Richard Higgott (2004) has called American efforts to "securitize" economic globalization--to compromise its original economic focus in favor of taking a collective stand in support of the so-called "Global War on Terror."

Asian governments responded to their waning confidence in existing global bodies and the clear cut handicaps to 'going it alone' by forging new institutions that might afford them greater control over the conditions within which their economies collectively functioned. Not surprisingly, given US actions during and after the crisis, a preponderant bias emerged for a response that was "Asian" rather than "Asian-Pacific."

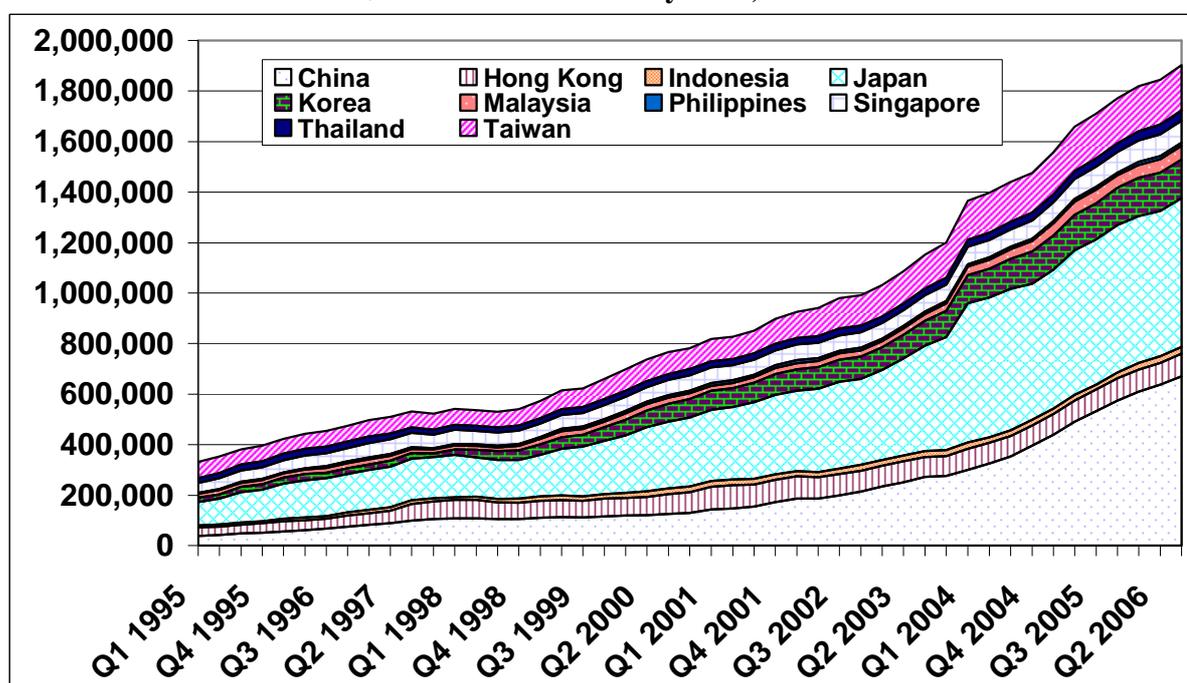
With a few noteworthy exceptions, the ASEAN Plus Three (APT) process has been the predominant model for much of the subsequent regional architecture and regional efforts. The APT format began in mid-1995 when ASEAN joined with China, Japan and South Korea offering an Asian counterpart to meet with the European Union. The result was ASEM. Starting in 1997 at the height of the crisis, the ASEAN governments pressed for a more independent role for APT, shifting it from being simply a series of meetings among senior officials to becoming a meeting of finance and economic ministers and eventually to forming a more institutionalized set of links with their major northern neighbors that culminated eventually in an annual meeting of heads of state. This thirteen nation summit became the major engine fostering regional cooperation on a variety of regional problems.

At the second ASEAN+3 Summit in Hanoi on 16 December 1998, Korean President Kim Dae-jung became one of the first Asian political leaders to press for a strengthening in East Asia's collective capacity to offset or to deal with future crises. He proposed the formation of an East Asian Vision Group (EAVG) to pursue closer regional ties. The EAVG was institutionalized by APT as a body of twenty-six region-wide experts who reported to an East Asian Study Group of senior officials chaired by former Korean Foreign Minister Han Song-joo. The EAVG presented its final report at the fifth

APT meeting in Kuala Lumpur in December, 2001. This report suggested regional cooperation in a sweeping array of six sectors—economics; finance; politics and security; environment and energy; society, culture and education; and institutions. It also called quite explicitly for “the evolution of the annual summit meetings of the ASEAN + 3 into the East Asian Summit” (EAVG Report 2001: recommendation #60). That summit met for the first time in December, 2005 and then in Manila in January, 2007. It was the EAVG report that provided the major template for much of the regionalization that eventually occurred.

Among the first tangible regional moves were those in finance. Hindsight made it clear that Asia’s collective foreign reserves, had they been mobilized during 1997-98, could have alleviated the short term problems in the affected countries, obviating the eventual IMF actions. In 1998, for example, the collective foreign reserves of the ten richest countries in Asia totaled \$742 billion—well beyond the total for the three main IMF packages. By the end of 2006, the reserves of the APT countries had ballooned to nearly \$2.5 trillion, roughly two-thirds of the world total and up from about \$1 trillion in 2001. The People’s Bank of China and the Hong Kong Monetary Authority lead the way with \$1.33 trillion as of June 2006, with Japan a close second at nearly \$900 billion; Taiwan (not a member of APT) held an additional \$265 billion. (Economist, December 23, 2006: 154; <http://www.imf.org/external/np/sta/ir/jpn/eng/curjpn.htm>);). See Table 1.

Figure One: East Asia's Foreign Exchange Reserves (SDR Millions: 1SDR = \$US1.50 at 15 February 2007)



Source: Andrew MacIntyre, T.J. Pempel, and John Ravenhill (eds.) "Conclusion" in *East Asia: Coping With the Crisis*. Ithaca, Cornell University Press.

Even a small portion of these resources, if mobilized collectively, would have been greater for many countries than what they could receive through multilateral financial institutions (Henning 2002 13). The current expectation is that enhanced reserves will reduce Asian vulnerability and will collectively enhance Asia's weight in the global financial architecture.

Japan, at the instigation of Sakakibara Eisuke then Vice Minister of Finance for International Affairs, had initially attempted to take the lead in generating such a regional mobilization of financial resources. But US, Chinese and IMF opposition to Japan's proposed Asian Monetary Fund (AMF) quickly derailed that effort (Amyx, 2004). Once the dust cleared, many participants remained interested in actualizing the potential

benefits of deeper financial ties across Asia but in ways that would avoid any direct challenges to existing global monetary arrangements such as that posed by the AMF.

The first collective response to this mix of incentives came with the Chiang Mai Initiative (CMI) of May 6, 2000, an initiative generated in conjunction with the annual APT meeting. CMI expanded existing ASEAN currency swap arrangements (ASA) and added a network of bilateral swap arrangements (BSA) among the ASEAN countries, China, Japan and the ROK. These were to provide emergency liquidity in the event of any future crisis (Amyx, 2007; Grimes 2006).

When the CMI originally went into effect, considerable stress was placed on the limited amounts of money involved in the swaps, as well as on the underlying requirement that most swaps be congruent with IMF regulations. Yet, by early 2005, some sixteen bilateral swap agreements had been organized under CMI totaling \$39 billion. At the 8th meeting of Finance Ministers of the APT in Kuala Lumpur on May 5, 2005 the APT agreed to double the amounts in existing swap arrangements, raising the total to \$80 billion. Further, the Finance Ministers Meeting on May 5, 2007 went much further when they agreed "in principle" to multilateralize the CMI through a reserve pool and a single contractual agreement for the drawing of funds. Such an arrangement would move from a series of bilateral swaps to a more comprehensive reserve pool with a single contractual agreement would centralize and multilateralize the entire arrangement.

Current arrangements still fall well short of providing a comprehensive regional financial system. Nor do they constitute an explicit challenge to the IMF. All the same, they demonstrate a growing capacity for Asia to move collectively toward creating what elsewhere I have called a "firebreak" (Pempel, 2005b) against future monetary crises and

a partial alternative to unbridled dependence on the IMF and its policy prescriptions. Of at least equal if not greater importance, they have become a shell within which further regional monetary and financial cooperation can be nurtured.

The more advanced economies in Asia have also moved to develop an enriched Asian Bond Fund through the regional central banks, while CMI has pushed an Asian Bond Market Initiative (ABMI). These in combination will provide an additional mechanism of regional financial collaboration and will reduce Asian dependence on the US dollar for financial reserves, currency baskets, and international transactions. On June 2, 2003 the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP), announced the establishment of a \$ 1 billion Asia Bond Fund. This first ABF involved a group of 11 Asian central banks and an initial size of \$1 billion (US). The APT Finance Ministers' Meeting subsequently opted to develop a local-currency bond market, including a regional clearing and settlement system, a bond rating agency, a trading system and so forth (details in Pempel 2005b, 2006; Grimes 2006).

Driving these bond market endeavors is an effort to mobilize regional savings for intra-Asian investment thereby reducing the region's dependency on the US dollar. A bond market denominated in local currencies also allows Asian borrowers to avoid the "double mismatch" problem that arose in 1997-98, i.e. borrowing short in foreign currency (mostly dollars) and lending long in domestic currencies. If effective it also promises to free many Asian borrowers from their longstanding dependence on bank borrowing.

The Asian Development Bank currently estimates that for each year between 2005 and 2010, East Asia will require \$200 billion in gross investment for physical

infrastructure alone. That means a total of \$ 1 trillion, or 6-7 percent of regional GDP. (ADB estimates in Greenwood 2006, 7). Using Asian capital directly to meet such expenditures makes considerable intra-regional sense and could become a major source of enhanced regional financial cohesion.

Both the currency swaps and the bond market have deepened and institutionalized regional financial integration, but many impediments still prevent either from functioning as powerful shapers of the regional political economy. Thus, when Indonesia's currency was in trouble in late 2005, the currency swaps were not mobilized. And the bond market continues to be quite illiquid with most purchases coming from long term investors such as governments, the Singaporean Provident Fund, the ADB and so forth. Nevertheless, member governments are meeting, attempting to standardize relevant domestic rules and regulations, and seem committed to the principle of greater utilization of Asia's collective savings for regionally agreed upon targets. This certainly represents much deeper financial cooperation than existed before the crisis. Current efforts if enhanced may also lead to a rise in Asia's financial influence in both global markets and within the IMF. One small manifestation came in the 2006 reallocation of IMF voting rights; among the most notable changes was the increased voting power of China.

Also indicative of East Asia's greater regional financial cohesion—though in an area only minimally subject to government oversight and control—have been changes in the location for Initial Public Offerings of company stock. Prior to the crisis, the New York stock exchange was by far the most favored location for companies from around the globe to issue initial offerings of their stock. Since the late 1990s, America's share (measured by proceeds) has all but collapsed. In 2001 the NYSE dwarfed London and

Hong Kong. By 2006 it was being beaten by both. For East Asia the striking fact is that IPOs in Hong Kong (largely from companies in “greater China”) have jumped from virtually non-existent in 1999 to about seventeen percent of the world total today (Economist December 23, 2006). Clearly, a vastly increased portion of Asian capital is being retained within post-crisis Asia.

Government actions bolstering formal state roles have not all taken the form of explicitly institutionalized regional bodies. Thus in the area of trade, there has been enhanced governmental action but East Asian approaches to trade in the wake of the crisis have been far less exclusively “East Asian.” Some regional efforts have been undertaken. For example, in the wake of the financial crisis of 1997-98, ASEAN reaffirmed its commitment to AFTA, with the original six AFTA signatories promising to accelerate many planned tariff cuts by one year, to 2002 from 2003 (<http://www.us-asean.org/afta.asp>). But by far the more conspicuous moves on East Asian trade have been seen in the explosion in bilateral or mini-lateral FTAs.

In October 1, 2002, of the thirty top economies in the world, only five were not members of any such FTAs—Japan, China, South Korea, Taiwan and Hong Kong (Pempel and Urata 2006). Since then, an explosion of bilateral, regional, and other preferential free trade pacts involving East Asian nations have been concluded or explored. Before the crisis the ASEAN Free Trade Agreement (AFTA) was the only government-led initiative in the region. By 2006, according to the World Bank’s C. Lawrence Greenwood (2006, 6) some 95 bilateral and sub-regional FTAs involving East Asian countries were either in place or under negotiation. As Aggarwal (2006, 12) argues, many East Asian free traders had become frustrated by the combination of slow

progress in WTO meetings in Seattle, and Cancun leading many to become convinced that the WTO was no longer capable of instituting appealing global trade arrangements. Additionally there was worry about a possible reduction in access to U.S. markets, and the desire to develop enhanced regional trade outlets that might reduce their dependence on the U.S. market. For others FTAs represented defensive or catch up actions against what were perceived to be anti-Asian trade barriers erected by NAFTA and the EU. Particularly in the cases of Korea and Japan, FTAs were also the favored instruments of domestic liberalizers seeking to overcome home grown resistance to greater economic openness. But broadly speaking, there was a growing delegitimation of purely global institutions such as the WTO and a heightened appeal of bilateral or regional approaches to trade liberalization. The result has been an explosion in FTAs involving East Asian countries.

FTAs are weaving an increasingly dense spider web of bilateral and multilateral trade links across the region, but also from Asia to other parts of the world, particularly Oceania, North America, Chile and Mexico. Often, as John Ravenhill (2007) makes clear, these fall short of the levels of liberalization required by the WTO. But in this regard, they are even more important in registering a broad scale series of governmental preferences against the power of unmediated market forces and in providing an alternative to the stalled negotiations in the Doha Round. The existing bilateral pacts have attained nowhere near regional comprehensiveness in their coverage of East Asia. Indeed, the three largest markets in Asia—Japan, China and the ROK—have been particularly slow in advancing FTAs with one another. Nevertheless, many see the recent FTAs as potential building blocs of a deeper region wide free trade area. Certainly, intra-East

Asian trade continues to swell, rising from about 43 percent in 1996 to 55.3 percent in 2005.

Asian regional moves have not been limited to finance and economics. In two particular instances new security organizations and processes also reflect the broad tendency of multilateral actions going forward, to some extent “without” the U.S. The first instance involves the creation of the Shanghai Cooperation Organization (SCO). Originally called the Shanghai Five, the SCO formed in the mid-1990s largely to resolve border and disarmament disputes between China and Russia. In 2001, the organization added Uzbekistan and renamed itself the SCO. The group has since gained in prominence, tackling issues of trade, counterterrorism, and drug trafficking.

China has long been concerned about the possibility of Uigher separatism in Xinjiang as well as the broader spread of Islamic fundamentalism in Central Asia. At base China’s fear is of separatism rather than global jihad. But in response, China took the initiative in forming the Shanghai Cooperation Organization (SCO) with Russia, Uzbekistan, Kyrgyzstan, Tajikistan, and Kazakhstan. This was perhaps the first multilateral security organization to be formed with its most explicit goal being to combat terror. Extensive security and military cooperation has taken place among the members of SCO and these have focused largely on Islamist threats in central Asia.

In addition, although China has generally been a nominal supporter of the U.S. ‘war on terrorism,’ U.S. actions in Central Asia have catalyzed a Chinese counter move. In the run-up to the war in Afghanistan the U.S. began leasing two Soviet-era military bases, one at Karshi-Khanabad Air Base in southern Uzbekistan not far from Tajikistan and the other at Manas Air Base just north of Bishkek, Kyrgyzstan. The two are used

primarily to station soldiers, and to refuel jets, and cargo planes. Each airfield houses roughly 1,000 U.S. troops and civilian contractors. As a result, China, the world's largest nation currently finds itself in a deeply ambivalent position in that war. The deployment of U.S. forces in Uzbekistan, Kyrgyzstan, Afghanistan and near Tajikistan, combined with their reappearance in the Philippines, has alarmed Beijing that the United States is using the war on terrorism to encircle China. Partly in response, China has met with the SCO to try to ensure that the American stay on its western flank will be brief and limited, by pointedly saying that those fighting terrorism should not have double standards and that Afghanistan should be a "neutral" country. On July 5, 2005, SCO called on the U.S. to set a timeline for its withdrawal of military forces from the region.

Since its formation around six core countries, SCO has also welcomed a number of countries as observers, including Iran, Turkey, India, Pakistan, Mongolia and Turkmenistan. SCO has carried out a variety of joint military activities, the only such actions by an Asian regional body, raising at least the possibility that it might be a Central Asian regional body that could emerge as an "anti-NATO." At the August 2007 meeting in the Kyrgyz capital Bishkek, the body reaffirmed its argument that "Stability and security in Central Asia are best ensured primarily through efforts taken by the nations of the region on the basis of existing regional associations." (Kucera, 2007)

Thus, although focused on Central Asia, the SCO has become part of a broader series of regional institutions that are reshaping the political and diplomatic power balance in Asia, particular as this is influenced by China. China's regional influence is also apparent in the last important regional body, namely the Six Party Talks (SPT) created to deal with the DPRK's nuclear question.

The Six Party Talks involve the two Koreas, China, Russia, Japan and the United States. The SPT had its first meeting in August 2003, following American accusations in October 2002 that it had irrefutable intelligence indicating that the DPRK was engaged in a highly enriched uranium program, presumably for military purposes. There have been six rounds to talks to date, most with several phases, and it is fair to say that the U.S. was largely silent and opposed to using the SPT as an actual negotiating forum until a major breakthrough in September, 2005. As talks were stalled, the DPRK re-opened its plutonium plant at Yongbyong and began producing fissile material, with most observers believing that it now has material sufficient for at least 8-10 bombs. The result was the exacerbation of security tensions across Northeast Asia.

The signing of the Joint Statement of the Fourth Round of the Six Party Talks in Beijing on September 19, 2005 held out great promise for proponents of a multilateral framework for Northeast Asian Security. The joint statement seemed to portend the broad parameters for an eventual resolution of the issues surrounding the DPRK's nuclear program. Optimism was short-lived. The talks broke down soon after the signing. Almost simultaneously, reflecting the internal division within the Bush Administration between "negotiators" and "hard liners," the United States Treasury froze \$24 million in DPRK banking assets in Banca Delta Asia (BDA). This was based on claims that the account was being used for money laundering. Each side blamed the other for the resulting problems. Regardless, the DPRK walked out of the talks, refusing to return until the American 'economic sanctions' had been lifted. On October 9, 2006 the DPRK carried out an actual nuclear test.

Following the test, there was a rethinking of DPRK policies within Washington and a quick change in policies followed, the essence of which was that America's negotiating faction won, at least temporarily. Chief negotiator, Christopher Hill, Assistant Secretary of State for East Asian and Pacific Affairs, was finally given leeway to engage in both bilateral and multilateral negotiations with the DPRK and a series of breakthroughs followed, though it took months before the \$24 million BDA money issue was eventually resolved. At present, the talks are moving forward at a rapid pace, with the DPRK having shuttered its Yongbyong plant and invited back IAEA inspectors. Aid to the DPRK has begun, primarily from the ROK. But numerous difficult issues remain ahead.

From the above discussion it may seem difficult to argue that the SPT provides an example of Asian regionalism 'without the U.S.' Certainly, at the present time, the U.S. is fully engaged with the process and its various working groups. However, this is a recent development and for roughly four years the U.S. was at best showing up for meetings but doing little more than reading condemnatory statements of the DPRK nuclear program. It is not possible to imagine the SPT being in any way successful without the U.S. so at least on this key security problem, Asian regionalism is hardly driven by a process that is "for Asians only" such as has been seen in the APT process, for example. But it does demonstrate a long period of protracted indifference by the U.S. to a key security concern that had animated all other major actors in Northeast Asia. It is also clear China, not the U.S. provided the real leadership of the SPT, particularly during the extensive periods of stalemate.

Overall therefore these multiple activities demonstrate a series of moves toward a deeper and more politically shaped East Asian regional architecture for the past decade or more. Viewed collectively, they suggest a fundamental reorientation in the nature of East Asian regionalism. At the same time, they remain embryonic and tentative, falling far short of any comprehensive and deeply legalized regional institutionalization.

CONCLUSION

This essay has sought to put forward evidence that East Asian regionalism has taken on a substantially different character than the limited one it enjoyed a decade ago. The countries of Asia have created a series of new institutions and processes that have deepened Asian regional ties, particularly through organizations that have gone forward without the inclusion or active membership of the U.S. As a result, Asia has become more regionally institutionalized and has developed new criteria for organizational legitimacy. In large part, these actions meant responding to a perceived failure of existing global institutions such as the IMF and the WTO. But equally as important, they were a reaction to what was perceived to be the overweening military and hegemonic actions by the Bush Administration. Yet rather than being shunted to the side of global financial and security problems, these new bodies have played increasingly important roles for the Asian region and increasingly for the world as a whole.

Of course, it still remains to be seen whether the U.S. will continue its self-absorption with the Middle East and the military problems that flow from that region as a result of the U.S. invasion of Iraq or whether, as is suggested by recent activities in the

Six Party Talks, it will return to Asia with a renewed respect for the region's importance and its legitimate differences of approach. Regardless, if and when the U.S. does return, it will find that Asia has gained a new internal cohesion on the importance of regional solutions to many of the problems it faces. In addition, such regional cohesion is sure to provide Asia as a whole with substantially more cumulative influence in global economic and security matters.

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