

A Comparative Analysis of Economic Regionalism in Europe and East Asia: A Historical Institutional Approach*

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Despite several similarities in the rise and development of economic regionalism, widely different institutional arrangements have been formed in Europe and East Asia. Rational-functional approaches do not provide an appropriate explanation of why this is so. This paper seeks to answer this question by borrowing insights from historical institutionalist accounts. The research shows that economic interdependence and policy needs alone cannot explain the timing of regional economic initiatives and the path-dependent nature of institutional development. Historical and structural conditions including external pressures and their nature can have long-term effects on institutional forms. Human factors, however, including ideas and leadership can play a crucial role as well, especially in times of historical and structural changes.

Keywords: *Regionalism, International institutions, Europe, East Asia, Historical institutionalism*

1. INTRODUCTION

We can identify both similarities and differences in the rise and development of economic regionalism in the post-WW II era in Europe and East Asia, two important regions that have shaped international politics and economy. The first similarity is that external shocks or pressures such as wars and region-wide financial crises played a catalytic role in jump-starting regional economic initiatives in both regions. Secondly, the US, an extra-regional power, was deeply involved in shaping regional institutional arrangements in these two regions, although this involvement generated vastly different institutional outcomes. Thirdly, economic (and political) interests of individual states under the pressure of globalization and their purposeful actions and interactions have also driven regional institutionalization in both regions. In spite of these similarities, vastly different institutional forms have emerged between the two regions. Europe has developed extensive rules-based economic (and political) institutional structures with a large regional bureaucratic body. On the other hand, East Asia has developed loose, informal, and overlapping regional networks that lack solid common economic institutions based on binding legal arrangements (Katzenstein 1997; 2005; Yeo 2010).

This paper investigates why widely different institutional outcomes have been generated between the two important regions mainly from a historical institutionalist perspective. Rational-functional approaches have been dominant in explaining the creation and maintenance of (regional) institutions in political and policy studies, but, as will be discussed, it cannot appropriately explain divergent institutional outcomes across major regions. To answer the question, we need to comprehend historical preconditions and their legacies, the role of exogenous or extra-regional factors at critical junctures, the path-dependent nature of institutional development, and the ideational factors of key individual actors. Here, the main

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point is not that European regionalism is much more advanced than East Asian regionalism in every aspect and its formal institutional arrangements are always better in policy cooperation and producing positive policy outcomes (Pempel 2005; Yeo 2010). What is clear, however, is that many policymakers in East Asia, as will be discussed in the main analysis, have publicly expressed their intention to pursue deep and formal economic institutionalization in the region, but there has been a large gap between their statements and their actual achievements. We need to, therefore, investigate what factors have generated this gap from a comparative perspective.

The article is organized as follows. First, I discuss different theoretical approaches to explaining regional institutionalization. In particular, the limits of rational-functional approaches are addressed and several insights of historical institutionalist accounts in explaining the varieties of institutional arrangements across regions are discussed. Second, the origins and deepening of regional economic institutionalization in Europe are examined from a historical institutionalist perspective. Third, East Asia's belated and shallow economic institutionalization is investigated from a viewpoint of comparison with the European case. In conclusion, I summarize my findings in this research.

2. REGIONALISM AND INSTITUTIONS: THEORETICAL PERSPECTIVES

Rational-functional approaches (e.g., neo-functionalism, liberal institutionalism, and liberal intergovernmentalism) have been dominant in explaining regional integration or institutionalization. Particularly, neo-functionalist accounts, which were advanced by Ernst Haas, were very influential in the 1950s and the 1960s. Neo-functionalism emphasizes the 'spillover effect,' which is an incremental, but more or less linear transition from social, technical, and economic integration to political integration or institutionalization (Haas 1968). One of the weaknesses of this theory, however, lies in that its regional focus was limited mainly to (Western) Europe. For instance, the 'spillover effect' does not translate well into other regions such as East Asia. In East Asia, in spite of increasing intraregional economic and social exchanges, region-wide formal institutionalization has not been formed (Katzenstein 1997; 2005; Pempel 2005; Searight 2009). Moreover, European institutionalization itself has not been a smooth linear process toward a 'pre-determined end point' as neo-functionalism posits and it has indeed shown 'stop-and-go' or 'zigzag patterns' (Wessels 1997). Another weakness of neo-functionalism is that it focuses mainly on intra-regional processes and thereby neglects explaining the impact of extra-regional events or pressures on regional institutionalization.

Liberal institutionalists have also advanced their ideas on regional institutionalization. For example, Keohane and Nye (1975), Nau (1979), and Keohane and Hoffmann (1991) saw the European Community as an international institution established to address increasing interstate interdependence. In their view, states establish regional institutions as a response to growing economic interdependence and the necessity of policy coordination in the context of economic globalization. Especially, when global institutions are absent or ineffective, according to their logic, regional institutions emerge as a second-best option. I agree with liberal institutionalists that economic globalization has been a crucial background against which regionalism or regional institutionalization occurred in the post-WW II era. Growing economic interdependence in the context of economic globalization requires policy cooperation or coordination among states and like-minded states in a region can lower

transaction costs, share information, and monitor free-riding or defection in their interactions by establishing a common institution (Keohane 1984). This view is based on and supported by rational choice institutionalist accounts that assume individual actors' rationality and relative autonomy in designing and changing institutional arrangements (North 1990; Williamson 2000).

In my view, however, the concept of growing economic interdependence is too vague to explain the formation of regional economic institutions. It may be true that establishing a regional economic institution is generally easier than constructing or strengthening a global economic institution. But establishing a regional institution still requires a substantial amount of time, cost, and energy. In other words, establishing a regional institution itself is a collective action problem rather than a solution of it (Blyth 2002). Despite potential benefits of creating a new regional institution, states may not be willing to initiate or participate in the creation of it because a substantial amount of time, cost, and energy are needed to establish it. As will be explored later on, states tend to make serious efforts to invent or strengthen a regional institution only after they experience specific and severe external (and internal) pressures or shocks such as wars, financial crises, and serious region-wide economic downturns.

Liberal intergovernmentalism is another important theoretical approach to regional institutionalization that relies on the rational-functional logic. Like liberal institutionalist accounts, it emphasizes growing economic interdependence and the necessity of economic policy cooperation as crucial backdrops against European institutionalization. It argues that in the context of economic globalization and enhanced global competition, some domestic actors (e.g., internationally-oriented companies) put pressures on governments to pursue regional trade agreements and basically the European Community was the product of interstate bargaining driven mainly by commercial interests (Moravcsik 1993; 1995; 1998). When there were conflicts in interstate negotiations, according to it, powerful countries resolved them by "credible threats to veto proposals, to withhold financial side-payments, and to form alternative alliances" (Moravcsik 1998:3). In its view, European states also agreed to the pooling or delegation of sovereignty because they wanted to enhance interstate commitments and thereby to maximize benefits from it.

Liberal intergovernmentalism is a more sophisticated version of liberal institutionalist accounts of regional institutionalization. Nevertheless, it still has at least two serious defects or weaknesses. First, pure commercial or economic interests alone cannot explain the deep institutionalization of Europe very well. As will be examined in the main analysis, political leaders who initiated and led the European project were driven by a strong political motive: the establishment of a new Federal Europe. They viewed deep economic institutionalization among European countries as a stepping stone toward political integration and finally political harmony and peace among them. This political motive was shaped and strengthened in part by the devastating effects of two World Wars on the European continent. This implies that the nature and severity of external pressures and challenges, which tend to set regional institutionalization in motion, and its path-dependent effect should be carefully examined.

Second, in relation to the pooling or delegation of sovereignty in European institutionalization, liberal intergovernmentalism tends to overlook one important point. Although it focuses on the role of national governments in the process of international bargaining, it misses the fact that existing (supranational) institutional rules have played a crucial role in major decisions in the bargaining by redefining or changing national interests (Sandholtz 1993; Garret and Tsebelis 1996). Therefore, approaches focusing only on

intergovernmental interactions and negotiations cannot explain the deepening of European institutionalization appropriately. Historical and institutional contexts against which intergovernmental interactions occur should be closely examined and the role of actors other than national governments (especially, supranational institutions in the case of Europe) should be taken into account.

As examined, rational-functionalist approaches tend to focus on very narrow time frames and neglect the role of historical and structural conditions and the path-dependent nature of institutional creation and development. They also assume rational actors who pursue more or less homogeneous interests (actors' interests are naturally given) and limit the role of the ideas of key individual actors. Therefore, they cannot explain why different institutional arrangements have been generated across regions appropriately and why there is a (in some cases, really wide) gap between actors' intentions and policy (institutional) outcomes. Historical institutionalist accounts agree that institutional arrangements are, at least in part, the products of purposeful actions and interactions of social actors as rational-functionalist approaches maintain (Pierson 1996:157). They however see that social actors' preferences and goals are shaped by historical and social institutional contexts and those contexts should be carefully examined (Thelen and Steinmo 1992:7-10). Hence, they trace lengthy and large-scale historical trajectories, the critical junctures of historical development, and their path-dependent effects on the creation and development of institutions (Thelen 2003:209; Pollack 2009:127; Pierson 2004). Historical institutionalist approaches also see that the unintended consequences of human actions can be produced because of the tremendous complexity of political and historical relations (Pierson and Skocpol 2002:708-709).

This paper attempts to explain why vastly divergent institutional arrangements have been formed between Europe and East Asia by borrowing the major insights of historical institutionalist accounts. I am not however arguing for structural or institutional determinism. Although social structures or institutions exert a considerable influence on producing certain behaviors of actors typically by narrowing the range of their behavioral choices, they do not determine their behaviors all the time. That is why the same or similar structural pressures at times do not produce the same policy choices. This reveals that individual actors' wills and actions are also deeply involved in producing certain social and policy outcomes. Particularly, the change of social structures provides key political actors with new political opportunities and whether these new opportunities are taken advantage of or wasted depends upon their actions and responses. This means that agents or social actors have their own wills and capabilities. As the British sociologist, Anthony Giddens says, the notion of human action implies the notion of capability. According to him (1982:9), capability means that it is possible that the social actors "could have acted otherwise."

After examining social structures and contexts in each region, therefore, we need to investigate how actors' interests or goals are formed because they are not naturally given. Especially in times of critical junctures in relation to national (or regional) policies, there tend to be very fierce internal struggles and debates within the (domestic or international) political and bureaucratic circle on what policy choices would bring about the best outcomes for the so-called national (or regional) interests. Mainly because of the complexity of the real world, the lack of information, and the uncertainties of the future, opinions tend to be highly divided (Goldstein 1993:3, 10). Every political actor pursues individual or collective interests, but in many cases he or she has to decide on policies under the context of the complexity, incomplete information, and the uncertainty of the outcome of policy choices, particularly so in the case of foreign policy-making in moments of critical junctures. Therefore, in this

Table 1. Summary of Theories Discussed

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- Neo-functionalism: Spillover from social and economic integration to political one.
 - Liberal Institutionalism: Economic interdependence and the necessity of policy coordination.
 - Liberal Intergovernmentalism: Pressure by domestic actors (corporations) and interstate bargaining driven by commercial interests.
 - Common Assumptions of Rational-functionalist Approaches:
 - (1) Actors (policymakers, lobbying groups, etc.) pursue their interests or goals rationally and there is a close relationship between their intentions and policy (institutional) outcomes.
 - (2) Policy needs and economic demands drive regional economic integration and it is a more or less linear process.
 - Historical Institutionalism:
 - (1) The interplay of historical and structural conditions and key political actors imbued with certain ideas produces and develops (regional) institutional forms.
 - (2) There can be a significant gap between actors' intentions and policy (institutional) outcomes, and many twists and turns in regional economic integration, mainly because of political (and historical) complexity.
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process, the ideas of key players (and their leadership) come to play a significant role. Particularly, the policy ideas of top political leaders and central decision makers tend to lead policy negotiations and decisions because of their 'political positions' and 'agenda-setting power' (Parsons 2002:53).

3. EUROPE: DEEP AND FORMAL REGIONAL ECONOMIC INSTITUTIONALIZATION

After the end of WW II, the idea that European supremacy ended governed the mindsets of European intellectuals and political leaders. The war dealt a decisive blow to European dominance over world affairs and paved a way for the rise of the United States and the Soviet Union as new superpowers on the world scene. Therefore, many European leaders and elites came to think very seriously about the destiny of Europe and its future (McCormick 1999:58-59). In particular, they realized that deep-seated and age-old national rivalries among European nations had been the main culprits of the decline of the European civilization. Thus, they came to focus their attention on how to prevent another bloody conflict in the European soil.

To achieve this goal, the end of Franco-German hostility was necessary and dramatic changes in Franco-German relations were needed. Particularly, France, which shares its border with Germany's and had experienced several losses from bloody wars with her, was very serious about the 'German Question' – how to embrace Germany into the European community (Fontaine 2000:11-12). It is, therefore, understandable that France took the initiative in the formation of the European Coal and Steel Community (ECSC) in 1952 and traditional security considerations made Europeanists in France (e.g., Jean Monnet and Robert Shuman) focus on how to overcome national rivalries or mutual hatreds by establishing a common or supranational authority between the two countries. Thus, as Robert Shuman (1950), the French Foreign Minister declared, European economic institutionalization started to ensure that "any war between France and Germany become not only unthinkable but also materially impossible" by placing the production of coal and steel,

which had been industrial bases of military expansion in Europe, under a common or supranational authority. This reveals that purely economic interests-based motives cannot explain the institutional outcomes of the ECSC and political, particularly, security-oriented motives generated from the shockwaves of WWII have driven European economic institutionalization at least at its early stages. In other words, WWII played as a catalyst in creating the ECSC and security concerns generated by it influenced the ECSC's institutional forms.

The United States also played an activating role in moving European institutionalization forward. Viewed by the US, the economic recovery of West Germany was necessary for the reconstruction of Western Europe, given the size of its territory and population, and its economic potential. West Germany's military contribution was also needed to contain Soviet expansion (Grieco 1999:337; Nugent 2010:11; Beeson 2005:974-975). In particular, the Soviet Union's successful nuclear test and China's communization in 1949 spurred the US to endorse the full recovery of the political sovereignty of West Germany and its remilitarization. Thus, the US tried to lift economic restrictions imposed on it and wanted West Germany to join the NATO as a full member. Against this backdrop, Secretary of State Dean Acheson put pressures on French Foreign Minister Robert Schuman: "I believe that our policy in Germany, and the development of a German government which can take its place in Western Europe, depends on the assumption by your country of leadership in Europe" (Loriaux 1999:357). American logic was very clear: "World recovery [...] depends on European recovery; European recovery on German recovery; German recovery on France's consent" (Milward 1984:164).

American pressures provided European federalists in France such as Robert Schuman and Jean Monnet who advocated a Community strategy with a favorable opportunity to pursue their goals. At that time, opinions among French elites on French economic and political interests and how to handle Germany were highly divided. In addition to a 'community strategy,' a traditional strategy, which emphasizes national independence and balance of power, and an intergovernmental strategy that privileges a broad but weak organization were also advocated in the French political circle (Parsons 2002:57-58). Under growing American pressures, however, French leaders who advocated a 'community strategy' utilized their political positions and finally succeeded in making a political coalition to push forward with their strategy. In particular, Robert Schuman, the French Foreign Minister at that time, played a key role in this process (Parsons 2002:58-62). As a consequence, the birth of the European Community took place in May 1950, when French Foreign Minister Robert Schuman who had been advised by Jean Monnet announced the idea of placing the production of coal and steel in France and Germany under a common authority. Later on, Italy, Belgium, the Netherlands, and Luxembourg joined this plan and the ECSC was formed in 1952.

Jean Monnet became the first President of the ECSC, which was the starting point of economic institutionalization in Europe, and four organizations were created to govern it: the High Authority, the Council of Ministers, the European Court of Justice, and the Common Assembly. Monnet, one of the founding fathers of a new United Europe, designed the High Authority, which was a central governing body of the ECSC, to have a supranational nature with a long-term vision. In the words of Haas (1958:42), "the other four organs are primarily designed as checks upon the power of the High Authority rather than as initiators of action." Accordingly, the High Authority had considerable discretion over ECSC policies and possessed the authority to make some binding decisions on member countries (Hoffman

2006:85). Monnet knew very well that comprehensive intergovernmental or international institutions tended to be stalemated by their member nations and supported the creation of a supranational institution in limited but important sectors to avoid this problem. He believed that comprehensive intergovernmental institutions had “the intrinsic weakness [...] that went no further than mere cooperation between Governments” (Monnet 1978:271-272). He shared with Schuman the idea that peace and prosperity in Europe could be achieved only by a ‘step-by-step process’ and that solving the ‘German Question’ (more specifically, Franco-German animosity) is the first step toward a European federation or Community Europe (Monnet 1962; Nugent 2010:Chapter 2).

Rational-functionalist approaches cannot capture the timing of the launch of the ECSC and its supra-national institutional elements. Europe had a long history of the idea of United Europe, but it is only after WWII that it became a reality. Economic interdependence and policy needs undoubtedly played a certain role, but they were not dominant forces, at least at the early stages of European integration. Moreover, as discussed above, the reason for including supra-national elements in the ECSC was security concerns generated by the shockwaves of WWII. A growing sense of the decline of Europe at that time opened a door for deep institutionalization and European leaders who supported the idea of United Europe took advantage of their political positions and set the basis for deep institutionalization in Europe.

European institutionalization had gotten off to a good start, but it experienced a major setback throughout much of the 1960s and 1970s. New members (particularly the UK) had difficulty joining the European Economic Community (EEC), supranational designs of European institutions were challenged, member states were unwilling to support new initiatives, and European institutions (particularly, the European Commission) showed no visions and leadership (Blair 2005). A severe economic downturn in Europe throughout the 1970s also posed severe economic challenges to many European leaders. Soaring inflation and unemployment were aggravated by two oil crises (1973-1974 and 1979-1980) and European countries turned to national economic strategies, raising non-tariff barriers and enhancing subsidy programs. These national economic strategies did not work and it was particularly the serious decline of international competitiveness of European firms in key high-technology sectors (e.g., computers and telecommunications) vis-à-vis American and Japanese companies that put strong pressures on European political leaders to turn back to the renewal of the European vision (Sandholtz and Zysman 1989:103-107; Mattli 1999:77-78).

Thus, by the mid-1980s, intergovernmental consensus on the re-launch of the European project emerged mainly because of external (and internal) pressures and economic challenges and these pressures and challenges provided key political figures who advocated the idea of United Europe with a window of opportunity to pursue their idea again. Particularly, Commission President, Jacques Delors and his team, who supported the federalist vision of Monnet and Schuman, seized the initiative and took a leadership in rekindling the European vision and exercised political entrepreneurship under the strong support of business groups.

Although intergovernmental consensus arose, political leaders’ views on how to achieve it or to what extent they would go were divided into two groups. Maximalists subscribed to the idea of the general institutional strengthening of European institutions and of dramatic changes to complete the European common market whereas minimalists favored minimal changes to achieve a single market (Budden 2002:77). The Commission led by Delors and

his team proposed and disseminated its maximalist vision and adamantly pushed it forward in spite of considerable opposition by some member countries (particularly the UK).

It is important to understand that what sets Europe apart from East Asia (and other regions) is that supranational institutional arrangements (particularly the High Authority/ the Commission) have existed from the initial stage of institutionalization. As presented previously, the shock waves of WW II along with American pressures played a critical role in the introduction of those institutional arrangements. This means that without understanding the path-dependent nature of institutional development, we cannot fully account for the differences in institutional arrangements across major regions. To be sure, the mere existence of supranational institutional arrangements cannot explain the deepening of European economic institutionalization. As will be discussed below, human factors like key political leaders' ideas and leadership are also deeply involved in the process of regional institutionalization.

Unlike previous leaders who maintained a low-profile and lacked visions and leadership in much of the 1960s and 1970s, Delors was highly motivated in his leadership in the Commission and proactive in reenergizing the European project. In the words of Arthur Cockfield (1994:111) who was one of Commissioners and worked with Delors, "If the Commission is ineffective, as tragically it was during the Thorne Presidency, the Community languishes. Where you have a forceful and visionary President, as Jacques Delors has been, backed by a strong and effective Commission, the Community makes progress." Even before taking his office in 1985, Delors as President-designate visited the capital cities of member countries to strengthen the political consensus from political and business leaders on the renewal of the European project, which had begun to emerge from the Fontainebleau summit in June 1984 and build support for the Commission' maximalist vision. He was the first Commission President who toured the capital cities to win support for the Commission's project even before taking office (Drake 2000:90).

Although no formal role was given to the Commission in the IGC, Delors and two other Commissioners attended a series of meetings of foreign ministers and summits and mediated their discussions and persuaded political leaders (particularly, French and German leaders) to support the maximalist programs that included strengthening the power of supranational institutions and the principle of mutual recognition instead of the minimalist one that advocated just minimal changes to establish a single market (Grant 1994:72; Budden 2002: 81-82). Delors acted like a leader of the Community (not only as a leader of the Commission), defining the agenda in the meetings. Particularly, when foreign ministers presented a long list of exceptions to the maximalist proposal, Delors went to see François Mitterrand and Helmut Kohl in person and dissuaded them to give up the plans. Delors succeeded in restoring the maximalist vision by constructing a Franco-German consensus. This caused anger in the UK since it had strongly favored the minimalist plan. Margaret Thatcher (1993:558-559) complained that "(a) Franco-German bloc with its own agenda had re-emerged to set the direction of the Community" and considered applying a veto or withdrawing from the meetings, but mainly because of national economic interests she was persuaded by her economic advisors and had to follow the maximalist deal reluctantly (Grant 1994:73).

Finally, an agreement on a Single European Act (SEA) was reached, which was the first major change of European rules since the Treaty of Rome in 1957. Through the process that led to the SEA, the Commission legitimized its leadership in the Community and restored its capacity as a supranational institution. Ten member countries (the original Six and the late

comers [the UK, Denmark, Ireland, and Greece] agreed to complete a genuine single market by 1992 and to major institutional changes. Particularly, a national veto system was abandoned and qualified majority voting (QMV) was introduced in the Council of Ministers; the power of the European Parliament augmented as it became fully involved in the process of European legislation. As well, the SEA solidified the Commission's political role in international negotiations as a representative body of Europe. It was not a simple linear transition from intergovernmental to supranational relations because national governments could still influence major decisions on Europe-level policies by making alliances or coalitions among themselves, but generally the administrative power of European institutions vis-à-vis national governments increased considerably through the SEA (Warleigh 2002:12).

The European case exemplifies a path-dependent nature of institutional development. Unlike in East Asia, in (Western) Europe traditional security imperatives, which were influenced by the outcomes of WW II, dominated discussions of regional institutionalization at least at its early stages. More specifically, in the wake of WW II many European leaders (particularly European federalists) struggled with the German Question: how to embrace Germany into a European community and prevent another war in Europe. Therefore, their concerns over how to overcome national rivalries led to the inclusion of supranational institutional elements in the ECSC. Later on, the existence of these supranational institutional forms provided political entrepreneurs who had been influenced by the idea of the federalist vision of Europe with a favorable opportunity to pursue the deepening of European institutionalization. This means that the severity and nature of external pressures influenced the institutional outcomes at the early stage of European institutionalization and these institutional outcomes in turn influenced the future institutional developments.

Overall, Europe has had favorable conditions for deep institutionalization. In addition to security concerns produced by the outcomes of WW II, the US strongly encouraged European institutionalization at the early stage of it. Moreover, unlike other major regions, the idea of a regional unity has a long history in Europe. Empirical evidence, however, strongly upholds the view that individual actors' initiatives and actions were also deeply involved in the process of European institutionalization. Key political entrepreneurs who had been imbued with the idea of United or Federal Europe took advantage of these favorable conditions and made full use of their political positions in mobilizing (domestic or international) political actors and groups in order to move forward their project.

Although Europe's favorable regional conditions influenced deep regional institutionalization in Europe, these favorable regional conditions did not determine it in a mechanical way. This view is supported by the fact that domestic and international opinions in Europe on how to respond to external pressures and what specific institutional forms should be adopted were highly divided. Political actors in fact had different ideas of how to define national (or regional) interests and how to pursue them. When political leaders who are oriented more toward realistic or nationalistic positions arose, the federal vision of European institutionalization suffered a serious drawback. But it is true that once key decisions were made for deep formal institutionalization in the mid-1980s, it became difficult to reverse this trend because of the locking-in effect of institutional inertia (Pierson 2004: Chapter 5). It is also worth noting that although European institutions have overall deepened, there is still a gap between the federal vision of founding leaders and institutional arrangements in Europe. European institutions still include intergovernmental as well as supranational elements and there are still significant differences in the outlook on the future

of the EU among Europeans. Therefore, it remains to be seen what the future of the EU would be like.

4. EAST ASIA: BELATED AND SHALLOW REGIONAL ECONOMIC INSTITUTIONALIZATION

In the post-WW II era, the combination of the unresolved historical legacies of Japan's colonialism and American policies toward East Asia has delayed the development of multilateral institutional arrangements in the region. Although Japan arose as a leading economic power in East Asia and has acted as a major partner of the U.S. in the region, Japan's political leadership in the region has been severely constrained because of bitter memories of Japan's militarism. In Western Europe, Germany has been quite successful in restoring its relationship with its neighboring countries (particularly France) in the post-war era, but Japan's efforts have been much less effective, compared to Germany. In the words of Kim (2004:15), even though Japan was an economic superpower in the region, its leadership was not respected mainly because of the "long shadows of the Greater East Asian Co-prosperity Sphere ... coupled with Japan's seeming inability and unwillingness to come clean on its imperial atrocities."

The Cold War began shortly after the end of WW II and the United States, which had emerged as a new superpower in world politics, began to mold the institutional form of East Asia. Unlike Western Europe where a multilateral security scheme such as the North Atlantic Treaty Organization (NATO) was established, in East Asia the U.S. established the hub-and-spoke pattern of bilateral security alliances with Japan, South Korea, Taiwan, Thailand, and the Philippines (Hemmer and Katzenstein 2002). On economic issues, after the communization of mainland China in 1949 and the Korean War (1950-1953), the U.S. began to open its markets widely to exported goods from its East Asian allies because of security considerations (Pempel 2005; Aggarwal and Koo 2006).

After the onset of the Cold War, the U.S. strongly supported the economic recovery of Western Europe to contain the spread of communism and pushed France and West Germany to reconcile. As a means to achieve this goal, the US encouraged regional economic integration. On the other hand, in East Asia the US did not strongly push Japan to reconcile itself with its neighboring countries and maintained bilateral economic and security relations with its allies on an ad hoc basis. According to Hemmer and Katzenstein (2002), America pursued a multilateral post-war order in (Western) Europe because Washington's attitude toward (Western) Europe was based on equality and respect whereas the US did not have the same attitude toward its East Asian partners. Another view is that in East Asia Japan had no neighboring partner with similar power at that time and that is why the US took a different institutional approach to East Asia (Ikenberry and Mastanduno 2003). In other words, because Japan had no symmetrical partner, it was not necessary for the US to push ahead with the establishment of a multilateral institutional scheme to bind Japan to others.

Whatever the reasons, Japan has not been successful in reconciling itself with its neighbors and removing their distrust. Thus, throughout the 1960s, in spite of the Japanese government's proposals for regional integration in East Asia, countries in the region were not receptive because their suspicions about Japanese economic neo-colonialism were not quelled (Katzenstein 2000). As a reaction to this failure, Japan shifted its policy to informal and non-governmental trans-regional economic cooperation in the late 1960s. On the other

hand, China, which had fallen to communism in 1949, spent several decades on internal political struggles. When it launched market-based reforms in the late 1970s, however, the Chinese economy began to enjoy extraordinarily high economic growth rates. Mainland China has extensive business networks with ethnic Chinese living in Southeast Asia and the Chinese government has been interested in using their networks and technology. Until the early 1990s, however, the Chinese government preferred an informal and natural mode of economic arrangements and cooperation with the notion of ‘economic circles (*jingjiquan*)’ to a formal intergovernmental one (Moore 2004:128-129).

Since the late 1990s, however, we have witnessed a significant change in the path of regionalism in East Asia. In particular, the Asian Financial Crisis (AFC) that unfolded in the late 1990s, coupled with the deepening or rise of regionalism in Europe and other places, provided East Asian countries with a decisive opportunity to solidify regional economic institutionalization by overcoming internal divisions among themselves. Since then, there has been progress in economic and financial cooperation and institution-buildings among East Asian economies (Webber 2001; Bowles 2002; MacIntyre *et al.* 2008). The AFC caused East Asian economies’ real GDP to drastically shrink from 7 to 17 percent, and countries most severely hit by the crisis like Thailand, Indonesia, South Korea, and the Philippines had to rely on IMF’s bailout programs (Wade 2004[1990]: xxiv-xxv). After the AFC, East Asians came to realize that even though they produce large shares of economic goods and services in the world market, they were still dependent upon extra-regional actors such as the IMF, the US and multinational corporations (Moore 2004:120).

Even before the late 1990s, economic exchanges had continually increased among East Asian countries, but it was only after the AFC that they began to take a real action to create and strengthen a region-wide economic scheme. Rational-functionalist approaches that focus on economic interdependence and policy needs do not explain well the timing of such efforts and this upholds the view that external pressures or shocks play as a catalyst to jump-start region-wide economic initiatives. Economic interdependence has deepened among East Asian economies since the late 1990s, but a solid common economic institution has not been established as yet, as will be discussed later.

Discussions on establishing a more formal and inward-looking regional economic scheme have become quite lively among East Asian leaders and policymakers since the late 1990s. As a result, ASEAN + 3, the first region-wide economic entity that connects Southeast Asian [10 member countries of the Association of Southeast Asian Nations (ASEAN)] and Northeast Asian countries (Japan, China, and South Korea), was established in 1997. The plan of the ASEAN + 3 was to develop it into the East Asian Summit (EAS)—this idea was realized as the first annual EAS was held in Kuala Lumpur in late 2005—and to establish an East Asian Free Trade Area (EAFTA) (Moore 2004:118). ASEAN + 3 members also reached a regional currency swap agreement, which is called Chiang Mai Initiative (CMI), in Chiang Mai, Thailand in May 2000 in order to protect themselves from future financial crises. The CMI developed into the Chiang Mai Initiative Multilateralization (CMIM) as ASEAN + 3 finance ministers agreed to establish a region-wide multilateral currency network in December 2009. The CMIM is, however, not independent from the IMF and has never been activated so far (Choi 2011).

The US outright opposed projects for an East Asia-only regional economic scheme like East Asian Economic Caucus (EAEC) and the Asian Monetary Fund (AMF) in 1990 and 1997, respectively. After 9/11, however, Washington had to concentrate on the war on terrorism and began to adopt a wait-and-see policy toward the rise of East Asian economic

regionalism (Berger 2006:26). It is however worth noting that ASEAN + 3, which is currently a leading regional body in East Asia, still remains largely a consultative body that lacks binding legal mechanisms. In other words, agreements among ASEAN + 3 members are predicated upon voluntary actions rather than upon binding legal obligations. Thus it is still conceived of as an informal framework of cooperation rather than a formal regional economic institution. Particularly, its plan to build the EAFTA has not been realized so far and we recently observe the proliferation of the Bilateral Trade Agreements (BTAs) in the midst of the delay of region-wide formal economic institutionalization. The proliferation of the BTAs causes concerns about the 'noodle bowl' effects in the region (Baldwin 2007). Multiple, overlapping, and entangled bilateral trade arrangements make it more difficult and complex to organize and manage region-wide (formal) economic institutionalization because they include different phase-in schedules and sectoral exemptions (Dent 2005:289, 297; Searight 2009:198-205).

It should be also understood that although the East Asian Summit (EAS), which was designed to level up cooperation among ASEAN + 3 members, was launched in late 2005, its first meeting revealed a serious division among them, particularly between Japan and China. Japan has been threatened by the rising influence of China in the region and has attempted to counterbalance or dilute it. By the initiative of China and Malaysia, the first EAS was held in Kuala Lumpur in Dec. 2005. The original goal of establishing the EAS was to upgrade cooperation among 13 ASEAN + 3 countries and Beijing planned to hold the second EAS meeting. However, Japan along with Indonesia and Singapore was concerned about the increasing dominance of China over the region and put forward the idea that India, Australia, and New Zealand, which are non-ASEAN + 3 and geographically non-East Asian countries, should be included in the EAS meeting. This was intended to dilute the leadership role of China in the region by bringing in extra-regional powers in the meeting (Bae 2006:18). As the debate over this issue intensified, the ASEAN proposed three requirements on the membership of the EAS: (1) being a dialogue partner of ASEAN; (2) having considerable and practical relations with ASEAN; and (3) being a signatory to the Treaty of Amity and Cooperation (TAC) in Southeast Asia (Bae 2006:19). India, Australia, and New Zealand agreed to join the TAC and finally were invited to the first EAS meeting.

While setting the agenda for the first EAS meeting in December 2005, East Asian countries engaged in a political tug of war on how to organize the EAS. China made clear that 13 ASEAN + 3 countries should be placed on its core and 3 newcomers on a second tier in the grouping (People's Daily Online 2005). On the other hand, Japan expressed its view that 3 newcomers should play a greater role in the EAS and all the 16 members should be participants in the establishment of the East Asian Community (Japan Times 2005). This reveals that China and Japan, two regional powers, do not agree on how to define the boundary of the region and determine the membership of the East Asian Community, which East Asian countries aim to establish, because of political rivalry between the two. As a consequence, although they agreed to set the East Asian Community as a long-term project in the first meeting, details on how to achieve it and what countries will become the members of it remained unspecified (ASEAN 2005). Beijing appears to see the EAS as a trans-regional body rather than a regional body and tries to make it another talk shop such as the APEC (Bae 2006:23). On the other hand, Japan is planning to promote the idea of the East Asian Community through ASEAN + 6 (ASEAN + 3 plus India, Australia, and New Zealand) instead of ASEAN + 3 (White Paper on International Economy and Trade 2007 2007).

Recently, along with the rise of Chinese nationalism, Beijing has been increasingly assertive in territorial issues in the region including the South China Sea dispute and this fact made its neighbors, particularly many ASEAN member countries, anxious about the rise of China and its impact on the peace of the region (Sydney Morning Herald 2011). Against this backdrop, the US and Russia decided to joined the November 2011 EAS meeting for the first time as formal participants and this is likely to diminish Beijing's political leadership in the region as Japan and some ASEAN member countries wish. Washington had adopted a wait-and-see policy toward the EAS because it believed the EAS would be another talk shop in the region. Washington, however, decided to join it because of both strategic and economic importance of the Asia-Pacific region and its will to help build a new institutional architecture in the region that could address new challenges more effectively (Burns 2011). Yet, Beijing sees Washington as an external force outside East Asia and is likely to make a continued effort to exercise its political leadership through ASEAN + 3 instead of the EAS.

Since the AFC in the late 1990s, there has been some progress in regional economic institution-buildings among East Asian countries, but there has been a huge gap between their announced goals and their achievements, mainly because of political factors like leadership completion, political rivalry, and security concerns. The political relationship between China and Japan has also been overshadowed by many unsettled historical issues. Particularly, the issue of Yasukuni Shrine aggravated two countries' diplomatic relations in 2004-2006. Yasukuni Shrine is a politically controversial place because it includes 14 convicted Class-A war criminals. Japanese Prime Minister, Junichiro Koizumi, visited the Shrine every year to pay homage to the souls of the dead during his tenure in office and these visits fueled anger among its neighbors including the Chinese. As a right-wing populist, Koizumi knew that his visits would not risk this political career and took advantage of rising nationalism at the expense of regional cooperation and integration (Rozman 2004:307).

The Chinese leadership (Jiang Zemin and Hu Jintao) has also been adamant in dealing with Japan's historical issues. Viewed from the Chinese, Yasukuni Shrine is the symbol of Japanese militarism and China's humiliation in the 1930s and 1940s (including the Nanjing Massacre). Therefore, when the Chinese government's official warning and protest about Koizumi's visit to the Shrine failed, China refused to have any face-to-face summit meetings including those of ASEAN + 3 with Koizumi. Furthermore, when massive anti-Japanese rallies protesting Japan's dealing with history textbook issues arose in major Chinese cities in the spring of 2005, Chinese leaders refused to make any apology to Japan and Sino-Japanese relationships fell into the worst situation in recent decades (Yang 2006:131).

All of this reveals that traditional nationalistic policy positions are still dominant in both Japanese and Chinese leadership and increasing economic and social exchanges in the region have not suppressed these strong traditional nationalistic positions among them. Compared with Europe, East Asia has had unfavorable historical and structural conditions for formal and deep regional economic institutionalization to develop. During the Cold War, the US did not push the reconciliation of Japan with its neighbors and multilateral economic (and security) arrangements in the region. Moreover, Washington bluntly opposed East Asia-only economic regionalism until the late 1990s. Unlike in Europe, wartime history issues have not been settled clearly in East Asia and they have still cast a long shadow over the region.

It is, however, unfair to attribute the under-institutionalization in East Asia only to the unfavorable historical and structural conditions. External pressures and shocks in the late 1990s, particularly the AFC, provided East Asians with a window of opportunity to construct more solidified and inward-looking regional institutional arrangements. Moreover, the US's

opposition to it became considerably weaker. East Asian leaders, however, have not utilized this opportunity effectively and have fallen short of realizing what they announced. In spite of a lot of statements on a regional economic project, there has been the wide disparity between their plans or goals and what they have achieved because of complex political and historical factors. In particular, two major powers in the region, Japan and China, have engaged in a contest for regional leadership and this political rivalry between the two, overshadowed by the unresolved historical legacies, looms large as one of major stumbling blocks against formal and solid economic institutionalization in the region.

In short, divided political leadership in the region has been counterproductive to the creation of a solid regional economic institutional architecture and the idea of the East Asian Community will not be realized in the foreseeable future without 'real' normalization of two regional powers. Economic interdependence and policy needs alone cannot explain the dynamics of regional economic institutionalization and we need to take a close look at historical conditions and complex political relations to explain why regional economic institutionalization is not a linear and smooth process.

5. CONCLUSION

We can observe major differences between Europe and East Asia in regional economic institutionalization. Above all, the natures of external pressures were somewhat different across the two regions and different regional structures and contexts have developed across them. In Europe, because of the shockwaves of WW II security as well as economic concerns dominated the mindsets of political leaders. More specifically, one of their main concerns was how to overcome age-old national rivalries (particularly between France and Germany) and prevent another war in the European soil. As explored in the main analysis, this concern led to supranational institutional arrangements in the ECSC and these supranational arrangements at the early stage provided a favorable condition for the deepening of European institutionalization later on. It is also important to recognize that right after the onset of the Cold War, the US strongly encouraged European economic institutionalization. The economic recovery of Western Europe (particularly West Germany) was necessary to prevent the rise of communism in Western Europe and the US put pressures on France and Germany to reconcile with each other. France, which feared the reemergence of (West) Germany, responded to these pressures by proposing the ECSC.

On the other hand, in East Asia the nature of the external pressures that activated regional economic projects was economic rather than security-related. Moreover, the Cold War obstructed instead of encouraged regional economic institutionalization in East Asia. During the Cold War, China was a strict communist country and Japan's political leadership was not respected by its neighboring countries because of bitter memories of Japanese colonialism. More importantly, the US took bilateral approaches on an ad hoc basis to East Asian countries in economic and security policies and this US foreign policy to East Asian strongly discouraged any attempts to build a region-wide multilateral economic institution.

It is true that different regional structures and contexts have influenced and shaped different regional institutional arrangements. It is, however, worth pointing out that regional structures and contexts have not determined specific regional institutional arrangements. It was human beings, not structures or contexts themselves, who made policies on the regional projects. In other words, favorable structural conditions could have been wasted depending

upon how individual actors respond. The case studies clearly show that the principal political actors who participated in major decisions on the projects had widely different policy ideas and therefore responded very differently in times of critical junctures.

European states have succeeded in redefining their traditional national interests, which was made possible by policy entrepreneurs' efforts in introducing and realizing new policy ideas for a regional project. The political actors who advocated a regional project in Europe did not miss the opportunity provided by (regional) structural changes and played a pivotal role in realizing the project. In East Asian countries, however, traditional nationalistic policy positions are still dominant and key political actors in East Asia, therefore, responded differently to external pressures or shocks. They have not overcome nationalistic geopolitical positions and have not been able to agree on how to build a common regional economic architecture. East Asia may not need to have the same institutional arrangements as the ones Europe has, but a common solid regional economic architecture led by undivided political leadership will help East Asians address many region-wide as well as global economic challenges more effectively and enhance their common voice on the global arena. What East Asia now needs is political leaders with big ideas who have political will and leadership in regional policies.

In conclusion, economic interdependence and policy needs alone cannot explain the timing of regional economic initiatives and the path-dependent nature of institutional creation and development. Historical and structural conditions including external pressures and their nature can have long-lasting effects on institutional forms. Human factors, however, including ideas and leadership can play a crucial role as well, especially in times of historical and structural changes. Therefore, we need to take a close look at the interplay of historical and structural conditions and the ideas of key political actors (and their leadership) in producing and developing institutional forms. Another important point is that economic regionalism is basically a political process and there can be a (in some cases, really wide) gap between actor's intentions and policy (institutional) outcomes because of the complexity of political (and historical) relations that cannot be fully controlled by human actors.

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