

# Regionalism, Globalisation and International Order

Europe and Southeast Asia

Jens-Uwe Wunderlich



The International  
**Political Economy**  
of New Regionalisms Series



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International Order**  
Europe and Southeast Asia

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INTERNATIONAL ORDER

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# Regionalism, Globalisation and International Order

Europe and Southeast Asia

JENS-UWE WUNDERLICH  
*Aston University, UK*

ASHGATE

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Jens-Uwe Wunderlich

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# List of Abbreviations

AFTA	ASEAN Free Trade Area
AMF	Asian Monetary Fund
AMM	ASEAN Ministerial Meeting
APEC	Asia-Pacific Economic Cooperation Forum
ARF	ASEAN Regional Forum
ASA	Association of Southeast Asia
ASEAN Plus Three	ASEAN with China, Japan and South Korea
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
Benelux	Belgium, Netherlands, Luxembourg
CAP	Common Agricultural Policy
CEES	Central and Eastern European States
CFSP	Common Foreign and Security Policy
DRV	Democratic Republic of Vietnam
EAEC	East Asian Economic Caucus
EAS	East Asian Summit
EAVG	East Asian Vision Group
EC	European Community
ECB	European Central Bank
ECJ	European Court of Justice
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EDC	European Defense Community
EEA	European Economic Area
EEC	European Economic Community
EMS	European Monetary System
EMU	Economic and Monetary Union
EPC	European Political Cooperation
EPZ	Export Processing Zone
ERM	European Exchange Rate Mechanism
EU	European Union
Euratom	European Atomic Energy Community

FDI	Foreign Direct Investment
G8	Group of Eight Most Industrialised Countries
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IMF	International Monetary Fond
JHA	Cooperation in Justice and Home Affairs
Mercosur	Comisión Sectorial para el Mercado Común del Sur, Southern Cone Common Market
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
NICs	Newly Industrialised Countries
OECD	Organisation for Economic Cooperation and Development
OEEC	Organisation for European Economic Cooperation
PHARE	Poland and Hungary: Aid for the Reconstruction of Economies
PMC	Post-Ministerial Conference
PRC	People's Republic of China
SADC	Southern African Development Community
SEA	Single European Act
SEATO	Southeast Asian Treaty Organisation
TAC	Treaty of Amity and Cooperation in Southeast Asia
TEU	Treaty on European Union
UK	United Kingdom
UN	United Nations
US	United States
USSR	Union of Soviet Socialist Republics
WEU	Western European Union
WHO	World Health Organisation
WTO	World Trade Organisation
ZOPFAN	Zone of Peace, Freedom and Neutrality

*For my parents, Wolfgang and Regina Wunderlich.*

*For my brother, Martin Wunderlich.*

*For Meera, my wife, partner and friend.*

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# Introduction

Regional cooperation has become an increasingly important phenomenon in international relations during the last sixty years. While it is globalisation that continues to captivate politicians, the business community, academics and the general public alike, the contemporary period could just as easily be described as the 'era of regionalism'. Since the end of the 1980s, the world has witnessed a new interest in and a resurgence of regional integration. The revival of European integration with the Single European Act seems to have generated a momentum not confined to Europe alone. The North American Free Agreement (NAFTA) was created, followed by Mercosur (Comisión Sectorial para el Mercado Común del Sur) in Latin America in 1991 and the Southern African Development Community (SADC) in Africa. In the Asia-Pacific region, the Association of Southeast Asian Nations (ASEAN) became much more assertive in the 1990s and the Asia-Pacific Economic Cooperation Forum (APEC) was set up.

However, regionalism is hardly a post-Cold War phenomenon. Indeed, it is possible to discern two big waves of regionalism. The first wave peaked between the late 1940s and the 1960s, and was dominated by the European experience. Several factors converged to make Western Europe a particularly fertile field for new modes of international cooperation to take a hold. These included exhaustion from the war, US hegemony and its role in the reconstruction of Western Europe, Cold War politics, regional security interdependencies, and a general questioning of the role of sovereignty and the state within Europe. There were attempts at region-building outside Europe as well, though these were far less successful. ASEAN, founded in 1967, remains perhaps the most notable exception here. It was all these empirical developments together that created an entirely new focus in international relations theory – the study of regional cooperation and regionalism.

First-wave theorising on regionalism was a reflection of wider concerns within international relations theory such as the implications of the security dilemma arising out of an anarchical international system. Integration theory, evolving as a particular expression of regionalism theory at the time, was preoccupied with questions around sovereignty and the role of the state. The debate that dominated this period of theorising, therefore, is characterised by the divide between the supranational and the intergovernmental schools of thought, both of which are concerned with the role of the state and sovereignty in the process of regionalism. During the 1970s, however, the theoretical and practical interest in regionalism calmed down somewhat. Largely responsible for this was a stalling of European integration in this period and the realisation that the relative success of European integration had not been emulated elsewhere in the world. The economic recession of the 1970s and the Second Cold War did not encourage prospects for regional cooperation.

The second wave, the so-called 'new regionalism', took off toward the end of the 1980s and developed in a fundamentally changed context compared to its Cold War

predecessor. The new regionalism, as an empirical trend, is closely associated with accelerated globalisation and other systemic factors. In line with these empirical developments a whole new direction of theoretical enquiry is evolving, and with it, a new schism. This current divide pits new advances in the field of European studies against the so-called new regionalism as a theoretical school of thought, which is more at home in the field of international relations or, to be more precise, in international political economy. This volume argues that this divide is counterproductive and reductionist. Instead of talking past each other, both branches should combine their insights for the purpose of comparative analysis. A comparative framework, drawing from recent advances in European studies and international relations, has the potential to illuminate more about particular cases, while also unearthing general principles.

Here, it is interesting to note a certain blindness towards history. While regionalism seems to be on a new high, capturing the imagination of political decision makers and theoreticians alike, most interest is focused on contemporary regionalism, or the new regionalism. Very little attention has been devoted to the systematic exploration of the historical origins of regional processes. There is even less historical comparison between different regional projects. Notable exceptions include Beeson (2005) and Webber (2006). This is surprising given the potential benefits of such an analysis.

Theories attempt to make sense of the world, to understand and comprehend critical moments, which are often a culmination of a long series of events, some purely serendipitous, others formed and shaped by their milieu. They might include the current political configuration, history, and the beliefs and actions of the key personalities involved. Therefore, theorisation must pay close attention to detail, and to history. Only a careful historical analysis of different regionalisms would allow us to understand their particular idiosyncrasies. This is important for a better comprehension of current developments and problems faced by regional institutions such as the European Union (EU) and the Association of Southeast Nations (ASEAN). Both ASEAN and the EU have their origins in first wave regionalism. Indeed, they are the most prominent examples of that period and, therefore, might well be described as the longest-running experiments in regional cooperation. A historical analysis will suggest that the current form and shape of EU and ASEAN is not only influenced by contemporary changes in the global political economy and the forces of globalisation, as suggested in some of the recent studies on regionalism, but go back a long way, to the idiosyncratic factors that led to their foundation, and the path-dependency these have set in motion.

This volume uses the comparative method in order to link theory and empirical aims. It breaks with the prejudice that EU integration and ASEAN are incomparable. A comparative analysis of EU and ASEAN regionalisms is likely to shed light on the dynamics driving regional processes. Indeed, the EU and ASEAN represent almost perfect case studies inasmuch as they appear to lie at opposite ends of the spectrum of institutionalised regionalism. Comparison, while bringing out the differences, will also prise out the commonalities. Thus, though the EU and ASEAN might have attained different levels of integration and institutionalism, there is no denying their 'regianness'. And regionalism begins to emerge as a complex and multidimensional

process informed by factors from the individual, the national and the international/global levels of analysis.

The regional level has gained increasing weight in the international arena throughout the 1990s. Much of this is related to the relationship between the state, regionalism and globalisation. A multilayered framework of governance is evolving where governance is increasingly dispersed between the nation-state, the regional level and global institutions such as the International Monetary Fund (IMF) or the World Trade Organisation (WTO). Yet, the regional level remains surprisingly under-conceptualised. Efforts to identify the concept 'region' are sporadic and are dispersed across a wide range of literatures. This volume tries to address this lacuna by borrowing from these various literatures to explore the concept 'region' and the contradictions inherent in this concept.

While the meaning of 'region' is still emerging, there is relative sophistication in the literature when it comes to the two other most used terms in this context – regionalism and regionalisation. 'Regionalism' represents a general phenomenon, denoting formal and often state-led projects and processes and a body of norms, values, objectives, ideas and a type of international order or society (Schulz et al. 2001, p. 5). It is, at least in part, an intentional process of political, security or economic cooperation. Good examples of these formal processes are the intergovernmental dialogues and treaties determining the direction of the EU or ASEAN, to name but two. 'Regionalisation', on the other hand, is an empirical trend depicting a multidimensional process of intra-regional change that occurs simultaneously at several levels of social, political and economic interaction (Hettne 1999). It is more spontaneous than formal regionalism, it is less coherent, and is driven by private rather than government actors, arising from markets, investment flows and other transboundary activities. Regionalism can be understood as a top-down process imposed and managed by governments and other state-sponsored actors, whereas regionalisation is a more unplanned and undirected bottom-up process involving mainly private political, economic and civil society actors. It is conceivable that public actors too participate in regionalisation, for instance, by actively encouraging the transboundary co-operation of private actors in particular economic sectors.

Regionalism and regionalisation are not mutually exclusive concepts. Indeed, they tend to complement each other. The more formal process of regionalism, for example, establishes the infrastructure, provides the funds and incentive for regionalisation to take place, while informal regionalisation can be a push-factor for regionalism and more formal state-oriented or issue-specific regional governance. Thus, regionalisation in a way represents a drive for more formal regulatory mechanisms and regional governance. The question of whether informal integration and regionalisation precede formal integration and regionalism is one of the key questions in contemporary regionalism literature. Apart from establishing conceptual clarity, the distinction between regionalism and regionalisation opens up the possibility for meaningful comparisons between institutionalised formal instances of regionalism that have established institutions, such as the EU, and informal instances of regionalisation where such institutions are largely absent.

We often also talk about regional integration, a phrase often confused with regionalism. Integration can be understood as a condition or a process, and in

its most common sense can be described as the formation of institutions and the creation of a new polity by bringing together a number of different constituent parts (Christiansen 2005, p. 580). Thus, it goes a step further than regionalism. While integration is an instance of regionalism, not every instance of regionalism is a case of integration. This implies that European integration is a particular instance of a broader phenomenon: regionalism.

## **Outline of the Book**

Chapter 1 provides an overview of theories emerging under first-wave regionalism, a period dominated by European integration. Theoretical developments are analysed against the backdrop of the particular political, economic and social circumstances surrounding their evolution. A common thread running through first wave debates is the role of the state and the centrality of sovereignty. What role should states have in the integration process? Is the direction of regionalism determined by the state, or by supranational actors and agencies? Should sovereignty be restricted or pooled? Thus, the many approaches developed to explain the phenomenon of European regionalism in this phase veered between the supranational, implicitly and explicitly reining in sovereignty and the state, and state-centric or intergovernmental, emphasising the centrality of sovereignty and the state.

The end of the 1980s witnessed a resurgence of regionalism worldwide. This second wave is the subject of Chapter 2. Theorising in this phase takes place against a fundamentally altered geopolitical landscape. The Cold War has ended. Globalisation is challenging traditional delineations of national and international space. The dividing lines are fuzzy as issues of domestic and of international politics are becoming inextricably interwoven. Under these circumstances new spaces for political, economic and social interaction are emerging, spaces larger than the national level but smaller than the international level as a whole. As such, it is no surprise that regionalism again begins to receive a good deal of scholarly attention. Critiques of first wave theorising, and the supranational-intergovernmental divide appear. However, this new phase develops its very own divide, pitching theoretical advances in European integration scholarship against new regionalism scholarship. Chapter 2 devotes some time to outlining some of the progress made by both sides, focusing, for instance, on multilevel governance and network approaches, and the contribution of the new regionalism and post-positivist approaches such as social constructivism to regionalism studies. This developing divide, however, is becoming unsustainable. The chapter argues that instead of continuing to talk past each other, both traditions should converge and develop a theoretical framework facilitating the comparative analysis of regionalism. The second part of the chapter sketches such a framework and, thus, provides the theoretical basis for the comparative analysis in the rest of this volume. For purposes of analysis, regionalism is seen as a multidimensional process, developing in overlapping areas including the security, the economic, the political and the social arenas. Its causes and dynamics originate from the individual, the domestic and the international levels of analysis. Regionalism creates an intermediate level between the domestic and the international. Thus it

becomes possible to conceive of contemporary regionalism in Western Europe and in Southeast Asia as both, a continuation of first-wave regionalism, as well as part of a global restructuring process where administrative responsibilities are increasingly shared between the national, regional and global levels.

Having stated that regionalism has developed in these two big waves, Chapters 3 and 4 are devoted to the systematic comparison of first-wave and second-wave regionalism in the instances of the European Union and ASEAN. Only by locating the experiences of both regionalisms within their specific historical contexts can we begin to grasp the factors driving regionalism. Chapter 3 links the regional experiences of Western Europe and Southeast Asia to particular historical and geopolitical circumstances. It highlights the importance of the US as a facilitator of regionalism during this period as part of its Cold War strategy of containment. Also critical to understanding the context are the security interdependencies in Western Europe and in Southeast Asia. Indeed, it can reasonably be argued that first-wave regionalism in both instances was, at least initially, driven by internal and external security imperatives. A particular focus of this chapter is the role accorded to state and sovereignty within the two regionalisms. While European integration is partially driven by the desire to restrain or at least pool sovereignty, ASEAN regionalism is driven by the desire to consolidate state-building and sovereignty in Southeast Asia. Hence, while it may be argued that European integration was taking steps towards transcending the Westphalian system, ASEAN used regionalism as a tool to facilitate the establishment of Westphalia in Southeast Asia. This, perhaps more than anything else, might best explain the different attitudes with respect to concepts such as sovereignty and non-intervention in both cases. The historical analysis also underlines that the causes for both regionalisms are located at all three levels of analysis: the individual, the domestic and the international/global.

The comparison continues in Chapter 4 with a focus on contemporary regionalism. Globalisation and geopolitical restructuring following the end of the Cold War have dominated the 1990s and posed a unique set of challenges for the EU and ASEAN alike. Interestingly, both have responded by enlarging their respective membership. However, this widening without deepening has resulted in a host of problems. Regionalism in both instances is currently undergoing something of an identity crisis, a topic that is taken up in more detail in Chapter 5. With the Cold War overlay gone, both regions have been 'set free'. The new regionalism of the EU and ASEAN is fundamentally linked to factors such as economic globalisation, the emergence of new security concerns, and the general increase in political, economic and social transboundary activities. Also highlighted here is the changing role of the US – from a facilitator of regionalism to increasingly becoming 'the other' against which regions are posited.

This points to the increasing salience of ideational factors in contemporary regionalism. This is at the centre of Chapter 5, which is devoted to a detailed analysis of the problems surrounding the identification and delineation of regions. Both, the EU and ASEAN have emerged as discrete regions in their own right, based on their own regional identities. These identities are discussed in some detail. The emergence of EU and ASEAN as actors in international relations, and their recognition as such by other international actors, has provided for some coherence at the international

level. The internal dimension of European identity is provided by the application of a particular normative structure across all EU members. The same holds for ASEAN with its sovereignty-based ‘ASEAN way’ and state-led version of capitalism.

The volume aims to complement the burgeoning literature on regionalism. It does so and differentiates itself in a number of ways. First, the underlying theoretical approach of the book combines new advances in international relations theory and European studies. As such it brings European integration back into the limelight and bridges the artificial divide pitting European studies against international relations.

Second, the book adopts a comparative method to combine theoretical and empirical aims and applies this to the study of regionalism and regions. Systematic historical comparisons involving the EU are still few and far between.<sup>1</sup> However, much can be gained from such a comparison. The volume, therefore, uses a historical perspective to place the development of regionalism theory within its particular context and to bring together ‘old’ and ‘new’ regionalism.

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<sup>1</sup> For exceptions see Beeson (2005), Webber (2006), Buzan and Wæver (2003) and Katzenstein (1996).

## Chapter 1

# Regionalism and Integration Theory

## The First Wave: Traditional Approaches

Theory has to be located within its historical context. That is one of the central arguments of this chapter. Theories of regionalism have emerged in two big waves, each characterised by its own debates between different schools of thought. The first wave lasted from the end of World War Two until the end of the 1980s. Two forms of enquiry drove this wave: First, the need to find theoretical explanations for the development of regional integration in Western Europe; and, second, concerns with finding a solution to the security dilemma arising out of the condition of international anarchy, e.g. the absence of a central authority above state level. Concerted efforts focused on reining in sovereignty and power of the nation-state and on transcending nationalism. Thus, the theoretical debate between supranational and intergovernmental approaches dominated in this period. Generally, supranational approaches aim at restraining the sovereignty of nation-states with the establishment of institutions and decision-making bodies that supersede and override the sovereign authority of nation-states. This stands in contrast to intergovernmental approaches, which emphasise the centrality of sovereignty and the nation-state within the context of international and regional cooperation. The second wave, the new regionalism, will be the topic of the following chapter. This wave of theorising is characterised by a new debate, this time between two different academic disciplines: European studies and international relations. In each wave a distinctive intellectual debate is discernable between scholars coming from very broadly conceived and separate theoretical traditions. An understanding of these debates and their evolution is imperative for our understanding of not only theoretical but also empirical developments. These intellectual exchanges have not only formed and shaped the development of regionalism theory but have also influenced different regional projects.

This chapter offers an overview of the context in which traditional ‘first wave’ theories on regionalism and regional integration emerged, and the form these theories took. Although this literature covers a wide range of issues, what emerges is the overwhelming domination of studies looking at the European process. The greatest challenge for any student of regionalisation is therefore to transcend Euro-centrism and the dualism presented by supranational and intergovernmental approaches in order to facilitate more holistic understandings of regionalism. One of the underlying arguments of this chapter is that integration theory, with its theoretical exchange between supranationalism and intergovernmentalism, is a sub-branch of regionalism theory and emerged in the wider context of international relations theory. Therefore, we will pay particular attention to the relationship between regionalism, the nation-state and international order.



Theoretical approaches to regionalism, regional integration and regional cooperation have a long history. Scholars have been fascinated with developments in Western Europe where organisations such as the European Coal and Steel Community (ECSC) and the European Economic Community (EEC), emerging in the 1950s, seemed to provide an entirely new paradigm for regional integration. Europe, therefore, became something of a testing ground for a variety of new approaches. This has to be seen in the context of particular historical circumstances. The interest in regional integration and cooperation were an outcome of the popularity of federalism and functionalist approaches in the late 1940s and early 1950s. Their popularity, in turn, can only be properly understood in the light of World War Two, which had generated a lasting suspicion of the nation-state and nationalism.

### **Restraining Sovereignty and the State: Supranational Approaches**

Following the failure of the League of Nations in the 1930s and the perceived failure of inter-war Wilsonian liberalism, realism became the dominant paradigm in the post-World War Two world.<sup>1</sup> For many it was the ‘only game in town’ within the still comparatively young academic subject of international relations. ‘The whole of Gaul was conquered...’ wrote Hirtius in Caesar’s *Commentaries on the Gallic War* (Goldsworthy 2006, p. 350). ‘The whole of Gaul – except one small village’, the famous comic series *Asterix* liked to emphasise. Just as in the *Asterix* comics Rome had conquered all of Gaul except one small village, so realism seemed to dominate international relations. However, liberalism continued to prosper against the odds in Europe, just like the small village. The emerging European Communities offered a significant challenge to the ruling realist paradigm in the 1950s and 1960s. Realism’s hallmarks – state centrism and the centrality of security concerns in international relations – were seen as problematic and became the subject of systematic questioning amongst academics and political decision-makers in Western Europe. In this climate supranational approaches, such as federalism, functionalism and neofunctionalism, began to emerge in an attempt to shape European integration and to explain it.

#### *Federalism*

Post-1945 Europe offered an ideal breeding ground for federalist ideas. Some thinkers such as, for instance, Alberto Spinelli, were arguing that the very embodiment of political organisation, the nation-state, is the root of all evil. The way forward seemed to lie in the reconstruction of Europe along federal lines.<sup>2</sup>

---

1 Wilsonian liberalism, also known as idealism or utopian liberalism, denotes a particular school of thought that dominated early international relations theory in the years between World War One and World War Two. It conveys a conviction that international relations can be redesigned in way as to make war obsolete. It draws heavily on the works of the Immanuel Kant and his *Perpetual Peace* (see Panke and Risse 2007, p. 90).

2 The idea of a federal post-war Europe was expressed in the 1941 Ventotene Manifesto by A. Spinelli (see Pistone 1994, p. 69; Spinelli 1972).



Federalism is part of the liberal tradition. It has a clear supranational dimension. At a general level, federalism proposes the creation of a political community founded on a strong constitutional and institutional framework. This, people such as Spinelli hoped, would contain nationalism, and once nationalism had been confined to history books, the age-old nightmare of intra-European warfare between individual states would surely cease. After all, nationalism in some form or another had driven most European conflicts. For early federalists, far removed from Thomas Hobbes' ideas, the Westphalian nation-state had become more of a problem for human security than a solution.<sup>3</sup> Early federalism, therefore, aimed to severely limit the power of the nation-state in Europe by introducing a strong supranational framework. A central (supranational) government would be endowed with sovereign authority over territory and population. The power of the nation-state would be reduced to limited authority in designated areas. The European federal system would be a supranational polity characterised by the distribution of power between the regional, the national and the sub-national level (Elazar 1987, p. 11). Citizen rights would be enshrined in a constitution with a Supreme Court guarding them. Thus, early federalism was moving towards integration and directing it towards a well-defined ideal.

However, the European federalist movement failed to get organised. By the time of the Congress in The Hague in 1948, proponents of the nation-state had mustered enough strength to provide resistance to the federalist project. The outcome of the Congress was the Council of Europe, an intergovernmental institution and a far cry from the federalist constitution envisioned by Spinelli and others. Sovereignty as a basic political value was more difficult to overcome than had been assumed.

However, federalism's impact on the debate on the future direction and shape of the European project has been profound at all stages in the integration process. Federalism learned from its early failures and contemporary federalists are more pragmatic about their goals than their post-war predecessors (Jones 1996, p. 40). For some the EU is still heading towards a fully-fledged federal union. Indicators for the evolution of a federal structure are plentiful, they would argue, and include the development of the internal market and a common foreign and security policy, the increase in the decision-making powers of supranational institutions such as the European Parliament, the Commission or the European Court of Justice, and the principle of subsidiarity enshrined in Article 5 of the Maastricht Treaty (also known as Treaty on European Union) that guarantees the division of powers between supranational, national and regional levels of government.<sup>4</sup> The Draft Constitution seems to further substantiate these ideas.

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3 Thomas Hobbes, an English philosopher living in the 17<sup>th</sup> century, is well-known for his writings on the so-called state of nature, a condition of perfect anarchy. In his *Leviathan*, Hobbes states that the state of nature creates a particular security dilemma for human beings. In order to escape this state of permanent insecurity, people invest in a sovereign authority, a state, by transferring a monopoly of violence to said authority in exchange for security. Hence, according to Hobbes, the state offers a solution to the security dilemma arising out of an anarchical structure.

4 The principle of subsidiarity is inherent in every federal structure. According to this principle the policy-decisions ought to be made by the lowest appropriate level between the

Indeed, constitutionalism is one of the forms in which federalism remains of contemporary relevance. It refers to a process whereby the relations among countries governed by treaties are transformed into relations governed by constitutional principles, more akin to municipal rather than international law (Caporaso 1996, p. 35). This is the principle of legal federalism. Dehousse and Weiler (1992) and Weiler (1999) argue that legal integration in Europe has made significant progress since the early 1960s. Through a series of important landmark decisions, the European Court of Justice has established direct effect, supremacy of EU law and pre-emption.<sup>5</sup> These are significant developments which parallel in importance the establishment of judicial review, federal supremacy and federal regulation of interstate commerce by the Supreme Court in the United States (Caporaso 1996, p. 37). In the European context, this indicates a centralisation of legal powers at the supranational level at the expense of the national level, which is common in federal entities. Furthermore, the Treaties of Rome and Maastricht have been transformed from agreements between sovereign states into a set of binding rules, which at the same time confer on citizens rights that are enforceable in national courts (Stone 1994).

Federalism manages both to inspire the public imagination and to be perceived as a threat. In the public debate, two basic and largely opposing understandings of federalism are identifiable. One, championed by a group of Eurosceptics, equates federalism with centralisation at a higher level of administrative and political power. According to this view, the ability to influence decision-making processes will be virtually removed from the local, the regional and the national level, to be vested in unrepresentative, non-accountable bureaucrats in Brussels. This position can be easily traced, for instance, amongst sections of the British media.

A continental understanding of the notion of federalism, however, implies the dispersion of authority, decentralisation and devolution. In many ways, the different understandings of federalism symbolise different visions for the future of the European project. At the risk of oversimplifying an extremely complex debate, it might be argued that the two extremes are exemplified by the position taken by the UK on one side, and the original six members of the European Communities on the other. Britain owes its Euroscepticism to very different historical experiences with regard to the Westphalian state model compared to its continental counterparts.<sup>6</sup> These different understandings are symptomatic of a much deeper divide.

### *Functionalism*

Regionalism and questions of international order and security are intrinsically linked. While federalism was being contemplated as a solution to the problem of warfare

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supranational, the national and the sub-national levels. For the two dimensions of subsidiarity see Moussis (2006).

<sup>5</sup> Direct effect establishes the direct applicability of EU law on individuals. Supremacy refers to the supremacy of EU law over national law and pre-emption refers to the fact that where the EU has legal competencies the member-states are pre-empted from taking action.

<sup>6</sup> Britain had no first-hand experience of the ravages of extreme nationalism. Neither was it invaded or a main battleground during World War One or World War Two.

at the European level, some thinkers attempted to address the issue at the wider international level. Progress in this direction came also from the liberal tradition in international relations theory. And here David Mitrany, a historian and political theorist, certainly stands out in providing a challenge to realism. Mitrany exposed the weaknesses and limits of an anarchical system based on sovereign nation-states. The development of modern technology in industry, communication and warfare, as well as growing social and economic pressures had exposed the weaknesses and limitations of the state-system. Influenced by a long line of liberal writers including Immanuel Kant, Mitrany saw the value of the liberal solution to the problem of international relations – taking a page from domestic politics into the international arena, or ‘peace through law’. Woodrow Wilson’s League of Nations had been a good first step in this direction. However, it did not go far enough, leaving too much room for nationalism to escalate yet again, precipitating another world war. Nevertheless, the failure of the League did not necessarily discredit liberal ideas. A different approach, however, was needed to bring about the vision of ‘perpetual peace’. While certainly aware of the federalist project in Western Europe, Mitrany dismissed it as a possible way forward. Any form of regionalism, he felt, would be counterproductive. While mitigating the problems of nationalism and anarchy at the regional level, conflict would only be transferred to another level of international relations. Mitrany’s vision was more globally oriented and centred on investing in functionally constituted international agencies, implying a functional reallocation of authority and jurisdiction away from the national level (O’Neill 1996, p. 33). The aim was to create a network of functional organisations performing specific tasks and transcending national boundaries. As the number of these agencies increased, governments would find their room for independent action restricted since they would come to depend on these agencies for their own functioning. In addition, the international institutions and agencies would provide a framework for a complex socialisation process for political, social and economic decision-makers, undermining their loyalties to particular nation-states.

The essential principle is that activities would be selected specifically and organized separately – each according to its nature, to the conditions under which it has to operate, and to the needs of the moment (Mitrany 1994, p. 89).

Under such a framework, the function determines the executive instrument suitable for its particular activity and the question of wider integration into other sectors arises (known as functional spillover) (Mitrany 1994, p. 91). In other words, the functionalist school of thought represented by Mitrany sees integration as a global process with its own intrinsic dynamics. States start to cooperate in specific limited areas creating new functional institutions. Once that is done, pressures arise demanding more cooperation and coordination in other sectors. In Mitrany’s functionalist vision there is a clear distinction between political cooperation on the one side and functional cooperation on the other. It combines elements of cosmopolitanism in a clear way to overcome communitarian divisions in world politics by ‘gradually undermining state sovereignty by encouraging technical co-operation in specific policy areas across state boundaries’ (Jones 2001, p. 44).

Not without a twist of irony, Mitrany's global functionalism had its most fundamental impact on the regional level. Seeing that the federalist debate in Europe was leading nowhere, Robert Schuman, then Foreign Minister of France, actively promoted a proposal for sectoral integration devised by Jean Monnet, that incorporated key aspects of the functionalist idea. Like Mitrany, Schuman and Monnet believed that cooperation would come about more easily when confined to a limited area where the advantages would clearly outweigh the disadvantages of the possible loss of sovereign authority. Therefore, the Schuman Plan of 1951 envisioned a step-by-step approach to European integration. The economic sector provided the starting point. Once integration within a certain economic area had been achieved, the need for political cooperation would arise in order to consolidate the benefits of sectoral collaboration. This would create 'a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action and so forth' (Lindberg 1963, p. 10). In time, full economic, political and social integration would be achieved through subsequent functional integration measures.

Functionalism in Europe involved the transfer of a modest degree of sovereignty in exchange for economic benefits. The foundation and initial success of the European Coal and Steel Community (ECSC), the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC) lent remarkable support to the validity of the functionalist idea. However, a major weakness of this paradigm was the assumption that functional cooperation and politics could be separated. From the very outset, the technical agencies at the European level were highly political and torn by political disputes.<sup>7</sup>

### *Neofunctionalism*

It is here that neofunctionalism enters the stage. The neofunctionalist school of thought is critical to any serious reflection on integration theory. Indeed, so fundamental has been its impact that it has almost become synonymous with integration theory. It was certainly the dominant theoretical paradigm for integration and regionalism for a long time.

The emergence of neofunctionalism must be placed in the wider context of the development of international relations theory. In the 1950s and 1960s, international relations had reached a degree of maturity as an academic discipline. A new debate had emerged within the subject, overshadowing the old liberal idealist/realist divide. This was not a debate between different theoretical viewpoints; it went much deeper than that. At its core were issues of ontology and epistemology. It was a debate concerned with the appropriate methodologies for the study of the social sciences, and of particular interest here are behaviouralism and its positivist legacies.

Behaviouralism favours rigorous and precise empirical analysis over the study of history and philosophy. Behavioural methodologies operate on the conviction

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<sup>7</sup> Haas (1958, p. 12) notes that 'economic integration, however defined, may be based on political motives and frequently begets political consequences.'

that there can be a cumulative social science of increasing precision, parsimony and predictive and explanatory power. Its main aims are to replace subjective beliefs with testable and verifiable hypotheses. Underlying behaviouralism is the assumption that there are certain regularities and behavioural patterns in the social world. The application of appropriate methodologies will help to uncover these patterns – the ‘laws’ of the social world, including international relations. Behaviouralism gave rise to scientific (positivist) lines of enquiry in the social sciences. At its core is an epistemology that allows scholars to make generalisations about the social world that are empirically verifiable. The behavioural revolution transformed the social sciences – including the study of regionalism and regional integration. Both neorealism and neofunctionalism incorporate positivist ontologies. Just as neorealism presents a ‘scientific’ re-orientation, neofunctionalism offers a friendly critique of its predecessor, functionalism, and replaces it with a more complex and positivist framework.

Neofunctionalism, therefore, adopts many elements of functional thought, including a revised form of spillover. Bainbridge (2002, p. 299) holds that neofunctionalism employs functional methods in order to achieve federal objectives. Thus, neofunctionalism in Europe is an attempt to theorise the strategies employed by the architects of European integration. As we have seen, underlying the European project was the desire to achieve some form of transnational political unity in order to replace divisive nationalisms and to ameliorate the negative implications of sovereignty. This was especially important with regard to the German question and Franco–German rivalry. The path towards such political unity, however, was deemed to be full of obstacles posed by the forces of sovereignty and nationalism. Hence political integration via the backdoor seemed to be a much more viable strategy compared to a grand federalist design.

The neofunctionalist school of thought argues that the driving forces behind regional integration are not so much pressures from functional needs or technical change but rather the interaction of political forces. It does not deny that economic transactions and welfare needs are a source of cooperation, but political forces are not excluded and are indeed central to the whole concept. In many ways, neofunctionalism encompasses the liberal idea that the worst excesses of anarchy in international relations can be reined in if processes and procedures similar to those at the domestic level can be replicated at the international level.

According to Groom (1994, p. 114), neofunctionalism shares with other supranational approaches a set of preconditions for regional integration such as a certain degree of homogeneity in political, economic, social and cultural development and values, transaction networks, compatible decision-making procedures and comparable expectations. Integration is seen as an outcome of a complex web of interaction between utility-maximising interest groups. Neofunctionalism is built around self-interested actor groups who seek to influence policy outcomes for their own purposes. According to neofunctional logic, these groups will transfer their loyalties away from traditional centres of allegiance if they perceive a change in the locus of authority. For this change to transpire, strong and visible institutions are required. Furthermore, these institutions have to be different from conventional international organisations. They need to be vested with some real decision-making power and

authority. In addition, interest groups need direct access to these institutions to be able to bypass potential gate-keeping government departments. Ernst Haas (1958, 1964) and other leading neofunctionalists saw the role of supranational institutions as imperative for successful integration.<sup>8</sup> For instance, the institutions created by the European process in the 1950s and 1960s were thought to nourish an affinity for supranationalism among important domestic elites, eventually even generating a loyalty shift – ‘elite socialisation’ (Strøby and Jensen 2003, p. 86).

Two automatic processes are inherent in the neofunctionalist logic. First, economic integration generates increasing levels of interaction between different national groups. And, second, there is a strong tendency for new transnational interest groups to form. As new levels of integration are accomplished, new interests arise and old interests may change. Given such conditions, integration starts with the transfer of decision-making power in a limited sector within a certain geographic area. Positive experiences with cooperation in some fields bring about powerful transnational interest groups that lobby their own governments and might, in time, shift their loyalties from the national to the supranational level. The demand for more cooperation and coordination in other sectors will, eventually, arise. The final product of this process will be the formation of a political entity with supranational characteristics.

For the neofunctionalist the goal is the creation of a new state out of the integration of several states: neofunctionalism reinforces the state system in aspiring to beget more viable “regional” states. [...] While the goal is fundamentally political, the means are initially non-political. Clearly the creation of a new “regional” state is a political task. Moreover, as functions are transferred to the new supranational decision-making center there is an attempt to politicize the process in the sense that interest groups are encouraged to direct their activities to the new center and the civil servants and political figures associated with it “go out and look for business.” As their activities expand they seek political relevance and legitimacy so that their activities may expand still further (Strøby and Jensen 2003, p. 115).<sup>9</sup>

The concept of spillover is central to the neofunctionalist discourse. Haas (1968) defined spillover as ‘the way in which the creation and deepening of integration in one economic sector would create pressures for further economic integration within and beyond that sector, and greater authoritative capacity at the European level.’ According to Leon Lindberg (1963, p. 10) spillover is ‘a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action and so forth’. Spillover therefore generates a certain path dependency in the integration process. Integration may lead to originally unintended

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<sup>8</sup> See also Lindberg (1963).

<sup>9</sup> This is analogous to Haas (1958, p. 16) who mentioned earlier that ‘[...] political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states. The end result of a process of political integration is a new political community, superimposed over the pre-existing ones.’



consequences: in order to secure the envisaged benefits it may be necessary to form new goals and to extend the objectives of cooperation into other areas. Spillover is not an automatic process. On the contrary, careful direction and coordination by a central agency is required for spillover to occur. Here we can detect certain similarities with Monnet's solution to European integration – the creation of a High Authority with supranational powers. To some extent, spillover helps to explain why Europe managed to achieve a much higher level of integration compared to other regional projects, particularly with regard to political integration. Political integration is driven by political spillover, the transfer of loyalties from one centre of authority to another:

Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states (Haas 1968, p. 10).

This further points to the issues surrounding nationalism and the relative importance of charismatic leadership for the success of political integration ventures. The re-emergence, first, of French nationalism under Charles de Gaulle and, later, British nationalism under Margaret Thatcher posed substantial problems for the European project inasmuch as it stopped the 'withering away of the nation-state' at the European level and the transfer of traditional allegiances away from the national level. Furthermore, effective leadership by the supranational authorities is required for political spillover to occur.

The neofunctionalist idea dominated integration theory for the best part of the 1950s and 1960s. Spillover was not just limited to the economic, technical or political sectors. Geographical spillover was also possible.<sup>10</sup> However, the neofunctionalist approach came for strong criticism in the 1970s when empirical developments appeared to contradict neofunctional theory. In his later writings, Haas and other neofunctionalists acknowledged that the forces, which had driven the European integration process in the 1950s, had run out of steam. Spillover from 'low politics' to 'high politics' was limited. Some neofunctionalists modified the concept making reverse integration ('spillback') possible. Furthermore, they departed from the idea that integration is a rational internal process. External geopolitical factors, for instance, must also be considered. Thus, there seemed to be more factors and dynamics involved in regionalism in general and in European integration in particular than identified by neofunctionalism.

Despite its limitations, neofunctional theory has deeply influenced the development of integration theory. It represents a concerted effort to formulate a general theory of regionalism applicable in any regional setting. Indeed, during the heyday of neofunctionalism there were encouraging signs regarding the worldwide development of regional integration schemes. The foundation of ASEAN is only one example. Ernst Haas (1961) regarded European integration as indicative of a general

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10 Geographical spillover could be defined as the effects that the integration of one particular group of states might have on another group of states. From this follows the idea of integration in concentric circles.

process. Following liberal international theory, Haas argued that regional cooperation would lead to more stable international relations. He was, therefore, interested in the driving forces of regionalism, its ‘background conditions’. Accordingly, Haas identified three dynamics influencing successful integration: pluralistic social structures, substantial economic and industrial development and common ideological patterns among the participating states (Ibid.). Thus, neofunctionalism was viewed as a first step towards the development of comparative regionalism. This is of considerable interest for the elaborations in this volume and we will come back to this point later.

### **Sovereignty-Centric Approaches**

State-centric theories and intergovernmental approaches to regionalism and regionalisation share the centrality of the nation-state as the primary subject of analysis. Applying the classical definition of Max Weber, Paul Hirst (2001) outlines eight features of the modern nation-state. First, the state is a superior political agency that decides on the role and powers of all subsidiary governments. Its rules are the primary rules. Second, the state possesses or claims a definite territory with clear boundaries and defines who may or may not reside in it. Third, it has exclusive control of that territory. Sovereignty is a twofold concept with an external and an internal dimension. A state as a ‘sovereign’ does not recognise an external superior, nor does it accept an internal equal. Thus, sovereignty gives state control a legitimate basis. ‘At the bottom line, sovereignty is a right, a socially recognized capacity to decide matters within a state’s jurisdiction’ (Caporaso 1996, p. 35). Fourth, the state possesses a monopoly of force and violence within its sovereign territory. Fifth, states also control exclusively the use of external violence. Sixth, sovereign states have to recognise each other and their territories. Seventh, there exists a uniform and continuous administration throughout the whole territory of the state. And last, the affairs of state have to be separated from the private affairs of the rulers and the governed (Herz 1957, p. 473; Hirst 2001, p. 5). David Held summarises these points when he writes that modern states:

... developed as nation states – political apparatuses, distinct from both ruler and ruled, with supreme jurisdiction over a demarcated territorial area, backed by a claim to a monopoly of coercive power, and enjoying legitimacy as a result of a minimum support or loyalty from their citizens (Held 1995, p. 48).

States are often depicted as unitary, sovereign and rational actors following certain national interests. Indeed, realist writers have often been criticised for this supposition. But, as Andrew Moravcsik (1999) argues, realists only assume that states are able to act at the international level *as if* they had a single voice. It is a question of simplification for the purpose of system-level analysis. It is not assumed that the state is unitary in its internal decision-making process. It is only maintained that out of internal preference formation, particular objectives arise, so that states are able to act with a unitary voice vis-à-vis other states. The rational actor assumption should also not be taken too far:



[It] maintains only that within each negotiation, domestic political systems generate a set of stable, weighted objectives concerning particular 'states of the world', which governments pursue with the maximum efficiency afforded by available political means (Moravcsik 1999, p. 23).

The doctrine of sovereignty entails a double claim: a monopoly of power in internal affairs and no recognition of an external superior. Hence, the concept of sovereignty necessarily leads to the concept of international anarchy – the absence of a supreme authority above state level. Consequently, the existence of sovereign nation-states implies a system of international anarchy. And it is this anarchical system that is blamed by many analysts for the recurrence of war and instability. However, anarchy should not be associated with disorder. There can be order in an anarchical system and several schools of thought have developed in international relations in order to deal with the worst excesses of anarchy.

### *Realism/Neorealism*

According to the realist/neorealist tradition, the behaviour of states can be understood and characterised as the pursuit of power defined by national interests. In such a system, international order reflects the distribution of material (military and economic) capabilities among the main actors. Realist/neorealist scholars emphasise the role of power and the use of force in international relations. According to this view, international politics is the struggle for power. Conflict is inherent, normal and unavoidable. Balance-of-power operations are used to explain the structure and the restraints in the system and to analyse the reasons behind actions undertaken by states under certain circumstances. Hans Morgenthau (1948, p. 126) recognises balance-of-power operations as a 'necessary outgrowth' of international relations.<sup>11</sup>

It is important to bear in mind, however, that political realism is not a single coherent theory for the analysis of world politics. Rather it can be described in terms of a category of thinkers who share a similar way of reasoning about international politics as well as a set of core assumptions. It is a loose framework of many different approaches (Rosenthal 1991, p. 7), though certain concerns, conclusions and assumptions mark these approaches as being part of a single tradition (Donnelly 2000, p. 9). Early or 'classical realism' came under substantial attack in the late 1950s and 1960s. The criticism focused on problems in the assumptions of the school regarding national interests and balance-of-power theory (Ibid., p. 28). The explanatory power derived from a particular interpretation of the controversial concept of human nature was also perceived as problematic.

Classical realism and neorealism are often conflated. While they share many common elements there are also considerable differences. Some textbooks employ the terminology 'biological realism' and 'structural realism' to differentiate between realism and neorealism. Such a categorisation puts us in a much better position to distinguish between the two. Attaching the label 'biological' to classical realism

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<sup>11</sup> Closely related to the concept of balance-of-power is the balance-of-threat. For balance-of-power and balance-of-threat theory see Mastanduno (1997, p. 49); Walt (1987, p. 28) and Bull (1991, p. 148).

emphasises the relative importance of the contested concept of human nature for realist accounts of international relations. The term neorealism is used to distinguish this variety from earlier versions of the realist tradition. However, by labelling it 'structural' realism the relative importance of the structural level of analysis in neorealism is emphasised.<sup>12</sup>

Neorealism emerged on the eve of the second Cold War as a challenge to modern interdependence theory. It re-emphasised the importance of systemic factors and underlined the role of conflict in international relations. No account of neorealism can be complete without mentioning Kenneth Waltz. His 1979 book *Theory of International Politics* remains an important point of reference for contemporary realists and their critics alike, and must be considered within the context of the behavioural revolution in the social sciences. Indeed, one of his aims was to present a more sophisticated, 'scientific' version of classical realist thought. As such, his book offers a largely friendly critique of traditional realist theory and a substantial extension of realism. Waltz's neorealism rests on orthodox microeconomic foundations. Like firms in microeconomics, states are viewed as generic entities which respond rationally to costs in a market defined by the distribution of material capabilities among states. For Waltz, neorealism explains the characteristics of the international system and the relations between its major actors, the nation-states. The structure of the international system is determined by three core propositions. The first concentrates on the principles along which the system is ordered. Although the units of that system, nation-states, vary in their material capabilities, they are formally equal. Second, the functions these units perform are also rather similar. And, finally, the distribution of capabilities, which plays a central role in this model, is a system-level concept (Holsti 2001, p. 124). The behaviour of nation-states depends directly on the distribution of capabilities. Consequently, patterns of conflict and cooperation alter with structural change. Both classical realism and neorealism assume that national security is the dominant priority on the list of national interests.<sup>13</sup> However, while realism situates the reasons for conflict at the micro-level, neorealism locates the security dilemma in the anarchical structure of international relations.

According to most realist and neorealist interpretations of world politics, efficient long-term cooperation at the international level is rather difficult to achieve since there is no regulatory mechanism apart from power preventing 'misbehaviour'. The essentially competitive nature of inter-state relations also inhibits effective long-term cooperation. States favour self-help measures and relative short-term gains above cooperation and absolute long-term gains. Given the anarchical structure of the international system, the lack of trust among states all too often leads to misinterpretations and misunderstandings resulting in security dilemma situations.<sup>14</sup>

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<sup>12</sup> See also Hobson (2000).

<sup>13</sup> This follows from the presumption that states seek to maximise the possibilities for their survival.

<sup>14</sup> Security dilemma situations refer to a particular variant of the so-called 'prisoner's dilemma'. Prisoner's dilemma is game theoretical terminology referring to a special constellation of payoffs in which individual rational choice ultimately leads to a collective sub-optimal outcome.

Potential mutual benefits and aims, however, might provide the binding element necessary for inter-state and regional cooperation. Realism and neorealism focus mainly on security-related forms of regionalism. States might choose to cooperate together and set up international and regional regimes in order to enhance their relative security. The emergence of alliances and other forms of cooperation is a well-established means of improving security and ensuring survival. The resulting balancing behaviour is bound up with the distribution of the relative capabilities of each participant. Regional cooperation, conceptualised in such a manner, is hardly anything more than the institutionalisation of an alliance against a common threat or against the hegemonic sphere of interest of a great power (Fry 2000, p. 129).

For many realists, regional cooperation is the result of geopolitical developments. According to Robert Gilpin (1981), for instance, international cooperation is only feasible when a hegemonic state, such as the US, is capable of imposing order in the international system. The dominant position of the hegemonic power imposes a clear hierarchy, resulting in fewer clashes of interests. Hence, regionalism, for realists, needs to be considered within the context of geopolitics and builds up from the idea of 'regional security', which gained prominence after World War Two with the Cold War and decolonisation in various parts of the world. It is these geopolitical concerns and ideological factors that help to explain the foundation of the European Communities. Enhanced regional cooperation was seen as a possible way of strengthening the Western alliance against Soviet expansionism (Hoffmann 1982).

This would suggest the European Union was begotten by the Cold War (Wessels 1997, p. 270). Indeed, regional organisations such as the EU or ASEAN may be regarded as nothing more than institutionalised alliances. Close cooperation was possible among European states which shared a common threat perception. This argument is used to explain the intensification of integration during the Cold War. However, with the end of the Cold War, and the disappearance of this binding element, the EU should disintegrate. Such is the argument, for instance, of John Mearsheimer (1990), who predicts that the collapse of the Soviet Union and the emergence of a multi-polar world would pose problems for the future of the European integration process. This argument, however, fails to explain the impetus given to the Union in the mid-1980s through the Single European Act (SEA) and the Maastricht Treaty. Indeed, from a strictly neorealist perspective, the Maastricht Treaty and the preceding negotiations might be regarded as 'irrational', and contradicting one of neorealism's core assumptions, the instrumental rationality of nation-states (Grieco 1995).

The enlargement process is another factor which seems to contradict neorealist explanations of regionalism in post-Cold War Europe. The latest enlargement took place in 2007. Some scholars seek to explain this phenomenon by citing the emergence of new threats.<sup>15</sup> First, in the 1980s, Europe was increasingly concerned

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15 The effective means of ensuring the continuation of European integration, following this line of argument, would be to find a new external threat. Huntington (1993), for instance, sees future challenges posed to the West by other cultures such as an Islamic-Confucian connection or a divide between Western and Orthodox Christendom. Others draw the dividing line between the wealthy North and an increasingly poor, overpopulated and desperate South and base the coming dispute on socio-economic rather than on cultural factors.

about its own economic competitiveness in relation to Japan and the United States (Grieco 1996). The Single European Act was designed to revive European industries and to enhance their position in international markets. Second, the Maastricht Treaty coincided roughly with German re-unification. It is reasonable to argue that many European states had reservations about a strong and increasingly self-confident Germany. Hence, monetary union can be interpreted as an attempt to prevent the rise of a re-unified Germany with potentially hegemonic ambitions or, from the German side, the attempt to thwart such a perception by tying the country even more closely into the European framework.

According to some, the Maastricht process consolidated the position of Germany within the EU (Grieco 1996). Grieco interprets the negotiations on EMU as an 'interstate bargain without initial supranational sponsorship' (Rosamond 2000, p. 134). In explaining the supranational features of the EMU in the Maastricht Treaty, Grieco states that:

[...] if states share a common interest and undertake negotiations on rules constituting a collaborative arrangement, then the weaker but still influential partners will seek to ensure that the rules so constructed will provide sufficient opportunities for them to voice their concerns and interests and thereby prevent or at least ameliorate their domination by stronger parties (Grieco 1996, p. 35).

Realist/neorealist accounts have also been employed to analyse regionalism elsewhere in the world. ASEAN, for instance, offers an interesting example. Economic interdependencies which are often claimed to be a core foundation for regional cooperation by more liberal/neoliberal accounts of international cooperation and integration were literally non-existent or rather weak among the founding members of ASEAN. If anything, the newly founded states in Southeast Asia were economic competitors, politically and economically unstable and potentially hostile to each other. Thus, it may come as no surprise that some authors such as Jürgen Rüländ (2000) have noted that the institutional settings of ASEAN provide only a thin cover over what is essentially realist behaviour. Rüländ states:

Institutionalism in ASEAN is more a tribute to the neoliberal *Zeitgeist* than real substance. It enables ASEAN to cooperate to such an extent that it may participate in the balancing games at the regional, interregional and transregional levels of the international system [...] For ASEAN, the early twenty-first century will still be the period of realism (Ibid., p. 443).

No neoliberal institutionalism here then.<sup>16</sup> The states of the region are still faced with a number of unresolved territorial disputes that are part of their historical legacy. According to neorealist arguments, regional self-help systems should prevail under such conditions.

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<sup>16</sup> For liberal and neoliberal approaches see below.

*Liberal and Neoliberal Approaches*

In our exposition of traditional intergovernmental theories of regionalism and integration we now turn to the vast variety of state-centric liberal and neoliberal approaches. It is important to note that the critique of neofunctional accounts did not come from realist/neorealist sources alone. On the other side of the theoretical divide in international relations, between realism/neorealism and liberalism/neoliberalism, critical voices grew louder as well. Hoffman (1995), for instance, pointed out that neofunctionalism neglected the wider context in which integration occurred. He was, furthermore, not convinced about the spillover concept and pointed to the absence of spillover from low politics into high politics.

State-centric liberal/neoliberal approaches to regionalism and international cooperation argue that international organisations and regimes can help reduce anarchy by constraining state behaviour. Like realism, liberalism does not represent a coherent model of international relations. Just as there are several variants of realism, there are several variants of liberalism in political science and in international relations.<sup>17</sup> However, they all share certain similarities, drawing domestic analogies in the field of international relations.<sup>18</sup> Like their realist and neorealist colleagues, neoliberal scholars agree on anarchy as the defining feature of the international arena but they are far more optimistic regarding the prospects for effective cooperation in ameliorating the worst aspects of anarchy and in bringing structure and order into international relations. The focus remains on nation-states and their respective governments and agencies in integration processes. However, unlike the state-centric perspectives offered by realism and neorealism, liberals see long-term cooperation and even integration as being possible. As foreseen by Immanuel Kant, international economic interdependencies and the destructiveness of modern military technology have undermined the use of force as a legitimate tool of foreign politics and increased the desire for long-term intergovernmental cooperation. The democratic peace thesis has a long tradition in this context. Based on ideas first formulated by Immanuel Kant and Karl Deutsch, Michael Doyle (1986) and others hold that modern liberal democracies are far more likely to engage in successful international cooperation than other forms of government. Based on their internal mechanism for peaceful conflict resolution, modern liberal democracies have established a separate peace by forming democratic security communities founded on rules, norms and expectations of peaceful cooperation.

Neoliberal institutionalists like Robert Keohane (1984) and Stephen Krasner (1983) followed this idea and have tried to explain international and regional cooperation with the help of regime theory. Regime theory shares the state-centric assumptions of the realist/neorealist tradition but is more optimistic concerning the ability of international institutions to help states to work together and even to

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17 They can be categorised, for instance, into *state-centric liberalism* such as neoliberal institutionalism and rationalism; and *individual-centric liberalism* such as classical liberalism, new liberalism and functionalism (see Hobson 2000, p. 64).

18 For a recent exposition of liberalism and neoliberalism see Panke and Risse (2007) and Martin (2007).

develop their own agendas (Kirschner 1992, p. 26). It also accepts anarchy as a determining feature of the international system. However, ‘this condition can be ultimately controlled via the establishment of a durable network of international institutions underpinned by strongly supported norms and rules’ (Lawson 2003, p. 82). Regional security complexes constitute the starting point for these discussions which are further elaborated in the next chapter. For regime theorists, the increasing transnational economic, political and cultural flows have created a complex web of international interdependencies between states, which has altered the traditional concept of national interests and state sovereignty. International regimes and international organisations help to institutionalise international relations and can be seen as habits of international interaction, norms, expectations and conventions that help to sustain international order. In this respect, regimes provide a constraint on state behaviour in national and international politics. If states do not wish to be excluded from certain organisations or networks they have to play by the rules of the game.

Scholars such as Keohane and Hoffmann have adopted regime theory as an approach to the interpretation of regional integration (Keohane and Hoffman 1991, p. 1). The security regime embedded within the European Union is of particular interest when it comes to questions of comparison between the EU and ASEAN.<sup>19</sup> Stressing organisational structures only would highlight the institutional differences between these two regional arrangements. For a truly comparative approach, the underlying norms, principles, decision-making procedures and rules too have to be considered. In Southeast Asia, increased intergovernmental cooperation and dialogue in the form of the ASEAN security regime can be interpreted as a significant achievement in regional confidence-building.<sup>20</sup> By forming ASEAN, its constituent member-states attempted to create a more stable regional system in order to concentrate on their national agendas (Buzan 1991, p. 289). As we have seen above, similar concerns also drove post-World War Two European integration.

Neoliberal institutionalists hold that the political, social and economic transformations of the 20<sup>th</sup> and 21<sup>st</sup> centuries have challenged the traditional definition of sovereignty. Since the disaster of World War Two and the Cold War, most European states have been unable to exercise ultimate control over their territorial affairs because they depended heavily (and still do, although to a somewhat lesser degree) on American defence. Globalisation, together with economic and security interdependencies and other transnational activities, has made any territorial unit increasingly vulnerable to external developments. In this context, regional cooperation provides one possibility of adapting the nation-state to an increasingly interdependent and globalised world.

Here it is worth recalling Alan Milward’s (1992) work. Milward describes regionalism as a response of small and medium-sized European states to the pressures arising out of the international environment. In the post-World War Two world, regional cooperation seemed to be a much better choice for economic and

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<sup>19</sup> See also Breckinridge (1997, p. 185).

<sup>20</sup> This is of particular importance in relation to the otherwise potentially volatile situation caused by a number of unresolved territorial disputes among the ASEAN members.



political recovery than competition and rivalry. Gains for the smaller European states included greater diplomatic weight, better access to resources and markets, and an increase in international prestige. This corresponds with the so-called effective articulation argument of regionalism: collective bargaining enhances the economic and political position of countries that would be marginalised otherwise (Hettne 2002, p. 17). In order to ensure domestic autonomy in certain key areas the loss of sovereignty in other policy areas has to be conceded. Furthermore, the Treaty of Paris and later the Treaties of Rome were designed to give France a more secure environment while enabling Germany and Italy to redefine themselves. Thus, as Taylor (1996, p. 14) argues, European integration was from the beginning as much about state-building as about integration.<sup>21</sup> This is also applicable to other parts of the world. The foundation of ASEAN was certainly driven by the desire of the newly independent states in Southeast Asia to create a relatively stable regional system that would enable them to concentrate on state-building. Similarly, proposals for an Asian Monetary Fund can be seen as a stepping-stone towards East Asian monetary regionalism (Dieter 2000). Thus, Asian policy makers may see the loss of financial autonomy through monetary cooperation as a trade-off for maintaining sovereignty in other areas (Jayasuriya 2004, p. 9).

We have seen so far that state-centric (or intergovernmental) approaches across the theoretical spectrum share the assumption that the nation-state is a rational and unitary actor following certain objectives and national interests. There is no attempt, however, to explain how these interests and objectives are formed. The nation-state is treated as a given. The dynamics of domestic decision-making processes, as well as the capabilities of individual decision-makers, for example, are often ignored by this kind of analysis. Andrew Moravcsik's (1994) liberal intergovernmentalism attempts to address these lacunae. He argues that the success and development of European integration can mainly be explained by interstate bargaining between countries such as France, Germany and Britain. This approach shares also important elements with the realist worldview discussed above. Although other actors are recognised as having considerable power, states remain the most important players within the international system. International cooperation is possible and international institutions provide a common framework that reduces uncertainty and minimises transaction costs. The EU thus provides the playing field on which interstate bargaining takes place.

Liberal intergovernmentalism does not deny the power and influence of other actors such as supranational institutions. However, negotiations and coalition-building ultimately take place between national governments. Without a Franco-German agreement, the Treaties of Paris and Rome would never have been possible. Even after the creation of supranational institutions in Europe, states remain the principal actors. Moravcsik argues that elections in France and in Britain, which brought more market-oriented governments into power, were major factors in the process that culminated in the Single European Act (*Ibid.*, p. 211). His approach incorporates neofunctional insights into the importance of pluralistic political processes in the definition of national interests, but insists on the dominance of the state as the primary actor in control of integration. Thus, liberal intergovernmentalism

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21 See also Milward (1992).

proposes a two-level analysis of bargaining at EU level, in which government preferences are first determined at the national level, and then used as the basis for intergovernmental negotiations at the European level.

Confederalism is yet another paradigm in the long list of intergovernmental approaches. Unlike a federation, a confederation consists of a concert of independent states formed for the benefit of mutual advantage. Decision-making power and sovereignty rest firmly with the state and remain untouched. States cooperate in a non-hierarchical manner without being subordinated to supranational institutions. Thus, confederalism proposes a much looser union that is less binding and less regulated. It is 'a form of union where the constituent units rather than the central authority remains the decisive force, and institutionalised diplomacy takes the place of federal government' (Burgess 2003, p. 69). The approach concentrates on maximising collaboration between states that share a sense of common purpose by constructing formal codes of behaviour and procedures in order to maximise economic and political benefits, whilst minimising the risk of conflict and optimising crisis management (O'Neill 1996, p. 71). According to Taylor (1996, p. 15), confederalism offers a useful understanding of the complexities of the integration process in Western Europe. The European Community provided a framework for the recovery of statehood and for promoting the security of the member-states in their relations with each other. But it remained largely an intergovernmental process.<sup>22</sup> The shape, momentum and speed of the integration process are provided by the search for manageable solutions to common problems. Taylor's model also accounts for international constraints and challenges requiring special responses. Regional integration is thus a strategy of small and medium-seized states to survive in an ever changing external environment (Milward 1992). Their principal objective is to expand national interests through collective actions and to maximise their political and diplomatic leverage (O'Neill 1996, p. 74).<sup>23</sup>

In summary, state-centric intergovernmental approaches to regionalism and international cooperation focus on the durability of the nation-state. For most theorists following these paradigms, regional cooperation is just the creation of another arena for international politics. Every advanced nation-state finds itself today in an increasingly complex and interdependent environment, characterised by the forces of globalisation, regional and global networks and regional and global regimes (Ibid., p. 65). These experiences shape international orientations and erode the traditional monistic concept of sovereignty. Globalisation and the related increase in transnational activities imply that many problems which modern states face nowadays have extraterritorial dimensions that require common solutions. Compromise and cooperation on the regional level are responses to the demands of global forces penetrating states and imposing constraints on state sovereignty.

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22 This was underlined with the Luxembourg compromise and later with the Amsterdam compromise. If any government believes that important national interests are at stake it has the right to veto. Moreover, it is important to note that the Council of Ministers still holds the main bulk of legislative power.

23 Hence sovereignty has not been lost but extended to cope with extraterritorial problems.



## Conclusion

Post-World War Two Europe provided a good breeding ground for new ways of conducting international relations. Regionalism found a firm foothold in Europe. Partly as a result of this, European integration theory has been at the heart of the academic debate on regionalism. Many approaches were specifically developed in order to explain the particularities of the European Union. Furthermore, the European case has become something of a role model for successful regionalism. This, however, makes any comparison between the EU and other forms of regionalism a rather hazardous adventure as analysts tend to adopt a Euro-centric approach. The European version of regionalism (in the form of the EU) has a well-developed institutional structure and a long history, making it very tempting to see it as the benchmark for regional integration (Rosamond 2002).

First-wave theorising of regionalism was part of the wider theoretical debate between liberalism and realism. At its core were issues related to sovereignty, international anarchy, the security dilemma and the possibility of effective long-term cooperation between nation-states. Therefore, the first great debate of regionalism theory has been dominated by the differences between intergovernmental and supranational approaches. Intergovernmental state-centric models are still dominant in international relations. Realism and neorealism particularly have a certain *prima facie* plausibility and articulate ‘commonly held, common sense assumptions about world politics. This is not surprising since it mimics the vocabulary of the state’s rationalization of its own behaviour, and forms in that sense a ruling ideology *par excellence*’ (Rosenberg 1990, p. 297). Despite this, most state-centric approaches offer only limited insights into the complexities of regionalism. One of the reasons could be what Ben Rosamond (2000, p. 152) described as ‘theoretical circularity’: intergovernmental approaches are based on assumptions pre-empting their conclusions. Since nation-states and governmental actors are deemed to be at the centre of analysis, the research focuses on the outcomes and dynamics of interactions between national governments. Thus, the influence of non-governmental factors might be automatically excluded from any explanatory attempt. The impact of structure on agency and the role of agency in changing structures are often ignored. Furthermore, trends and developments such as the globalisation process have challenged the authority of the nation-state and created multiple levels of governance. This implies a shift of governance away from the national to the sub-national and the international level.<sup>24</sup>

Additionally, there is often little clarity on what the term ‘state’ means. James Caporaso (1996), for example, focuses on different ideal forms of state: the Westphalian, the regulatory and the post-modern variants. Looking at regional arrangements through the respective lenses provided by each of these types leads to very different conclusions and research questions (Rosamond 2000, pp. 154-55). In addition, some state-centric approaches such as realism and neorealism tend to present a static view of regional cooperation where change is only possible as a result of the alteration of power configurations at the international level. Neorealism can be

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24 See next chapter.

especially problematic with its assumptions regarding the nature of the nation-state. According to this view, states differ only in capability and not in function. Emphasis is placed on the structural role of anarchy in international relations. However, empirical evidence (European integration in this case) challenges neorealism's deep-rooted assumptions about sovereignty and the nature of anarchy. 'Relative gains' concerns championed by neorealists do not hold against the case of European integration, in particular following the end of the Cold War and the European Monetary Union (EMU). Finally, neorealism's main weakness is the rigid separation between the domestic and the international. 'Any approach or theory, if it is rightly termed "systemic", must show how the system level, or structure, is distinct from the level of interacting units', wrote Waltz in 1979 (p. 40). Such an image fails to capture the complexity of regionalism in which forces and processes at all three levels identified by Waltz (the individual, the state and the international level) interact. However, a cross-level analysis is not possible within the neorealist framework. Neorealism's greatest contribution to regionalism theory lies in its emphasis on Cold War dynamics. As such it underlines that the development of regionalism has to be understood in the context of geopolitical and historical circumstances.

Intergovernmental approaches following the liberal tradition, particularly interdependence theory and neoliberal institutionalism, appear to be much better suited to account for the development of regionalism and integration. International regimes and institutions promote international cooperation by facilitating information exchange and the provision of forums for negotiation and confidence-building. While the debate between neoliberalism and neorealism has dominated international relations theory for quite some time, it is important to note that there are significant similarities between the two. Both are primarily state-centric and regard anarchy as the defining feature of international relations. They differ, however, in their interpretations of anarchy and the feasibility of international cooperation. Neoliberal institutionalism puts forward the notion of 'absolute gains', which enables cooperation between sovereign nation-states in an anarchical international system. While liberal intergovernmental accounts are certainly better suited for dealing with regionalism and integration on a theoretical basis, their rationalistic ontologies expose them to substantial criticism. Neoliberal institutionalism and Moravcsik's intergovernmental institutionalism take the interests and preferences of states and governments as exogenously given. Preferences are well established when state agencies enter an international negotiation situation. However, interest formation through social interaction, and the role of ideas and identities are largely ignored. Furthermore, too much emphasis is placed on the economic aspects of integration, running the risk of seeing political aspects as second-rate, dependent factors.

Supranational approaches are equally limited. Federalism, for instance, is mainly concerned with the creation of a state-like order at the international level. This, however, implies either that federalist theory does not fully understand the problem that it is attempting to solve, or that it provides an imperfect solution. If the organisational structure of the territorial nation-state is intrinsically flawed, how can the reproduction of this model at the international level be the answer? An international system based on nation-states which are prone to warlike tendencies

will not necessarily become more stable and secure if states are simply replaced by larger territorial units with state-like features.

This critique of federalism has motivated people like David Mitrany to develop a functionalist perspective. Functionalism and neofunctionalism are interesting paradigms on post-national regionalism, especially with regard to the revival of regionalism in the 1990s. The importance of functionalism lies also in the fact that it provided the groundwork for neofunctionalism, interdependence theory and multilevel governance approaches: 'Paradoxically, although many current scholars of integration would deny an affiliation to functionalism, recent work on EU governance certainly shares the imagery of complex, overlapping, multi-level authorities that we find in the functionalist repertoire' (Rosamond 2000, p. 39). One of the main criticisms of Mitrany's functionalism is that it rests on the assumption that integration is a gradual and linear movement based on the abilities of people and governments to make rational decisions. It is furthermore based on a dichotomy between technical issues and politics. In the real world, technocracy and politics are heavily intertwined.

Neofunctionalism's emphasis on non-governmental elites, growing interdependencies, spillover and functional pressures stood in stark contrast to the dominant international relations paradigm of the time, realism. Neofunctionalist scholarship evolved as an attempt to explain integration in Europe, which was seen as a particular case of a wider phenomenon. Following from this arose the notion that neofunctionalism could work in any regional setting (Rosamond 2000, p. 69). And indeed, writers such as Ernst Haas (1961) and Karl Deutsch et al. (1957) envisioned that the study of the European process would lead eventually to more generalisations regarding regional cooperation. Whereas 'functionalism was primarily a theory of *post-territorial governance*, [...] neofunctionalism was an early theory of *regionalism*' (Rosamond 2000, p. 69; emphasis in the source). There were a number of regional developments around the world such as, for instance, ASEAN, at the time when neofunctionalism was gaining ground the 1960s. Of particular interest is the neofunctionalist preoccupation with background conditions for regional cooperation and attempts to develop an early theoretical framework for the study of 'comparative regionalism' (Ibid., p. 70; Pentland 1973). However, neofunctionalism's hope to replicate the European experience elsewhere was short-lived (Haas 1975). First, supranational integration theory in general and neofunctionalism in particular underestimated nationalist sentiments and the power of the nation-state. What is more, efforts to export the European experience failed. These included projects such as the Latin American Free Trade Area and the East African Common Market.

Another problem that needs to be highlighted is the almost exclusive focus on the regional level (including the national and the sub-national levels) by many of the aforementioned supranational and liberal approaches. This separation of the regional and the global or wider international level is inherent in many of the traditional paradigms on regional integration and is very misleading. It severely limits insights into the determinants of regionalisation since there is ample reason to assume that the development of regional processes is linked with events originating outside the region in question. Although this has been acknowledged by the realist/neorealist schools, regime and interdependence theory and those studying security communities, these

traditions have their own intrinsic weaknesses. They are often too focused and too narrow, offering at best a partial picture of a much more complex process.

Furthermore, any approach treating European integration as *sui generis* will ultimately fail to allow for generalisations regarding the nature of regionalism. Meaningful comparison with other regional groupings and processes becomes almost impossible. One group of scholars remarks:

Ironically it is probably fair to say that the EU as an exercise in regional integration is one of the major obstacles to the development of analytical and theoretical studies of regional integration. For example, the characterization of Asian and Latin American regionalisms as 'loose' or 'informal' reflects a teleological prejudice informed by the assumption that 'progress' in regional organization is defined in terms of EU-style institutionalisation (Breslin et al. 2002, p. 11).

To conclude, traditional approaches to regionalism and integration are characterised by the rather unhelpful dichotomy between supranationalism and intergovernmentalism, a predominant focus on European integration and the drive to construct a 'grand theory'. As such, they tend to oversimplify complex historical processes and produce at best very shaky judgements about what is intergovernmental and what is supranational. Regionalism is a historical process. It does not proceed in a linear manner but is constantly shifting depending on domestic and international political and economic circumstances. The role of charismatic personalities and the personal preferences of individual decision-makers in shaping and forming the direction of regionalism has all too often been overlooked. Several factors were to converge to trigger a new wave of regionalism and a reconfiguration of theoretical thought on the subject in the mid-1980s. The outcome of this re-orientation has been the emergence of a second debate characterising contemporary, 'new', regionalism.

## Chapter 2

# New Regionalism The Second Wave: Towards a Framework for Comparative Regionalism

While briefly out of fashion with the demise of neofunctionalism, the period from the late 1980s has witnessed a renewed interest in regionalism theory. Partly responsible for this is a renaissance in regionalisms around the world in the form of new regional projects and a revival of old ones. Examples include Mercosur, ASEAN, APEC and NAFTA. The widening and deepening process of the EU has also attracted the attention of academics and policy-makers alike. In fact, in many ways it was the Single Market Programme itself that triggered a wave of new regionalisms, a wave driven by a variety of different forces. Of particular importance were significant geopolitical changes following the end of the Cold War and the growing importance of the globalisation process. Neoliberal economic globalisation, with its emphasis on trade liberalisation and international financial deregulation, in conjunction with a related dramatic increase in transboundary activities, began to challenge the central role of the nation-state in political, social and economic affairs. Regional spaces and regional institutions began to serve as increasingly important intermediate levels in the emerging multilayered structure of governance.

It is against this empirical background that new advances in theorising regionalism and integration were made. What is particularly striking about the second wave is the division separating scholars of European integration from those interested in other forms of regionalism. The Euro-centrism inherent in the newer approaches to European integration severely limits their insights into the more general aspects of regionalism. It prevents careful comparisons with other regional projects and, thus, constrains theoretical aims.<sup>1</sup> At the same time, however, new regionalism scholarship informed by international political economy-based approaches appears to have carefully avoided and downplayed the importance of European integration. This is rather odd considering that it was the European process that gave birth to the ‘new regionalism’ as an empirical phenomenon with the revival of European integration during the mid-1980s.

This chapter begins by looking at the divergent paths taken by European Studies and International Relations in their attempts to understand regionalism. The following section then goes on to make a case for the development of a framework facilitating the comparison of different instances of regionalism, bringing together elements from both literatures.

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<sup>1</sup> For the benefit of such comparisons see Warleigh (2004, pp. 304-9).

**Second-Wave Theorising***New Developments in European Studies – Institutionalism and Policy-Making*

The renewed interest in theorising European integration is linked to the revival of the European integration process in the 1990s. By the 1970s, it had appeared that the European integration process had stalled, at least when compared with the advances made in the 1950s. On the empirical front, the Empty Chair crisis and the Luxembourg Compromise<sup>2</sup> emphasised the practical limits of supranationalism. The breakdown of the Bretton Woods system in the early 1970s, and the oil crisis of the late 1970s implied that most participants in the European process had turned their attention inwards. There appeared to be little support for further integrative measures. On the theoretical plane, the deadlock between intergovernmentalism and supranationalism paralysed the discipline. Neofunctionalism had fallen from grace, particularly since the spillover from low politics to high politics had not occurred. It was an environment that did not lend itself to theorising and integration theory went out of fashion.

Things changed, however, in the 1980s. Neoliberal globalisation accelerated, driven by advances in transport and telecommunications technologies, financial product innovations, the neoliberal governments under Ronald Reagan in the US and Margaret Thatcher in the UK, and the international promotion of financial and trade liberalisation. Neoliberalism became the model for economic development worldwide following the debt crisis and the Washington Consensus. It was against this background that regionalism became popular once more. In Europe, the Single European Act rejuvenated the European process. The end of the Cold War brought additional challenges and opportunities for regionalism. Both dynamics supported the expansion of EU competencies and EU institutional reform. They provided the rationale for the 1992 Treaty on European Union, inaugurating a whole new period of regionalism and integration.

These empirical developments were followed in academia by a new wave of theorising.<sup>3</sup> Significant here was the governance turn in European studies, a move away from international relations theory. Scholars had rightfully pointed to the tendency of first wave approaches to focus only on the big ‘history-making’ treaties, neglecting the daily affairs of the EU system, leading to a polarisation between supranational and state actors. The governance turn began to see European integration as the result of a gradual increase in competencies, and opened up the possibility for recognising the role of other actors in the integration process. The EU now came to be regarded neither as an intergovernmental international organisation nor as an evolving supra-state, but as a system of governance or policy-making. Emphasis shifted from studying integration or regionalism to studying governance.

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2 See Chapter 3 for details.

3 For a relatively recent overview of new advances in European studies see M. Cini’s and A. Bourne’s edited volume (2006).

Both governance and government consist of rule systems, of steering mechanisms through which authority is exercised in order to enable the governed to preserve their coherence and move towards desired goals. The rule systems of governments (local, regional, national, and international) can be thought of as formal structures, as institutions for addressing diverse issues that confront the people within their purview. Governance, on the other hand, is a broader concept. It refers to any collectivity, private or public, that employs informal as well as formal steering mechanisms to make demands, frame goals, issue directives, pursue policies, and generate compliance (Rosenau 2004, p. 31).

This conception of governance provided the foundation for the new turn in European studies. Governance consists of a wide variety of rule-making and enforcing systems that can be issue specific. Global and regional governance can, therefore, be understood as a loose framework of global and regional regulation, both institutional and normative. It creates an overarching transboundary system regulating international affairs. The building blocks of such a system are international organisations, regimes, transnational organisations, transnational civil society and shared normative principles.

Current scholarship in European studies appears to draw heavily upon comparative politics and institutionalist approaches to explore the nature of the EU and to investigate how it operates. Among these approaches, multilevel governance and network approaches hold a prominent position. Approaches focused on governance overcome the trappings of state-centrism and supranationality and focus on the relationships between private and public actors linked in complex processes. They criticise the traditional academic separation between international and domestic politics (Marks et al. 1996, pp. 346-347). Multilevel governance approaches, for instance, take as their starting point the idiosyncrasies of the EU. Since it is neither a typical international organisation nor a nation-state, the distinction between national and international levels does not necessarily apply. Following from this, it is argued that approaches developed to deal with either domestic politics or international relations will ultimately fail to capture satisfactorily the complexity of policy-making in the EU. The focus instead is on policy agendas, policy formulation and decision-making procedures.

A central question is how governance is carried out. Ben Rosamond defines governance as ‘the range of action and institutions that supply order’ (2003, p. 119). Government is one way to deliver order. But policy-making approaches highlight that:

... the traditional methods of public regulation, intervention and legislation are being displaced and that authority is becoming dispersed amongst a variety of actors. The state retains a key role in governance, but its role is being reformulated, and arguably, residualized (Ibid., p. 119).

Multilevel governance approaches suggest that the character of governance in the EU has changed radically:

The boundaries between national policy making and European policy making have blurred to the point of insignificance. The EU policy process is not something that simply happens at the European level. It penetrates into national political and legal systems in



complex ways. So, while there has been an undoubted ‘drift’ of authority in various policy areas to the European level, we need to move away from the image of there being two distinct domains of politics in Europe – the national and the supranational/European level (Rosamond 2003, p. 120).

The term multilevel governance was first used by Gary Marks who defined it as a ‘system of continuous negotiation among nested governments at several territorial tiers’ (1993, p. 392). Marks’ conceptualisation also incorporates elements of network approaches. It further opened up the analysis of the role of non-state actors in integration processes. Regionalism and integration are seen as the result of complex interactions and negotiations between various actors at different levels of governance. Particular emphasis is placed on the functional operation of different administrative levels within the EU.<sup>4</sup> The institutional arrangements are understood as a network of horizontal and vertical linkages that connect local, regional, state and supra-national authorities.

Multilevel governance research thus concentrates on the dispersion of power between the supranational institutions of the EU, the level of the state represented by national governments and state agencies, and the subnational level represented by (micro-) regional authorities. There is a complex interplay between the three levels. It suggests that the state is under pressure ‘from above’ and ‘from below’. This view can be found in the writings of Hooghe and Marks (2001) focusing on the extent to which authority has become dispersed in Europe. Both European integration, and devolutionary processes in several Western European countries such as the UK, provide the best examples of this.

Multilevel governance approaches are an explicit attempt to underline the complexities of EU policy-making processes by emphasising variability, multi-actorness and unpredictability. At the same time it also ‘represents a clear denial of the idea that there can be a single all-encompassing theory of the EU’ (Rosamond 2003, p. 120).<sup>5</sup>

Although multilevel governance approaches focus mainly on the European experience, there is no reason why the fundamental concepts behind such an analysis could not be applied to understanding other regional structures. In fact, there have been explicit attempts to apply multilevel governance analysis within international relations. A more substantial discussion on this will follow. The problem is that most multilevel scholarship has pointed out the benefits of comparing EU policy-making processes to those of Western nation-states and, hence, tends to focus on the state-like features of the EU. However, of interest here are not particular policy-making procedures or state-like features of regionalism but the ability of multilevel approaches to examine the interaction of various actor groups, public and private, at different levels of analysis and governance.

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4 Examples are found in the works of Benz and Eberlein (1998), Perkmann (1999) and Jordan (2001).

5 Since Marks, several other writers have contributed to the development of multilevel governance theory. An edited collection by Ian Bache and Mathew Flinders (2004) includes theoretical chapters by Gary Marks and Liesbeth Hooghe, James N. Rosenau, Bob Jessop, B. Guy Peters and Jon Pierre.



Multiple levels of interaction and multi-actorness offer a framework for the use of network analysis (Rosamond 2000, p. 111). Networks have become increasingly fashionable objects of study as new forms of social, political and economic organisation. Network approaches see a network as a set of relatively stable relationships which are non-hierarchical and interdependent, linking a variety of actors who share common interests with regard to certain policies, and who exchange resources to pursue these shared interests, acknowledging that co-operation is the best way to achieve common goals (Börzel 1997). Transnational linkages and networks are decisive factors in the dynamics of regionalisation processes. Regionalism is viewed as a complex and multi-faceted process involving both formal and informal integration (Bressand and Nicolaïdis 1992, p. 29).

Although it can reasonably be argued that post-Cold War scholarship on European integration has been dominated by the governance turn, it would be wrong to maintain that advances in international relations theory have failed to have an impact on EU theorising. Philippe Schmitter (2004) and Frank Schimmelpfennig (2004), for instance, highlight the fact that neofunctionalism as well as liberal intergovernmentalism are still 'alive and kicking' within the discipline. In fact, one could go so far as to argue that many of the newer approaches to regionalism and integration draw either explicitly or implicitly on elements of neofunctional thought. This is especially true for the linkages between areas of 'low' and 'high' politics, as well as the interactions between private and public actors in integration and regionalisation processes. Neoliberal institutionalism or new institutionalism ought to be mentioned in this context too (see Pollack 2004).

Furthermore, constructivist approaches, with their emphasis on norms, structures and identities, have also been applied by scholars such as Thomas Risse (2004) to the study of EU enlargement and European identity. Social constructivism offers analytical insights into institutional behaviour in policy-making processes. As such, it is very much in line with current theories of policy-making. Its focus on norms and identities help us to comprehend how collective understandings emerge and 'how institutions constitute the interests and identities of actors' (Sweeney 2005, p. 160).

These advances in second-wave regionalism theorising have been well suited to describe policy-making and institutional structures within the EU framework. However, the focus on European integration alone leaves little room for more holistic understandings of regionalism. Such efforts are often based on *sui generis* assumptions regarding European integration, ultimately impeding efforts to generate a more comprehensive theoretical framework.

The comparability of European integration with other regions and other forms of regionalism is often implicitly or explicitly denied in the field of European studies. William Wallace, for instance, draws attention to the historical idiosyncrasies of European integration:

The experience of deep integration within Western Europe does not ... provide a model for others to follow. Its historical development was rooted in a stage of economic development and a security framework that have both now disappeared. The institutional structures that west European governments agreed to under those past circumstances have managed to respond to the different challenges posed by economic and industrial transformation in the

1970s and 1980s. Political, economic, and security motivations have been entangled in the evolution of West European regional integration from the 1940s to the 1990s (Wallace 1994, p. 9).

Even when it is not assumed that European integration presents a unique phenomenon, an ‘*n* of 1’ (Caporaso 1997), there is rarely any reference in European studies to regionalisms elsewhere. However, if some general principles and factors driving regionalism are uncovered, this would ultimately shed more light on European integration and contribute to a better and deeper understanding of regionalism as a general phenomenon. And this is where comparative methods would help. By removing European integration from its international historical and wider geopolitical and economic context, European studies is running the risk of overemphasising endogenous determinants of integration.

### *New Developments in International Relations: Theories of New Regionalism*

The previous chapter surveyed the contribution of international relations theory to first-wave theorising of regionalism and integration. At the heart of these discussions lay the concepts of international anarchy and sovereignty. Some key questions were asked: How could the security dilemma arising out of an anarchical international order be resolved, or at least how could its consequences be mitigated? What are the pre-conditions for successful international cooperation, whether regional or otherwise? Why do states cooperate in an anarchical world?

The resurgence of interest in regionalism in international relations theory coincided with the new impetus to European integration following the Single European Act which, in turn, triggered a new dynamism in regionalisms outside the European arena. The North American Free Trade Agreement (NAFTA) was created in North America, followed by the foundation of Mercosur in Latin America in 1991. In the Asia-Pacific region, ASEAN became much more assertive in the 1990s and APEC was set up. A more recent example is the Southern African Development Community (SADC).

These new regionalisms emerged in an altered international environment compared to their first wave predecessor. The end of the Cold War unleashed a worldwide structural transformation process. The unipolar moment the US is enjoying, and the acceleration of neoliberal globalisation, are re-defining the structural and agentive relations between national, regional and global contexts (Väyrynen 2003, p. 25). New regionalism theories have moved away from focusing on questions around the state, sovereignty and the security dilemma that characterised so much of first-wave theorising. Indeed, they offer an interesting opportunity to sidestep some of the problems characterising traditional or first-wave approaches, in particular the supranational/intergovernmental gridlock. James Mittelman (1996) summarises this as follows:

While this is not the place to rehearse a critique of each variant [of integration theory], all of them are deficient inasmuch as they understate power relations, deal inadequately or not at all with production, and fail to offer an explanation of structural transformation. In some ways a break with this tradition, the new regionalism approach explores contemporary

forms of transnational cooperation and cross-border flows through comparative, historical, and multilevel perspectives (Ibid., p. 189).

Proponents and pioneers of the new regionalism, such as Björn Hettne and Frederick Söderbaum (2002, p. 33), stress the necessity for a wider framework for the analysis and understanding of regions and regional processes, taking not only political and economic factors into account but also the influence of socio-cultural aspects, while placing regional developments in a wider international context.

Since the 'new regionalism' is closely linked to global structural change and globalisation, it cannot be understood merely from the view of the single region in question. What we are looking for specifically is a global theory that takes regional peculiarities into consideration. ... Global social theory means a comprehensive social science that abandons state-centrism in an ontologically fundamental sense. Social process must be analysed delinked from national space (Hettne and Söderbaum 2002, p. 35).

A whole new corpus of international relations theory has evolved, self-consciously differentiating itself from the exclusive study of the European phenomenon. It is evident that the new regionalism is a very wide-ranging body of literature comprising various forms of regionalisation processes and institutional structures. What separates the various interpretations of the new regionalism from first-wave approaches is their analytical focus on a multitude of actors, including public and private actors (Hettne 2003, pp. 24-25). Both, institutionalised as well as non-institutionalised processes are recognised as well as macro- and micro-regionalism<sup>6</sup>, or what Wallace (1992) calls informal and formal integration. Formal integration refers to integration led by government actors and is the result of conscious political decision-making and bargaining (integration from above). Informal integration is usually driven by social, economic and political dynamics and refers to the creation of transnational spaces via the interactions of private actors (integration from below).

Regionalism and regionalisation have become much more complex and numerous as the sheer number of regional arrangements springing up in recent years testify. There are several factors that help to explain this upsurge in regional activity. Richard Higgott (2006) summarises them as follows:

- The promotion of export growth strategies has advanced the reality of increased economic regionalisation. In this regard, the increased adoption of varieties of domestic neo-liberal policies is an explanatory variable for regional initiatives. This is one way in which the new regionalism comes to be embodied in the South.
- The need to respond to globalization or *participate* in the global economy is a driving factor for governments, both weak and strong.
- A final spur to new thinking comes from the frustration with the dominance of intergovernmentalist explanations that emanate from much theorizing, and in

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<sup>6</sup> The notions of micro- and macro-regionalism refer to the level of analysis of regionalism in social science: The international or macro level and the subnational (in some instances cross-border) micro level.

particular the stubborn dominance of hegemonic stability theory in much US-based literature. An understanding that state actors are but one set of agents among many is at the heart of newer approaches. Moving away from this old 'statist' approach is a defining characteristic of 'new regionalisms' (p. 26).

The passage quoted underlines again the tendency of second-wave theorising to focus on a multitude of public and private actors. There is also a tendency to analyse more closely instances of transboundary micro-regionalism. Different processes of regionalisation at different levels of interaction converge in the making of a region. Economic, political and social forces come together in aligning and shaping a set of new collective norms, principles and identities at the regional level (macro or micro) while altering established interests, norms and identities at the same time.

Regionalism is rarely an isolated process and must be regarded as driven by complex socio-historical processes and exogenous factors. It, therefore, has to be situated in its historical and global context. In particular, more attention has to be paid to exogenous factors such as globalisation and the international order. Thus, contemporary literature on the new regionalism is much less obsessed with state-centrism versus supranationalism, accords much greater recognition to the role and importance of private actors in forms of micro-regionalism, emphasises the influence of systemic factors and globalisation on integration and regionalism projects, and recognises the degree to which the 'idea' of a region is as much socially and politically constructed as it is economically determined (Higgott 2006, p. 29). The last point relates to the post-positivist turn in contemporary international relations theory with the rise of social constructivism, which has led to the highlighting of ideational factors in region-building, something that was largely absent in first wave theorising.

### **Complementary or Dialectically Opposed Literatures? Towards a Framework for Comparative Regionalism**

It is time that European studies scholars and proponents of new regionalism theories stopped talking past each other. Researchers such as the main theorist of the new regionalism approach, Björn Hettne (2003) himself, and Alex Warleigh (2004; 2006) dispute the intellectual lock-jam between both bodies of literature, arguing that much can be gained from overcoming the division between international relations based approaches and new developments in European studies. Indeed, there is sufficient scope to successfully 'marry' European studies and international relations theory. To start with, new regionalism enquiries would benefit from paying more attention to the European process: how credible can general explanations of regionalism be if they fail to explain the European phenomenon? Furthermore, the adaptation of multilevel governance approaches would greatly enhance our understanding of the linkages between globalisation, international order and regionalism. Warleigh (2006) is convinced that the new advances in European studies, which have so far been neglected due to 'discipline blindness', are a very useful resource for international relations scholars. European studies, on the other hand, can benefit from placing

the European process in a wider international context. As indicated in Chapter 1, the realist/neorealist tradition of international relations theory pointed to the relative importance of systemic factors for regional integration. Careful historical comparisons with instances of regionalism in other parts of the world will ultimately shed more light on both the peculiar and general principles of European integration.<sup>7</sup> It is therefore time to develop a methodologically pluralist framework for the analysis of regionalism (of which European integration is but one instance).<sup>8</sup>

### *A Framework for Analysis*

Regionalism is closely related to the contemporary global structural transformation in which non-state actors are also active and operate simultaneously at several levels of international relations.<sup>9</sup> By further elaborating the potential links between the new regionalism literature and new advances in European studies, the rest of this chapter will lay the foundations upon which a framework for comparative regionalism can be constructed. Central to this framework is social constructivism, highlighting the importance of ideational factors, and the centrality of the historical, political and social constructions of regional space to any understanding of regionalism.<sup>10</sup>

### *Regionalism and Social Constructivism*

Most textbooks on international relations hold that the discipline has evolved through three great and related debates between different schools of thought. The first was the debate between thinkers of the realist persuasion and liberalism. This debate was informed by empirical events and has substantially influenced the construction of international order. For instance, the League of Nations, the precursor of the United Nations, could directly be attributed to Woodrow Wilson's liberalism.<sup>11</sup> The debate between realism and liberalism never really faded away. It went through several stages, culminating in the neo-neo debate of the 1970s and 1980s (between neorealism and neoliberalism). The second debate, as indicated in the previous chapter, was not so much a theoretical as a methodological one. The behaviouralist challenge to traditional approaches focused on epistemological questions. Behaviouralism rested on a positivist epistemology and aimed to transform political science into a 'true' science by emulating the methods of the natural sciences. What made it innovative was its emphasis on greater rigour and precision in data collection and analysis. As such, behaviouralism attempted to replace subjective opinions with verifiable knowledge. The behavioural revolution was based on the conviction that international relations is a cumulative science and that scientific rigour would bring ever greater sophistication, precision and parsimony, and with it, predictive and

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7 For an analysis of the EU as a comparator in the new regionalism, see Warleigh (2004, p. 305).

8 See also Warleigh-Lack (2006).

9 See for instance Hettne (1996).

10 See Chapter 5.

11 Again based on Kantian thought.

explanatory power. Both, neorealism and neoliberalism were very much influenced by positivist epistemologies. The third debate was characterised by the rise of international political economy scholarship, in particular the large variety of critical and Marxist approaches, focusing on issues left out by conventional international relations theory.

During the 1980s, several factors converged to create yet another debate regarding the nature and prospects for international relations theory proclaiming the post-positivist era. Dissatisfaction with quantitative positivist theories triggered this reassessment. Social constructivism, along with critical theory, the postmodern critique of established theory, normative theory and feminism and gender-based approaches, fall into this category. There are many different versions of social constructivism, all of which take issue with the rationalist ontologies that underlie neoliberalism and neorealism. Social constructivism sought to move away from impossible theoretical objectivity and go beyond theoretical parsimony. Its origins lie within social theory and sociology, and it shares some assumptions with the international society approach.

Constructivist approaches have resulted in considerable progress in the study of international relations. Constructivism generally rejects rational theories of international relations, which explain regional processes and international cooperation with the help of strategic interests and relative gains and losses. Interests and preferences are determined through processes of interaction; they are socially constructed (see Fierke 2007, pp. 169-172). This implies that conditions such as anarchy and security dilemma situations are not inevitable but are socially constructed and, therefore, can be de-constructed (Wendt 1992). Although the behaviour of international actors is influenced by the international system it is also the behaviour of these actors that is reproducing the conditions characterising the international system. Thus, social constructivism complements agency-centred approaches (such as multilevel governance scholarship) by emphasising that the interests of the various actors participating in regional projects are not exogenously given. Neither are they static. They emerge and change together with regionalism. Social constructivism points, therefore, to the impact of particular political cultures, discourses etc. on the social construction of interests.

The notion of identity is, as we will see in Chapter 5, an important concept in discussing the formation of a region. In its simplest terms, identity is the understanding of the self in relation to an 'other'. Thus, the term refers to properties of uniqueness and individuality that make a person distinct from others. At the same time, it also connotes the qualities of sameness or commonalities associated with groups or categories. Identity is equally about self-perception as about perception by others. Identity also implies difference. It provides answers to both questions: Who are we? And, who are we not? Being a social construction, the sense of identity is context-specific. For the construction of any identity some form of binding element is needed. Examples are a common culture, a common ethnic background, shared linguistic similarities, common experiences, a common heritage, shared norms, principles and values, most of which are also the building blocks for territorially based national identities.

Identities constitute the crucial link between the structure of the international or regional environments, the interests of various actors, and the formation of policies. These actors and their policies determine the form, shape and structure of international and regional settings but, on the other hand, the same settings influence the behaviour, the capabilities, the definition of identities and interests as well as the very existence of international agents (Jepperson et al. 1996, p. 41). Identities form and generate interests since many interests depend on the construction of some kind of self-identity in relation to others. Consequently, actors can develop interests in enacting or developing particular identities. The commitment to a configuration of certain sets of identities, therefore, reinforces the acceptance of certain norms and, in turn, affects the normative structure of regional relations. Examples are cases of regional cooperation within trade and security regimes or regional arrangements such as the EU or ASEAN.

The policies and actions of actors such as, for instance, nation-states, are influenced by the perception of their own identity and national interests. Belonging to a particular grouping may in time re-define national interests and geostrategic preferences. The international system and the regional level are socio-political constructions driven by collective interactions, emerging from social, political, economic and strategic interactions. Actors do not only pursue material objectives. They are inspired by their identities and ideological and normative motivations. Institutions, such as the EU, embody certain principles, norms and identities. Actors that are part of the integration process become socialised with institutional aims. Global and regional regimes and institutions 'allow ... governments to become intimately acquainted with the goals, aversions, taste and domestic constraints of each other' (Sandholtz 1996, p. 406). Furthermore, social interaction has transformative effects on interests and identities. If one state continuously treats another as if it were a friend, then it is likely that this belief becomes internalised by both states (Wendt 1999, p. 327). Building confidence is an important function of international and regional cooperation.

Security complex theory is an example of theorising along these lines. While containing a strong realist core, security complex theory also considers more liberal ideas such as the notion of security communities and the relative importance of regional regimes and institutions. It starts with the assumption that international security is a relational matter. Relative power is more important than absolute power. Emphasis is placed on how states and societies relate to each other in terms of vulnerabilities and threats. Although all states are enmeshed in a global web of security interdependencies, insecurities are usually associated with geographic proximity. Therefore, the normal pattern of security interdependencies in an anarchic international environment is one of regional complexes. Security interdependencies among the states within such a complex are far more intense compared to interdependencies with states outside of the regional system (Buzan et al. 1998, p. 10). Such a security complex is then defined as a '[...] set of states whose major security perceptions and concerns are so interlinked that their national security problems cannot reasonably be analyzed or resolved apart from one another' (Ibid., p. 12).

Two factors are important in such a security complex: balance-of-power and patterns of amity and enmity among the regional states (Schulz et al. 2001, p. 8). Regionalism can thus be explained in terms of geographic relational security



interdependencies. According to Karl Deutsch (1968) increasing patterns of international transaction and communication between different international actors might help engender a 'sense of community' among the actors of a security complex. Eventually, this can lead to the establishment of certain practices, norms and institutions that are based on the expectation of peaceful and cooperative behaviour. Under these conditions, the states of such a complex try to escape the security dilemma situation by setting up regional arrangements, creating what Karl Deutsch calls a 'security community' (Buzan et al. 1998, p. 12).

Critical to a security community is the promotion of certain norms and rules of conduct, facilitating information sharing and reducing transaction costs (Keohane 1984).<sup>12</sup> Norms and rules can usually be defined as collective expectations for proper behaviour. They have a regulatory character, as argued by neoliberal regime theorists. Hence, norms establish expectations about who the actors are in international relations and how they might behave (Jepperson et al. 1996, p. 54). Norms become rules in the form of institutionalised procedures and are at the heart of all international regimes and regional arrangements. They therefore influence the institutional structure of international and regional order and constitute and shape the basic identities of international actors (Ibid, p. 58).

Following from this, regional institutions such as the EU might be regarded as steps towards the construction of an alternative international order.<sup>13</sup> Amitav Acharya describes the crucial role that norms play in socialisation processes among states that form security communities (2001, p. 17). These socialisation processes may even result in the breakdown of security dilemma situations amongst states. They may also generate an awareness of belonging to a particular region or a regional grouping. This regional identity formation has also been described as 'cognitive regionalism' (Schulz et al. 2001, p. 14). The key point is that norms, as well as material factors, regulate the behaviour of international actors. Norms describe the regulative cultural content of international politics while identities are regulative accounts of the international actors themselves (Kowert and Legro 1996, p. 435).

Norms and identities also shape and form the instruments that actors and agents have at their disposal. They also shape the awareness and acceptance of methods and technologies, which are necessary to achieve certain objectives and a sense of belonging. The acceptance of international and regional norms, such as the acceptance of certain rights as human rights, diffuse and change theoretical constructs like sovereignty.

To summarise, a web of implicit and explicit norms shape identities, interests and instruments available to public and private actors and are imperative for our understanding of regional processes.<sup>14</sup> At the same time, it is important to point out

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12 The importance of norms and rules has also been highlighted by the English school and in regime theory (see, for instance, Krasner 1983; Keohane and Hoffmann 1991; Breckinridge 1997).

13 Robert Kagan (2003) has taken this up in his book, *Paradise and Power: America and Europe in the New World Order*.

14 This links to the debates around the 'new institutionalist' approach to the study of the EU, highlighting the existence of 'micro regimes' within institutions and EU policies



that norms do not only have a regulatory function. They have also a constitutive character (Kratochwil 1989), linking with the construction of actor identities: Norms potentially define the identities of an actor and determine what an actor actually *is* within a community (be it a social or a political community). ‘The norm of sovereignty, for example, not only regulates the interactions of states in international affairs, it also defines what a state is in the first place’ (Risse 2004, p. 163). Subsequently, membership in regional arrangements such as the EU or ASEAN defines and shapes the interests and identities of the participating member-states.<sup>15</sup> Thus, regionalism in general and European integration in particular can be regarded as a two-way process of regime and institution-building at the supra-national level, which feeds back into the participating member-states and their political processes and structures (Risse 2004).

Thomas Risse highlights three ways in which social constructivism contributes to a better understanding of European integration and the EU:

First, accepting the mutual constitutiveness of agency and structure allows for a much deeper understanding of Europeanization including its impact on statehood in Europe. Second and related, emphasising the constitutive effect of European law, rules, and policies enables us to study how European integration shapes social identities and interest of actors. Third, focusing on communicative practices permits us to examine more closely how Europe and the EU are constructed discursively and how actors try to come to grips with the meaning of European integration (Ibid., p. 166).

Thus, constructivist approaches are able provide a point of convergence between new regionalism scholarship and European studies.

### *Multilevel Approaches*

As just outlined, social constructivism grants explanatory power to non-material factors such as identities, norms and principles. These factors are not floating freely but are bound to a multitude of actors at different levels of international relations. While constructivism is becoming an ever more popular paradigm in international relations, another body of scholarship has evolved which analyses regionalism in terms of evolving systems of multilevel governance. As explained above, multilevel governance and network approaches have been developed with the idiosyncrasies of European integration in mind. They are capable of dealing with the interconnectedness and interdependence of institutions and actor-groups within political and regulatory decision-making processes that are typical for EU policy-making (Marks et al. 1996; Hooghe and Marks 2001; Bache and Flinder 2004; Jessop 2004; Marks and Hooghe 2004; Rosenau 2004). Multilevel governance approaches emphasise the multi-dimensional interaction of economic, political and social actors and, accordingly, frame structures such as the EU as ‘a system of complex, multi-tiered, geographically

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(Aspinwall and Schneider 2001).

<sup>15</sup> That social constructivism can be applied in the analysis of European integration has been demonstrated by Christiansen, Jørgensen and Wiener (1999), Smith (2000) and Risse (2004). See also Cowles et al. (2001) and Börzel (2002).

overlapping structures of governmental and non-governmental élites' (Wessels 1997, p. 291). Multilevel approaches widen the spectrum and regard regionalisation as an open-ended process involving sub-national, national and international actors from all sectors of political, social and economic life. Vertically (between various levels of competence) and horizontally (across different levels of governance, economic and social life) interconnected institutions and other actors operate at regional, national and sub-national levels in an interactive process that engulfs macro-regionalisation as well as devolution and micro-regionalisation trends. This process results in the emergence of different and relatively new modes of regionalisation (cooperative networks, hierarchy and competition) (Falkner 1997). Multilevel and network approaches have the potential to transcend state-centrism and analyse public and private aspects of governance and networks as well as formal and informal, institutionalised and non-institutionalised structures. This is of particular salience when globalisation processes might be diluting the distinction between the domestic and international spheres.

The volume of literature on multilevel governance has increased dramatically over recent years. Marks and Hooghe (2004) distinguish between two contrasting visions of multilevel governance in the literature, which they label Types I and II. Type I is very close to federalist ideas and is 'concerned about power sharing among governments at just a few levels' (Ibid., p. 17). In Type II:

[J]urisdictions are aligned not just at a few levels, but operate at numerous territorial scales; in which jurisdictions are task-specific rather than general-purpose; and where jurisdictions are intended to be flexible rather than durable. This conception is predominant among neoclassical political economists and public choice theorists, but it also summarizes the ideas of several scholars of federalism, local government, international relations, and European studies (Ibid., p. 21).

Two questions arise here: How are constructivist approaches with their focus on identities linked to multilevel approaches with their emphasis on actors and interests? And, second, how useful are multilevel approaches outside the EU context? The first question addresses a fundamental problem of constructivism. One of its central concepts, identity, is very broad and difficult to conceptualise. It would be very difficult to make a direct link between identities and issue-specific policies that are imperative for understanding some aspects of regionalism. Here, the interest based notions of multilevel approaches work much better. However, these interests should not be taken as externally determined or static. Constructivism helps us to understand how identities, norms and principles shape interests and, subsequently, regionalism and regionalisation processes. It complements agency-centric multilevel governance approaches by emphasising that interests and identities are not exogenously given, but that political culture, discourse and the construction of those interests and identities matter. As for the second question, it is useful to point out once again that multilevel concepts help us to focus on the interactions of a variety of actors, public and private, at different levels of analysis, in various parts of the world. Network approaches in particular have been applied to regionalisation in the Asia-Pacific.<sup>16</sup>

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16 See, for instance Katzenstein and Shiraishi (1997).

Furthermore, globalisation has resulted in the creation of an international system of multilevel governance through the establishment of international organisations and regimes at the global, the regional and the transnational level. Regional networks and forms of regional governance are emerging throughout the contemporary international political economy. Multilevel governance can assume the form of distinctive international relations among sovereign but increasingly interdependent nation-states. Thus, it can be a specific strategy to organise governance in an increasingly complex and interlinked world.

Globalisation has fostered the creation of dense networks of transnational connections between subnational authorities in different countries (often without going through official national channels), and an increase in international cooperation in the form of international organisations and regimes. The increase of regional and global governance arrangements at subnational and international levels alongside national regulatory mechanisms indicates that governance has become increasingly decentralised and fragmented.<sup>17</sup> Furthermore, with globalisation the number of problems that need to be addressed cooperatively has increased, where international and sub-national actors may have a comparative advantage, as in the case of environmental issues. Finally, the increase in global communication and information technologies, the structure of global and international organizations and global finance has provided new infrastructures that enable public and private actors to bypass the nation-state and its authorities. The result is the spread of international and subnational regulatory bodies that have acquired relative autonomy from the state.

To sum up, while constructivism primarily focuses on the dynamics of norms and identity-formation, the building blocks of multilevel governance and network approaches analyse policy-making and decision-making and governance structures at the international, the national and subnational level of political, economic and social interaction. A pluralist methodological framework would suggest the synthesis of multilevel concepts with constructivist approaches. While the latter provides the explanatory element and emphasises the importance of ideational factors, the former provides a descriptive account of how these factors are applied as interests at various levels of global and regional interact. It is here that European studies can make a potentially valuable contribution to new regionalism scholarship. The challenge is how to apply multilevel governance approaches outside the European context. However, as just outlined, international relations already represent a system of multilevel governance where the processes of regionalism, globalisation and international order overlap.

### *Regionalism, International Order and Globalisation*

Most authors would agree that among the primary characteristics of new regionalism scholarship is the analytical focus on a broad range of public and private actors, as well as the need to refer to exogenous factors. Regionalism is closely linked

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<sup>17</sup> This is not a new phenomenon. As early as the 1970s Hedley Bull (1977) was speculating about the emergence of several overlapping and interrelated layers of governance.

with international order, as it gives structure to an anarchical international system. Regionalism is also linked to the globalisation process, appearing either as a consequence of or a reaction to it. Consequently, the linkages between these concepts and regionalisation need to be taken into consideration.

International order, at a very basic level, is concerned with the political, economic and social organisation of the international arena. It is the result of processes by which principles and rules of conduct and behaviour are agreed and implemented. It is a set of norms, arrangements, regimes and institutions regulating the relations between international actors and which, in time, alters the attitudes of decision-makers (Krause 2000, pp. 3-5). Defined in this way, international order is a dynamic process formed, shaped and altered by a multitude of actors including national governments, state institutions and agencies, a variety of non-state actors, and others. It describes '*specific solutions* to the problem of world order at a particular point in time: world orders are historical' (Spindler 2002, p. 9).

Contemporary international order is the outcome of a long evolutionary process centred on the sovereign state. The 1648 Peace of Westphalia is usually taken as the hypothetical starting point for the emergence of the Western European state system, which ended more than 30 years of warfare that had engulfed most of Europe. It reduced the power of the papacy in Rome and established territorial units that were politically independent. With decolonisation following World War Two, this state system became the foundation for a global order.

Maintaining order in an anarchic system of sovereign states poses problems. As we saw in Chapter 1, first wave international relations approaches to integration and regionalism were dealing precisely with this question of order. The realist/neorealist school stresses the importance of balance of power operations, diplomacy and alliances to maintain order between sovereign states. Commentators of a more liberal/neoliberal theoretical persuasion emphasise the importance of international and regional institutions, norms and principles. The relationship between international order, globalisation and regionalism also constitutes one of the main research concerns in the field of the new regionalism (Söderbaum 2003, p. 12). This contrasts with some European studies approaches, which have often been heavily focused on endogenous variables of regionalism, and are hence severely limited. For instance, among the central points this book is making is the influence of American post-World War Two hegemony<sup>18</sup> on the international political economy and on regionalism alike, a feature likely to be missed by European studies approaches focused on internal factors. Later chapters elaborate this notion.

The analysis of regionalism and international order cannot be separated from that of the processes of globalisation. Globalisation might be described as a multidimensional and multifaceted process that is transforming the organisation of time and space across national borders. It involves several independent processes: the liberalisation of international trade and financial markets, the decline of state activities in the economic field, the internationalisation of production and services,

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<sup>18</sup> Hegemony in this respect does not necessarily refer to military dominance but to the creation of a particular international institutional architecture enshrining a specific normative and ideational framework as ruling orthodoxy.

technical progress in certain key technologies, an increase in social mobility and cultural diversity and, last but not least, an increase in the number of problems which can only be solved at the international level such as the rise in migration movements or environmental problems (Held 1997). It is thus possible to identify several distinctive indicators of globalisation:

- Globalisation stretches social, political and economic activities across political frontiers.
- It intensifies international interdependence as flows of trade, investment, finance, migration and culture increase.
- It 'speeds up' the world since new systems of transport and communication mean that people, goods and capital travel much faster and that the diffusion of societies and cultures by information and new ideas is more rapid and more difficult to control.
- Local developments in far-away places can have enormous global consequences (Held et al. 2001, p. 135).

Thus, the phenomenon of globalisation involves an increase in functional integration, international interdependencies and transnational activities and interactions in the political, economic and social areas. A recent definition from an international relations perspective asserts that globalisation is: 'A term that refers to the acceleration and intensification of mechanisms, processes, and activities that are allegedly promoting global interdependence and perhaps, ultimately, global political and economic integration' (Griffiths 2002, pp. 126-127). Integration and regionalism are closely linked to the concept of globalisation, either as a driving force or as a reaction against it. At the same time, however, globalisation contains some interesting paradoxes. To give one example, not only does it accelerate integration but it also causes the fragmentation of national space.

Globalisation has put significant pressures on the nation-state. Much globalist rhetoric centres on the end of sovereignty and the end of the nation-state. Transborder flows of capital, goods, services, people and technology are said to be rendering the modern nation-state powerless. States are increasingly losing control, especially in the economic domain. Indeed, hyperglobalisers like Kenichi Ohmae are positive about the demise of the nation-state.

The Nation-State has become an unnatural, even dysfunctional unit for organizing human activity and managing economic endeavour in a borderless world. It presents no genuine, shared community of economic interests; it defines no meaningful flows of economic activity. In fact, it overlooks the true linkages and synergies that exist among often disparate populations by combining important measures of human activity at the wrong level of analysis ... On the global economic map the lines that matter now are those defining what might be called 'region states' (Ohmae 1993, p. 78).

Hyperglobalisers pronounce the dawn of a 'borderless world' and the decline of territorial sovereignty as an important reference point of political, economic and social organisation. States, they argue, have been usurped by global markets (Strange 1996). The state's role in the future would be restricted to providing the

legal framework for the market to operate effectively (Hirst and Thompson 1999, p. 262). Political power will be located in 'global social formations and expressed through networks rather than through territorially based states' (Steger 2003, p. 61).

At the opposite end of the spectrum, another group of scholars highlights the importance of politics in unleashing the economic forces that characterise globalisation and argue that the retreat of the state from international relations has been grossly exaggerated. The rapid expansion of economic activity in the last twenty years is not so much the result of the 'quasi-natural' forces of economic activity but has been driven by political decisions creating a framework for free market economies to flourish (see Hay 2006). In particular, the neoliberal policies of the United States and Great Britain in the 1970s and 1980s, have been instrumental in the liberalisation of international trade and capital flows and in unleashing the forces of economic globalisation. Governmental policies and not economic activities are, therefore, behind the globalisation process, they argue. As such, states remain key entities in international relations. Alan Milward (1992) goes a step further to argue that the state has actually grown stronger as a result of global forces. Regionalism and integration have, ironically, rescued the state rather than undermining it by allowing it to operate more effectively.

Globalisation is leading to deterritorialisation, and to the growth of supranational and transnational spaces, threatening the Westphalian nation-state premised on an explicit connection between sovereignty and territoriality. According to Jan Aart Scholte (1997, p. 21):

[...] owing to globalization, the Westphalian system is already past history. The state apparatus survives, and indeed is in some respects larger, stronger, and more intrusive in social life than ever before. However, the core Westphalian norm of sovereignty is no longer operative; nor can it be retrieved in the present globalizing world. The concept of sovereignty continues to be important in political rhetoric, especially for people who seek to slow and reserve progressive reductions of national self-determination in the face of globalization. However, both juridically and practically, state regulatory capacities have ceased to meet the criteria of sovereignty as it was traditionally conceived.

Thus, globalisation is seen to be undermining traditional conceptions of national sovereignty though it has not brought an end to the nation-state itself. The capacity of national governments to set independent national objectives and to impose their own domestic policies has been curtailed. Devolutionary pressures, regional integration and international organisations have forced national governments to transfer some of their traditional powers and functions. On the other hand, nation-states still hold enough power to decisively influence their domestic economies (and in some cases the global economy). It is argued that the nation-state will remain in a key position – at least for the foreseeable future. There is no apparent alternative which could command or enforce the same amount of respect, loyalty and authority and, hence, focus and organise social energies in the way governments still can do by appealing to a sense of shared identity (Maull 2000, p. 48). States are able to control transnational flows, whether of people or capital. National security measures, especially following the 9/11 attacks on the World Trade Centre, have further

enhanced the powers of national governments, sometimes at the cost of restricting civil liberties and freedoms.

While the state survives, however, the face of governance is changing. Scholte (1997) speaks in this context of post-sovereign governance characterised by increasing sub-state and supra-state governance. Devolutionary processes have resulted in the transfer of decision-making power from the national to the municipal and the provincial levels. In addition, globalisation has resulted in direct transborder links between sub-state authorities, sometimes in association with central authorities, but also often bypassing them. Within the context of the EU, the interests of several subnational regions have become increasingly involved in creating transnational alliances with other regions, creating new cross-border regional entities and the Committee of the Regions. Alongside this 'top-down' transfer of policy-making power has been a 'bottom-up' movement of other state competencies to the international level. Furthermore, the number and scope of international organisations and intergovernmental networks has been growing steadily in every part of the world. Examples range from regional organisations such as the EU and ASEAN to institutions with a global reach such as, for instance, the United Nations (UN), the International Monetary Fund (IMF), the World Bank, or the World Trade Organisation (WTO). Global governance is also increasingly shaped by the emergence of a 'global civil society' characterised by numerous non-governmental organisations (NGOs) such as Greenpeace, Amnesty International or Oxfam International. Taken together, global and regional governance and subnational governance tend to break the formal institutional framework of the nation-state and exclusive national sovereignty, replacing it with a more fluid multilevel governance structure where governance is increasingly shared in many areas.

Therefore, regionalism cannot be separated from the globalisation process. On the one hand, national political and economic elites are driven towards regional cooperation united by their scepticism regarding the increasingly unregulated global economy. On the other hand, regionalism appears to be more proactive, integrating national economies with the global economy, and fostering globalisation. For example, by creating the Single European Market, EU member-states went a long way in opening up their economies. Today, in order to comply with current EU standards, new applicants have to liberalise their economies. Thus, the relationship between globalisation and regionalism is complex. A response to globalisation can become a pathway to globalisation, promoting globalisation. Globalisation and regionalism are:

[...] mutually reinforcing and co-constitutive rather than contending processes. Regional regimes are not barriers to globalization, but rather 'in-betweens'. The regional project is both part of and a facilitator of globalization and a regional counter-governance layer in the world political economy (Higgott 2006, p. 22).

Regionalism and regions represent a layer of global governance in an increasingly multilayered (or multilevel) system of international governance, sitting on the intersection between the nation-state and the global level. Several researchers have



analysed the various linkages between regionalism and globalisation.<sup>19</sup> Some regard regionalism as one amongst a range of contending world order projects, being a conscious attempt to reassert control over ever increasing economic liberalisation and globalisation (Hurrell 2005, p. 42). According to Helen Nesadurai (2005, p. 158), regionalism can in principle relate in three ways to globalisation and global governance. First, regionalism can be understood as reproducing the conditions of global governance at the regional level, helping to insert regional actors into the global economy. The regional level is employed as a platform to participate in the global division of labour and production, to facilitate international trade and to attract foreign direct investment. Regionalism can also be a resistance to globalisation aimed at preserving particular national political, social and economic arrangements ‘that are difficult to sustain individually under conditions of globalisation’ (Ibid.). And, last but not least, regionalism may aim to address national and transnational problems that arise out of the globalisation process without actually rejecting or resisting globalisation. Unfortunately, while the new regionalism literature explicitly draws out these connections, the dynamics between regionalism, international order and globalisation are all too often ignored by European studies.

#### *Defining Regions – The Construction of Regional Space*

The current international system, characterised by the forces of globalisation, invites not only a re-definition of national space but also of regional space. However, as outlined above, the relationship between regional processes and the wider international level is complex. Nonetheless, it is important to understand how regional space is delineated. Politically, economically and socially, regions have emerged as a mediating layer between the national and the global, becoming important features in an overlapping network of multilevel governance. Devolutionary processes and globalisation have supported the rise of the regional level of analysis in international relations in many ways. Technological advances associated with the globalisation process have enabled the coordination of economic, social and political processes across wider territorial spaces and across national boundaries. Globalisation has also triggered the reorientation of economic, political and civil society actors away from the national level to focus on regional modes of governance. At the same time, regions are also forged together as a response to globalisation. Nation-states and their governments are searching for more cooperative means to address some of the difficulties arising from globalisation. Economic and financial flows, security and environmental issues, migration or organised crime increasingly require collective regional solutions.

The definition of what constitutes a particular region for comparative purposes is fraught with difficulty. A simple territorial definition may not get us very far. Other elements need to be added. Some identify regions with the help of data on mutual interactions, similarities of actor attributes, and shared values and experiences (Väyrynen 1997, p. 9). Geographical proximity is one of the main determinants in

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<sup>19</sup> See, for instance, Bøås, Marchand and Shaw (2003), Gamble and Payne (2003), Hveem (2003), and Hettne (2003).



defining a region, especially at the macro level. For Louise Fawcett, regions are sometimes characterised as:

units or 'zones' based on groups, states or territories, whose members share some identifiable traits ... A central character of such zones is that they are smaller than the international system of states, but larger than any individual state or non-state unit; they may be permanent or temporary, institutionalised or not (2005, p. 24).

The 'identifiable traits' of a region can come in the form of cultural, linguistic, economic or political ties (Mansfield and Milner 1999, p. 591). The main problem is to identify the distinctiveness of a particular geographic area as a unit characterised by enhanced political, economic and social interaction. This relates to the question of how different a certain region is with respect to other geographical entities or the international system in general. At the same time it is important not to overemphasise regional idiosyncrasies to allow for meaningful comparisons between different regions.

One of the foremost theorists of the new regionalism approach, Björn Hettne (1996), identifies five degrees of 'regioness'. First, a region is a geographical unit. Second, it is a social system, implying translocal and transnational relations between different actors and agents. These relations constitute a security complex in which the actors are dependent on each other for their own security. Third, regions can be characterised by organised cooperation in economic, political, social or military fields. In this case, a region is defined according to the members of the organisation in question. Fourth, a region as a 'civil society' can take shape when the organisational framework facilitates and promotes social communication and values throughout the region. And, fifth, regions can emerge as collective or international actors in their own right with a distinct identity, actor capabilities, and a certain degree of legitimacy and decision-making structures. Barry Buzan and Ole Wæver (2003) advance another definition of a region for the purpose of systematic comparison. Their regional security complex framework analyses the interplay between the national, the regional and the global level from a security perspective.

Often, a strong correlation is made between the nation-state and its membership in regional organisations. Indeed, the EU is often, rightly or wrongly, used to stand for (Western) Europe as a region. The membership of nation-states in regional organisations appears to be a parameter in the definition of region. Perhaps this should come as no surprise given the strong connection between geographic territory and region and geographic territory and sovereignty. States, therefore, remain key actors in region-building. This is contrary to the postulations of hyperglobalisers who have rendered the state a passive force in the face of cross-border activities. As discussed previously, states are far from inactive in the current international political economy. Just as states have created the regulatory framework for economic globalisation, states are imperative actors in regional processes. However, regionalism is a multifaceted multi-actor process, and non-state actors ought to be considered too in the process of regionalism and integration: 'The growth of transnational class alliances that integrate elites, but not usually the wider populations, of a given country is key here'

(Higgott 2006, p. 25). Also, regions are more than just the sum of their constitutive components/members.

Regions are not permanent fixtures of international relations but historical, cultural, political and economic structures, which change in form and function over time. This implies that regional boundaries are always fluid and arbitrary (Väyrynen 1997, p. 6). Regions are first and foremost imagined constructs depending on social, economic and political interaction and on the actors involved in the regionalisation processes. They evolve in particular economic and socio-political contexts. Such a view challenges the rigid and often problematic conceptualisation of regions according to the rationalist tradition. There are no 'natural' regions for political scientists (Ravenhill 1995, p. 181; Hettne 2005, p. 544; Söderbaum 2005, p. 91). The definition of what constitutes a region is, therefore, to a large extent self-determined by the external and internal public and private actors and participants involved in regionalism and regionalisation.<sup>20</sup>

The constructivist and multilevel governance foundations of our framework suggest that regions are forged and constructed by the application of the different ideas, norms, principles, identities and imaginations of the various actors involved in regionalism and regional interaction. These actors face each other at the global, the regional and the national levels of analysis and can be broadly categorised into public and private actors. Public actors include nation-states and, at a lower level, their administrative frameworks and agents, while private actors combine, for instance, such bodies as national and multinational enterprises, non-governmental organisations or different pressure, lobby and interest groups. These actors are imperative to understanding how regional spaces are constructed. Their interests, identities, norms of conduct and relations among themselves and with what they regard as the external environment have a substantive impact on the shaping of regional structures.

Constructivism points to the importance of cognitive and ideational factors in regionalism. What constitutes a particular region can be approached from two perspectives: through outsiders' perception of the geographical space in question as a distinct political, economic, social or cultural unit, and by its internal (regional) conception of itself as a relatively distinct economic, political and social unit. Thus, like any form of identity, 'region' too has an external and an internal dimension. External perception is international recognition, whereas internal regional identity consists of a set of explicit and implicit norms, procedures, principles, values and self-imagery defining the region in question and providing what Hurrell (1995, p. 337) describes as 'regional cohesion'.<sup>21</sup> The parallels with national identity are obvious. In the current international system states have to be recognised by other states. Nation-states, therefore, find part of their identities in the face of other states.

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20 These actors in turn are subject to historical, socio-political and economic contexts.

21 This does not imply that identities are the only important issue in the formation of a region. Other, more material and instrumental factors can be just as important. The point to be stressed is the significance of ideational factors *and* material ones.

And internally, it comes from citizens' identification with this particular political entity.<sup>22</sup>

Some form of institutionalisation can function as a powerful marker for the existence of a region. The concept of identity implies a sense of categorisation and a sense of difference. Through the establishment of formal political structures, regions internalise their identities among their constituent members. In addition, formal institutional structures enable regions to be recognised as such by extra-regional actors. However, this is no way meant to downplay the importance of non-institutionalised regions. It may only be a bit more difficult to delineate them from the national level and the global level for want of clear institutionalised structures.

Conceptualising and defining regions in the manner suggested has two advantages. First, applied to European integration, it may shed more light on the EU as a region, in particular with regard to its identity and actorness in international relations. And second, the parameters are sufficiently wide to be applied to other regionalism projects and, thus, facilitate meaningful comparisons. A comparison of the EU and ASEAN based on their regional identities will follow in Chapter 5.

## **Conclusion**

This chapter completes our discussion of the main theoretical approaches to regionalism and integration started in the previous chapter. We have seen that second-wave theorising is dominated by two broad lines of scholarly enquiry, the governance turn in European studies and the wide range of new regionalism scholarship based on international relations and international political economy approaches. Both strands of theorising have overcome the intergovernmental/supranational divide that had characterised first wave approaches.

There is, furthermore, little emphasis on 'grand theory'. Second-wave theorising in general recognises the diversity of regionalisms and is in many ways much less state-centric compared to traditional approaches. Both European studies and new regionalism studies emphasise the multitude of private actors, informal processes and transborder activities that are imperative for a better understanding of regionalism. The study of micro-regionalism and meso-regionalism has become increasingly fashionable.

In addition, approaches such as social constructivism have made inroads into European studies and new regionalism scholarship. Both schools increasingly tend to emphasise the importance of norms, ideas and identities in region-building. As a final point, we need to highlight the close relation between regionalism and the external environment, particularly processes of globalisation, taken up by the new regionalism.

The chapter also contains the thesis that we are currently witnessing the emergence of a new division – between European studies and the new regionalism. This is unfortunate inasmuch as scholars of both subjects are involved in studying

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<sup>22</sup> This should by no means suggest that regions ought to be compared with nation-states. The analogy is for illustrative purposes only.

the same phenomenon, albeit in different geographical and institutional settings. The two bodies of literature are, therefore, not that far removed from each other and can be usefully synthesised. The previous paragraphs have demonstrated that there is sufficient common ground between both schools to allow us to develop a framework of analysis for the comparative study of the EU with other forms of regionalism. Such comparisons can deliver interesting results:

The multiple voices of region in contemporary Asia contrast with the EU, which is now unequivocally the dominant regional organization in Europe. While this characterisation of Asia could easily have been applied to Europe at the end of the Second World War, it is not to say that Europe's present is Asia's future. Different variables, or similar variables in different contexts, are likely to yield different outcomes (Higgott 2006, p. 22).

The framework outlined above will be applied to systematically compare regionalism in the cases of the EU and ASEAN without ascribing European integration a privileged position. The comparison, it is hoped, will de-emphasise the idiosyncrasies of individual regionalisms, locating the development of regionalism within its historical context and linking it to the wider international level, while also bringing the EU back into new regionalism scholarship.

## Chapter 3

# Regionalism in the EU and ASEAN During the Cold War: The First Wave

There are many instances of regionalisation in the world today. Yet, it is the European experience that has become almost synonymous with successful regional integration. Indeed, as we have seen, first-wave theorising seems to suffer a teleological prejudice – it suggests that successful regionalism has to be achieved along the lines of the EU. While some scholars seem to doubt whether the EU is an instance of regionalism at all (Hix 1994; Rosamond 2000, p. 157), others are so caught up with the EU's idiosyncrasies, its procedural complexities, its longevity and its degree of institutionalisation that we cannot even begin to introduce the notion of comparative analysis into this discourse.

The tendency to see regionalism in the EU as a yardstick to measure all other regionalisms finds its expression in the characterisation of ASEAN or APEC as 'loose' or 'informal' organisations. The relative longevity of the European process, and the temptation to see all regionalisms as evolving along similar linear paths, leads to some analysts arguing that ASEAN today is very similar to European integration during its formative years. While there might be some justification for such conclusions, the dangers here are also very obvious. Such a reading implicitly downplays the importance of the international context in which European integration evolved, and overlooks the historical circumstances and the exogenous and endogenous dynamics that have formed and shaped the EU. The assumption about the exceptionality of the EU can as easily be turned on its head. After all, the supranational elements of the EU make it the odd one at the international level when compared with, say, ASEAN, Mercosur, NAFTA or APEC. Thus, rather than asking the question why other regions have not achieved the same degree of supranational institutionalisation, we may as well ask the question why European integration has developed the way it has. And indeed, using the framework outlined in Chapter 2, a careful historical comparison of the development of regionalism in the EU and ASEAN can help us to shed more light on the background conditions for regionalism, and better elucidate the reasons for different levels of political cooperation and economic integration in the EU and ASEAN.

The purpose of this chapter is to outline and to compare the historical evolution of regionalism in Western Europe and Southeast Asia. The chapter begins by looking at the development of the EU in the post-World War Two period, a development that was to galvanise scholarly interest in regionalism in the first place. Like ASEAN's development, which will be elaborated on in the second part of the chapter, the formation of the EU cannot be fully comprehended in isolation from the particular geopolitical situation that emerged in the late 1940s.

**First-Wave Regionalism in Western Europe***Launching Integration: The European Coal and Steel Community*

By the end of 1945, one of the most disastrous wars known to humankind so far was over. It had introduced terrors beyond imagination such as the aerial bombing of cities throughout Europe and Asia and the atomic raids on Nagasaki and Hiroshima. The blood of a whole generation had stained the battlegrounds of Africa, Europe and Asia. With the fall of Berlin and the capitulation of Germany on 8 May 1945, the war in Europe came to an end.<sup>1</sup> In the Pacific it lasted a little longer.<sup>2</sup>

The war had greatly altered the global geopolitical landscape. The European colonial powers were witnessing the collapse of their empires. Indeed, the US and the USSR were the only countries to emerge from the war more powerful than when they had entered it. The war also resulted in a change in the direction of US foreign policy. Washington abandoned its pre-war isolationism and accepted far-reaching responsibilities in the post-war international system, if only for its own security and prosperity (Urwin 1995, p. 13). Its ambitions focused on the establishment of a global political economy that was based on international partnership, economic interdependence, free trade and investment. As such, it was instrumental in setting up the United Nations (UN) and the Bretton Woods institutions. The creation of international organisations and fora that included the USSR, such as the UN and its Security Council, indicate that the United States believed that cooperation between the wartime allies would continue.

However, tensions between Moscow and Washington escalated with the death of Theodore Roosevelt and the move of Harry Truman into the White House. Mutual mistrust and suspicion finally culminated in the Cold War that effectively divided the world into two antagonistic camps. The announcement of the Truman doctrine of containment, which was to become a cornerstone of US foreign policy, marked in many ways the opening gambit of the Cold War.<sup>3</sup> The world became characterised by a bipolar power structure, with the United States and its allies on the one side and the Soviet empire on the other. The dividing line between these two camps ran across the globe, but it was most visible in Europe in the form of the so-called 'Iron Curtain'.

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1 For the surrender of Germany, Italy and Japan see also the United States Government Printing Office (1945).

2 On 15 August 1945 a war-weary and demoralised Japanese people heard for the first time the voice of their emperor, Tennou Hirohito, announcing the unconditional surrender of Japan. The traumas, human miseries and devastation in the wake of the final months of the Pacific War, when the Japanese dream of an empire sank into a sea of fire, steel, blood and fury, have been brilliantly described by W. Graig (1967).

3 The Truman doctrine was announced in 1947 after a communist uprising in Greece. In his address to the Congress, President Truman explicitly said: 'I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or outside pressures' (Truman 1947). To use the words of G. F. Kennan, the Truman doctrine contains that 'United States policy towards the Soviet Union must be that of a long-term, patient but firm and vigilant containment of Russian expansive tendencies' (Kennan 1947). (See also Richard Crockatt (1995, p. 72).)

Another legacy of World War Two was that the United States had *de facto* become a European power. America soon realised that its European allies were far too weak to defend themselves against the threat posed by Soviet expansionism and domestic communist threats. In 1947, the Marshall Plan was announced to help Europe's shattered economies (Jones 1947, Marshall Plan 1947), leading to the emergence of 'spheres of influence' in Europe. As Richard Crockatt (1995, p. 77) puts it:

European recovery plans were already under discussion while the Truman Doctrine was being formulated. Indeed the two policies were related in the minds of the Truman administration from the start – 'two halves of the same walnut' as Truman put it.

Behind Washington's intention to kick-start European recovery was also the need to prevent a breakdown of the world trade system, which would clearly have had damaging effects on American economic interests (Urwin 1995, p. 16). Without European economic recovery, US exports to Europe would stagnate and the US would follow Europe into a post-war recession.

Most significantly, the end of World War Two marked the beginning of US dominance of the international system, not only through its military might, but by its shaping of the emerging international political economy through its creation of an institutional architecture in the form of the Bretton Woods Accords of 1944 (Ikenberry 2001, United Nations Monetary and Financial Conference at Bretton Woods 1944). This framework was based on a stable, cooperative international monetary system, based on fixed exchange rates. Floating exchange rates had proven to be inherently unstable with devastating consequences for not only individual countries but also the international system. Now, exchange rates were fixed against the US dollar and the US dollar was fixed to gold at a rate of \$ 35 per ounce. The strength of the US economy, the fixed relationship of the dollar to gold, and the commitment of the US government to convert dollars into gold at that price implied that the US dollar was as good as gold.

In addition, the Bretton Woods agreement created multilateral international institutions to manage the new international economic system: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). These organisations provided the institutional background that was supposed to foster international trade and European economic recovery. Bretton Woods, and more specifically the Marshall Plan, are both indicative of US hegemony fortifying itself through the promotion of a particular international economic order supported by a commitment to multilateralism and political and economic liberalism (Beeson and Higgott 2005).

This evolving international economic order needs to be seen against the backdrop of contemporary geopolitical issues. Indeed, it is indicative of a strong connection between economic and security affairs. There was no immediate fear of German aggression but the threat posed by the Soviet Union and strong Communist parties throughout Europe, especially in East Germany, Italy and in France, highlighted the importance of economic assistance (Dinan 2004, p. 20; Peterson 1996). A deterioration of the already poor economic and political situation in post-World



War Two Western Europe might have created the conditions for the incubation of Communist ideas.

The creation of an international economic and political order based on complementary multilateral institutions in the late 1940s must be regarded as part of the normative struggle between liberal democracy and capitalism on the one side, and communism and central planning on the other. And this provides the context for European integration. The US insisted that the states receiving Marshall Aid would coordinate their economic policies. To ensure this, the Organisation of European Economic Co-operation (OEEC) was established in 1948 (Committee for European Economic Co-operation 1948). Although the establishment of the OEEC was an important event in the story of European regionalisation, it had clear economic limits and almost no political impact. It underlined, however, that the economies of Europe were both, highly interdependent, and dependent on American assistance (Coffey 1995, p. 20).

The struggle between the superpowers added additional elements to European reconstruction efforts. Soviet consolidation in Eastern Europe and the relative strength of Communist parties in Western Europe galvanised support for long-term assistance to Western Europe among political elites in the US (Dinan 2004, p. 20). A two-tier approach focusing on economic and security support was needed. The latter was pledged with the Truman doctrine in 1947. In 1949, the US defence commitment in Western Europe was consolidated with the creation of the North Atlantic Treaty Organization (NATO) (1949).

Both NATO and OEEC indicate the interconnectedness of security and economic issues in the larger geopolitical context. They also provided valuable experience for further regional initiatives. The US-dominated international economic and political order offered a favourable climate for European regionalism to evolve. Following World War Two, many European academics, intellectuals, political decision-makers and resistance leaders were beginning to view the nation-state system as fundamentally flawed.<sup>4</sup> Furthermore, the economic crisis of the late 1920s and early 1930s had underlined the interdependence of modern industries and the limits of national governments in influencing and protecting their own market efficiently against outside developments and negative externalities (Ladrech 2000, p. 26).

While the Bretton Woods system and Marshall Aid need to be analysed in the context of the Cold War, the idea of setting up an international economic institutional framework pre-dated the War. Fostering international trade and creating stable international institutions were key elements in the Kantian proposal for international peace and stability and the liberal reform programme for international relations.<sup>5</sup> Indeed, it might be argued that this was the underlying rationale for Woodrow Wilson's 14 points speech in 1918 and the League of Nation's proposal (Wilson 1918). The very same motives influenced the creation of the Bretton Woods system, and the UN as a successor to the League. Contrary to the story told so often by conventional IR theory, it appears that liberal ideas were far from being dead and

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4 See Chapter 1.

5 See Chapter 1. For a good introduction to Kantian thought see Brown et al. (2002, p. 431).



found a rare window of opportunity to reshape international relations between the end of World War Two and the outbreak of the Cold War.

This was particularly true for Europe, where radical ideas for European reorganisation and restructuring flourished. Among the most widespread was the belief that European countries would need to cooperate politically and economically in order to achieve the goals of reconstruction and to prevent future outbreaks of military violence. As indicated earlier, many politicians and academics favoured a federal approach to unifying Europe. Winston Churchill, for instance, suggested the formation of a 'United States of Europe' in his famous speech on 19 September 1945:

If Europe were once united in the sharing of its common inheritance, there would be no limit to the happiness, to the prosperity and glory which its three or four hundred million people would enjoy. [...] It is to recreate the European family or as much of it as we can, and provide it with a structure under which it can dwell in peace, in safety and in freedom. We must build a kind of United States of Europe (Churchill 1994, p. 6).

This speech had an enormous impact, especially among those who supported the federal idea. It was generally thought that the UK would provide a major initiative towards post-World War Two integration in Europe. With Germany defeated, divided and occupied, it was only natural to assume a Franco-British coalition at the core of European integration measures (Urwin 2003, p. 13). However, British political elites had their own ideas and Churchill did not see Britain becoming part of a more integrated Europe: 'We are with Europe but not of it' (quoted in Urwin 1995, p. 31). Several explanations have been put forward for the British lack of interest in European integration. Despite the fact that British colonial power had been in decline since its involvement in World War One, London still harboured imperial pretensions. During World War Two, the UK had barely managed to defend itself, let alone its colonial dependencies and territories. Yet, in the immediate aftermath of the war, it was hard to accept that while being on the winning side, the glorious Empire was lost forever. And so London continued to look away from a 'backward' Europe, to focus its attention on the Commonwealth and its 'special relationship' with the US instead. In the speech quoted above, Churchill (1994, p. 6) also underlined that: 'We British have our own Commonwealth of Nations.'

There were also other reasons for the reluctance of the UK to participate in European integration. The model of the nation-state and the creed of nationalism had served Britain well. Unlike much of the rest of Europe, the UK had not suffered foreign occupation or the evils of virulent nationalism and dictatorship. Sovereignty was equated with military prowess and the need to remain 'independent'. Its colonial legacy and its relations with the US implied that Britain applied a more global perspective compared to its European neighbours, perhaps even punching above its weight in the emerging international post-World War Two order. The priority accorded by the Attlee government (1945-51) to elevating Britain into the charmed circle of nuclear powers was perhaps the best indicator of this.

Meanwhile, the federal idea was being supported by many European academics and economic and political decision-makers who asked themselves why the war had

occurred and how similar clashes could be prevented in the future. A united Europe structured along federal principles seemed to offer the promise of lasting peace, democracy and the rule of law. In addition, it would remove all barriers to trade, which were obstacles to post-war recovery. Anglo-Saxon economists and the liberal tradition in international relations theory especially promoted the idea of free trade as the road to prosperity and peace and stability. The question was how to reach the elusive goal of a federal Europe.

The Congress in The Hague in 1948 established a European movement to debate European integration (Council of Europe 1999). It was significant inasmuch as it highlighted that there was a high level of popular support for some form of European unity. The participants included dozens of different national and transnational organisations as well as individuals and government representatives. However, there was little consensus on how the ideal of European unity ought to be achieved. Some of the participants were die-hard federalists while many other were indifferent or hostile towards the federal idea, still searching for a way to achieve European unity without undermining the legitimacy of the nation-state in Europe.

It was, perhaps, inevitable that most Europeans were more concerned about economic recovery than about abstract ideas such as a federal union. The international economic order set-up by the US supported the idea of trade liberalisation. A number of transnational organisations were active in Europe including the European Coal Organisation, the European Central Inland Transport Organisation, the Emergency Committee for Europe and the United Nations Economic Commission for Europe. More explicitly, the Marshall Plan, as indicated above, actively encouraged Western Europe towards economic cooperation and integration. US Under Secretary Clayton was quite specific: ‘Such a plan should be based on a European economic federation on the order of the Belgium-Netherlands-Luxembourg Customs Union’ (Clayton 1963, p. 498). What the US wanted for Europe was the creation of a single market (Dinan 2004, p. 26). However, while the Europeans were happy to receive Marshall Aid and had little objection to the formation of the OEEC, they displayed very little enthusiasm for economic integration. Despite the lessons of the interwar years, protectionism ran deep in Western Europe. For example, the formation of the Benelux customs union between Belgium, the Netherlands and Luxembourg in 1948 was partly driven by fears of protectionist measures from large European neighbours. Hence, despite claims to the contrary by liberal integration theory, economic interdependence provided insufficient dynamic to kick-start European integration. There was little economic interdependence. The war had made sure of that. Economic interdependence had first to evolve before it could become a driving factor. Indeed, in that respect Western Europe in the 1940s looked much like Southeast Asia in the 1960s. Protectionist feelings were high in countries in both regions and levels of economic interdependence rather low.

However, the conditionalities attached to Marshall Aid, the foundation of the OEEC at the European level and the General Agreement on Trade and Tariffs (GATT) at the international level gradually encouraged tariff reductions among European countries. At the same time, political dynamics and security considerations also pushed towards integration. At the bottom of it all was the German question and French interests. Although defeated and occupied, the question remained as to how to tackle

Germany's political and economic potential without encouraging a return of German hegemonic desires in Europe. For the US, this question was overshadowed by the Cold War. Even in the 1940s, Washington saw a strong Germany as a precondition for a strong Europe and a strong Atlantic alliance. Understandably perhaps, France was vigorously opposed to such an idea. Rather than reviving Germany's power, France focused on controlling Germany's Ruhr and the Saar. Since both regions were rich in coal, Paris had economic and strategic motivations in controlling them. It established the International Ruhr Authority to oversee and to coordinate coal production. However, the French position was severely undermined by a variety of factors. First, Germany was politically on the rebound and was actively seeking to acquire full sovereignty. With the election of Konrad Adenauer in 1949, Germany gained a chancellor with very strong anti-Nazi credentials and a fervent supporter of European integration. For Adenauer, the future of German sovereignty depended on the abolishment of the Ruhr Authority. Furthermore, he envisaged the newly sovereign Germany closely integrated with the rest of Europe. Indeed, Adenauer went so far as to propose a 'Franco-German union as core of a United States of Europe' (Schwarz 1994, p. 700).

Second, the worsening of the Cold War situation replaced concerns about a revanchist Germany with the Soviet Union as a much more urgent and tangible security threat. It also brought increased pressure from Washington to resolve the German question. The foundation of NATO offered the security guarantee France (and the rest of Europe) wanted.

Third, pro-European domestic coalitions rose to power in France and Germany in 1950, providing a brief opportunity to launch what was to become the starting point for European integration. In 1950, the anti-European Socialists withdrew from the French government and gave Robert Schuman's pro-European Christian Democrats (*Mouvement Républicain Populaire*) enough scope to initiate the foundation of the European Coal and Steel Community (ECSC). The outcome of these developments was the Schuman Declaration of 1950 suggesting:

The pooling of coal and steel production for the setting up of common foundations for economic development as the first step in the federation of Europe, [...] The solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible (Schuman 1994, p. 12).

Although it entered European history under the name 'Schuman plan' and is, as such, associated with the French foreign minister of the time, Robert Schuman, the proposal was actually the brainchild of the supranationalist ideologue Jean Monnet. It was thought to serve a variety of different interests:

- Promote close cooperation within the industries most crucial to a war economy so that any future outbreak of war between member countries of such a community would become virtually impossible.
- Control Germany's Ruhr, which would prevent a revival of its aggressive military past and, therefore, offer a solution to the Ruhr issue and to the German question.
- Pool the coal and steel sectors as a first step towards further integration:

‘By pooling basic production ... this proposal will lead to the realization of the first concrete foundation of a European federation indispensable to the preservation of peace’ (Schuman 1994, p. 12). Integration would start in a limited and well-defined sector. In time important interest groups would shift their loyalties from the national to the supranational level and a demand for more integration including other sectors would arise. A functionalist approach is clearly detectable here.

- Create a common market for coal and steel that would ensure orderly supplies to all members of raw material necessary for economic reconstruction.

The idea was to create a community of states with a common market in the sectors of coal and steel in order to satisfy the needs of all member-states without discrimination. France and Germany, the two antagonistic neighbours who had been at war with each other three times within less than a hundred years, were supposed to be at the core of this community. In April 1951, the Treaty of Paris setting up the European Coal and Steel Community was signed by six countries: Germany, France, Italy, Belgium, the Netherlands and Luxembourg. The participating states followed their own agendas. France feared that its heavy industries would be unable to compete efficiently with their German counterparts. In addition France was hoping to regain a leading role in European politics and to reassert French power within and beyond Europe. Germany and Italy were hoping for full international acceptance and better access to international markets. Being rather small countries, the rationale for the Benelux states was the possibility of some measure of influence in Europe and international relations, which they certainly would not have enjoyed otherwise (Jones 2001, p. 11).<sup>6</sup> Thus the treaty served both national and wider European interests.

The ECSC was an ambitious programme designed to create a common market in the steel and coal sectors for the purpose of fostering prosperity and economic progress among the member-states.<sup>7</sup> It pioneered regionalism by creating regional institutions with supranational characteristics. These institutions were to provide the blueprint upon which rests the institutional framework of the current EU (Mazey 1996, p. 30). The ECSC Treaty underlined that federal ideas still had influence on the conception of European integration (Pinder 1991, p. 5). The parallels with the functionalist approach are obvious. After all, the ECSC is an example of sector-specific integration with the High Authority as a technical agency. Some of the key elements of functionalism had been clearly applied to European integration. In addition, it was the first step towards a more unified Europe. The ECSC Treaty can, therefore, be regarded as the first highpoint for European regionalism.

The ECSC was, therefore, of political and institutional significance. First, it set the direction for the evolution of European regionalism. Second, it laid down the institutional blueprint for the future EU characterised by its hybrid supranational and

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6 This refers to Hettne’s effective articulation argument of regionalism for small and medium-sized states (see Hettne 2002b, p. 17). The Benelux Agreement was signed in 1944 by Belgium, the Netherlands and Luxembourg.

7 For the objectives of the ECSC see Arts. 2–5, ECSC Treaty (version pre-dating the Treaty of Amsterdam).

intergovernmental features. Third, the ECSC effectively put an end to more than 80 years of Franco-German rivalry for European hegemony by creating 'a formalised network of institutional economic interdependence' (Dinan 2004, p. 57). Liberal IR theory, it appears, had been effectively applied in Western Europe. John Gillingham (1991, pp. 297-98) remarks:

This [the ECSC] was no grand settlement in the manner of Westphalia or Versailles. The agreement to create a heavy industry pool changed no borders, created no new military alliances, and reduced only a few commercial and financial barriers. It did not even end the occupation of the Federal Republic. ... By resolving the coal and steel conflicts that had stood between France and Germany since World War II it did, however, remove the main obstacle to an economic partnership between the two nations.

Uncertainty and the resulting lack of trust inherent in an anarchical international system all too often lead to security dilemma situations. The Treaty of Paris (and later the Treaties of Rome) established and formalised something like a security community among the Western European states who recognised a strong interdependence between national security concerns and international security (especially with regard to the perception of neighbouring countries). They signalled the strong commitment of Germany towards integration with the rest of Europe. The creation of international institutions and their normative structures opened up opportunities to facilitate cooperation, make commitments more credible and reduce misunderstandings by making information more easily accessible. They socialised the political elites of the member-states into the adaptation of certain norms such as the non-use of military force in their conflicts with each other. Thus the treaty provided a tool for restoring and ensuring long-term peace and stability.

Taylor (1996, p. 15) points out that the European Communities provided a framework for the recovery of statehood and for the security of the member-states in their relations with each other.<sup>8</sup> Thus, rather than the beginning of the demise of sovereignty and statehood, European regionalism provided the tool to secure sovereignty. As we will see later on in this chapter, this is a situation that compares well with the beginnings of Southeast Asian regionalism.

While it was impossible to anticipate the historical relevance European integration scholars would ascribe to the Declaration at the time, with the benefit of hindsight it is possible to see that it was a turning point in European history. A first step had been taken, but as we have seen, it had been influenced by a multitude of different factors. The settlement was very much the product of geopolitical and temporal idiosyncrasies that provided a brief window of opportunity to launch the integration process. Critical to any serious explanation of this stage of integration was the special relationship between France and Germany. The future of regional integration in Europe was thus far from pre-determined, or path-dependent. Indeed, any careful evaluation of the historical events between 1950 and the creation of the European Economic Community in 1957 demonstrates that there was no institutional spillover as hoped for by functionalist theory. The trajectory of European regionalism was far from being linear. Hence, the regionalism process in Europe was driven by factors

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8 See also Milward (1992).

located at all three levels or ‘images’ of analysis: the individual, the domestic and the structural level. While it might be true that individual decision-makers and their choices ultimately determine the course of regionalism, their decisions are to a large extent influenced by domestic circumstances and by wider geopolitical concerns. And the beginning of European integration was no exception.

### *The Europe of the Communities*

In 1950 events in North East Asia paved the way for deeper European integration. North Korea, backed by the Soviet Union and (although rather reluctantly) by the newly founded People’s Republic of China (PRC), crossed the demarcation line at the 38<sup>th</sup> parallel hoping for a swift victory over the South before the United States and its allies could respond.<sup>9</sup>

The Korean situation had parallels in Europe. Like Korea, Germany was divided. And like Korea, two governments heavily dependent on rival superpower support ruled over the divided territory, not recognising each other. The war raised security concerns about how to defend Europe efficiently against the Communist threat. Fears ran especially high in West Germany. As improbable as it may seem today, an unarmed West Germany feared that an invasion from the newly created East German *Volkspolizei* with Soviet backing was imminent. Adenauer called for German re-militarisation and was strongly supported by Washington. The victory of Mao’s Communists in the Chinese civil war in 1949 and the outbreak of the Korean War in 1950 indicated a serious expansion of Communism in East Asia. In response, US President Truman approved NSC-68 in 1950, a follow-up to the doctrine of containment calling for an expansion of US military spending and a tightening of the Western alliance:

In summary, we must, by means of rapid and sustained build-up of the political, economic, and military strength of the free world, and by means of an affirmative program intended to wrest the initiative from the Soviet Union, confront it with convincing evidence of determination and ability of the free world to frustrate the Kremlin design of a world dominated by its will (NSC 1950a).<sup>10</sup>

This changed the status of West Germany from being an occupied and defeated enemy to that of a possible ally and the country was subsequently encouraged by the US to rearm, much to the consternation of France and the rest of Europe.<sup>11</sup> In 1948 the UK, the Benelux states and France formed an alliance directed against the possibility of a revival of German militarism (Treaty of Economic, Social and Cultural Collaboration and Collective Self-Defence 1948). A year later, as discussed above, NATO was formed, formally interlocking American and European security interests.

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9 For the Korean War see G. Segal (1991, p. 203), B. Cumings (1981) and R. Crockatt (1995, p. 100).

10 For NSC-68 and the militarization of containment see also D. Acheson (1987), T. Etzhold and J. L. Gaddis (1978) and E. T. Fakiolas (1998).

11 Germany joined NATO in 1954 (NATO 1954).



The solution to the problem of German rearmament and European security was provided by the proposal to form a European Defence Community (EDC) (Pleven 1950, The European Defence Community Treaty 1952). It aimed to put European defence forces under the authority of a supranational body. For Monnet and others influenced by functionalist ideas, it seemed to be the next step in the direction of a full federal union which would at the same time limit Germany's capabilities for independent military action. Negotiations on the formation of EDC began in 1951, parallel to the ECSC negotiations. However, defence and security were critical to national sovereignty. Although some states were prepared to accept the EDC, others such as Great Britain rejected the proposal.<sup>12</sup> There was also a lack of domestic support for EDC in France and Germany. In France, Communists and de Gaulle's supporters remained opposed to the idea of German remilitarisation. Additionally, there were concerns regarding French international status and its colonial empire should EDC come into force. In Germany, on the other hand, the idea of remilitarisation was all but popular. The changes of 1953, the Korean ceasefire and the death of Stalin took the edge off the Cold War and played right into the hands of French and German EDC opponents and the EDC proposal was abandoned.

The failure of the EDC implied that the proposal to create an umbrella organisation, the European Political Community (EPC), to encompass both, the ECSC and the EDC, collapsed as well. According to some scholars, such as Sonia Mazey (1996, p. 29), the rejection of the EDC marked an important turning point in the theoretical debate on European integration, signalling in many ways the departure from the radical federalist and supranational ideas of the early post-World War Two years. Despite the failure of the EDC project the proponents of closer integration regained initiative in the field of economics where the resistance of national sovereignty was much lower compared to matters related to military security.<sup>13</sup> There was still a strong belief amongst some elites in Schuman's idea that political union could eventually be achieved through economic integration. Yet, despite claims to the contrary, the years between the Schuman Declaration and the setting up of the EEC can hardly be regarded as the heydays of functionalism. The failure of the EDC and EPC make it all too clear that regionalism in Western Europe did not follow a linear trajectory. In addition, there is little evidence of functional spillover. While there certainly was an ideological side to EDC, especially where people like Monnet were concerned, the proposal and its subsequent rejection were driven by geopolitical and domestic realities.

By 1955, things had changed considerably in Europe. Germany had recovered almost full sovereignty over its own affairs and experienced an industrial upswing, making it more prosperous than, for instance, France. The ECSC was instrumental

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<sup>12</sup> Britain suggested a counterproposal in order to form a more conventional alliance: In 1954 the Western European Union (WEU) was formed. '[...] it was simply an expanded version of the Brussels Treaty and was an indirect way of allowing West Germany into the NATO alliance' (Jones 2001, p. 14).

<sup>13</sup> A reason for this could be the fact that with the increase in interdependence in modern international economics the importance and efficiency of national sovereignty in that area is decreasing anyway (see Ohmae 1993).

in transforming Franco-German hostility into a Franco-German alliance. Concerns about a possible revival of German militarism had been relegated, at least for the foreseeable future. Indeed, France had other problems. Its colonial empire was falling apart. Pretensions of French imperial grandeur had been blown to pieces in the jungles of Indochina. The overrunning of the French fortress base in Dien Bien Phu in May 1954 by Ho Chi Minh inflicted a serious psychological and strategic defeat on the French (Young and Kent 2004, p. 245). Two months later, the Geneva Accords between France and the Viet Min signalled the end of French power in Indochina.

Meanwhile, the Franco-British military debacle in Suez in 1956 indicated that the sun had set once and forever on European colonial prowess (Young and Kent 2004, p. 263). Indeed, not only were Britain and France losing their colonial dependencies, they were also effectively relegated internationally to second-rank powers. The refusal of the US to support the Anglo-French military expedition to Egypt and the threat of Soviet intervention contributed significantly to the failure of the endeavour and served to highlight where true power was located in the post-World War Two world.

We have to look at the national level for impact of these events on European regionalism: military failure abroad offered pro-Europe forces within France the strategic arguments necessary to press for further integration, which was seen as economically advantageous. At the same time, the Soviet invasion of Hungary in 1956 seriously undermined the credibility of Communist parties in France and in other parts of Western Europe.<sup>14</sup>

At the Messina conference in 1955, proposals for further integration were discussed.<sup>15</sup> These included a proposal for an atomic energy community and a plan to create an industrial customs union. The functioning of the common market in coal and steel had demonstrated that economic integration was possible. And second, economic elites in the Netherlands and Germany were frustrated with progress on trade liberalisation via GATT and were beginning to explore the possibility of regional alternatives. In Germany, for instance, it was hoped that negotiations for a regional free trade area or a customs union might achieve global trade liberalisation by putting pressure on GATT negotiations. Meanwhile in France, opinion remained sceptical. Protectionist tendencies still ran very deep. Neither an advancement of GATT nor a European customs union sounded appealing. The proposal for an atomic community and the suggested common agricultural policy, on the other hand, were very promising. Thus, for integrationists like Jean Monnet and Henry Spaak, the customs union and the atomic community proposals offered an opportunity to further advance supranational integration by offering something for everyone. Many other decision-makers, however, were driven by less ideological and more nationalistic and pragmatic motives. Opportunism was the main dynamic behind the negotiations leading to the Treaties of Rome. Many simply wanted to exploit the possibilities

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14 It is worth bearing in mind here that the Communists in several Western European countries were traditionally opposed to the integration process, even more so with regard to economic integration.

15 See The Messina Declaration (1955).



offered by growing economic interdependencies arising out of industrial recovery. What is more important, however, was the realisation that national economic and political interests were ultimately tied up with European regionalism. The integration process had struck roots in Europe.

In 1957, the six founding members of the ECSC signed the Treaties of Rome establishing the more important European Economic Community (EEC) and the European Atomic Energy Community (EURATOM). The main objective of the EEC Treaty was to create a common market allowing for free movement of capital, goods, services and labour, removing all internal barriers to trade (tariff and non-tariff restrictions), setting up a common commercial policy directed against third countries, a common transport policy, a common competition policy, coordination of macroeconomic policies, as well as the establishment of a currency union.<sup>16</sup> The treaty also contained provisions on social policy and the establishment of a European Investment Bank to provide cheap loans for regional projects. The structures of the ECSC served as a blueprint for the institutional organisation of the EEC and EURATOM. The EEC was given a Commission, a Court of Justice, a Council of Ministers and a Parliamentary Assembly. There were, however, certain modifications: the very choice of a 'Commission' rather than a 'High Authority' indicates a much stronger leaning towards intergovernmentalism. Furthermore, the Council enjoyed more powers than its ECSC counterpart. It became the main decision-maker.<sup>17</sup>

The foundation of the EEC had a deep integrative impact. The framework provided by the treaties was a pragmatic one: highly specified in some areas but fairly open and rather general in others. There is an important difference between the ECSC and EURATOM treaties, and the EEC Treaty. The first two are purely legal treaties while the latter is a framework treaty confining itself to the setting of certain objectives and guidelines for policies in economic areas, and enabling the institutions of the Community to introduce other policies deemed to be necessary in order to achieve the goals outlined in the EEC Treaty (Moussis 2006).

The international political economy provided ideal conditions for economic regionalism during the first years of the EEC's existence. Between 1955 and 1968 Western Europe enjoyed a period of fast economic growth, high productivity and low unemployment. In fact, European recovery was so rapid and unprecedented that the period between 1950 and 1970 became known as an economic miracle, the 'Wirtschaftswunder' in Germany and the 'trente glorieuses' in France (Ladrech 2000, p. 30; Wegs and Ladrech 1996). It was widely believed (or at least hoped) that economic growth would continue indefinitely. The optimistic economic climate made it much easier to press ahead with European integration. Hence, during the first years of its existence, the goals of the European Communities<sup>18</sup> were met with

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16 For the main objectives of the European Economic Community see Preamble, Arts. 2 and 3, EEC Treaty (version pre-dating the Treaty of Amsterdam).

17 For a more detailed analysis of the institutions of the EEC see Nugent (2002, p. 44).

18 On 8 April 1965, the so-called Merger Treaty was signed in Brussels providing for a single Commission and a single Council for the three European Communities. It effectively established the EC containing the European Economic Community, the European Atomic Energy Community and the European Coal and Steel Community.

reasonable speed. Intra-EC trade accelerated, and by the 1960s the EC had become the world's largest trading bloc.<sup>19</sup>

There was success on the political front too. The Commission under Walter Hallstein, a talented bureaucrat and convinced supranationalist, took its constitutional role of initiating proposals seriously and seemed to be prepared to take over some of the workload of the Council while at the same time it became more and more effective. Partly responsible for this was:

[...] the commitment of key national actors to integration, the capacity of an energetic Commission to add to the momentum of integration by making innovative proposals for action in a favourable environment, a favourable view in the relevant attentive public of experts, commentators, and other opinion formers, and the capacity in the Commission to capitalize on the implications of previous acts of integration (Taylor 1996, pp. 36-7).

Supranational institutions slowly expanded and the Community steadily emerged as a unique political construction, being more than just another level of interaction between nation-states.

As tempting as it might be, it would be premature to argue that European integration was now on a functional or neofunctional path. Rather, a favourable international climate, domestic developments at the level of individual member-states and the relationship between influential individuals continued to influence the form, shape, direction and speed of European integration. Regionalism advanced when small windows of opportunity opened. Many of these conditions were temporary rather permanent and a reversal was always possible. Two examples will demonstrate this.

The end of the Fourth Republic and the ensuing chaos sparked fears that France might withdraw from the European project. And without France, the EEC would not make much sense. These concerns only increased when Charles de Gaulle returned to power. De Gaulle was a staunch intergovernmentalist. He believed in the idea of European cooperation but resisted the power of supranational actors. In hindsight, the election of Charles de Gaulle and the appointment of Walter Hallstein as president of the Commission marked a decisive turning point in European integration. A showdown between de Gaulle, a fervent nationalist in favour of intergovernmentalism, and Hallstein, a dedicated bureaucrat committed to supranationalism, was inevitable. On a more abstract level, the ensuing conflict between de Gaulle and Hallstein represented the conflict between the resurgent forces of nationalism and supranationalism that characterised European integration. On 1 July 1965, de Gaulle withdrew his ministers from the Council.<sup>20</sup> This was a response to Hallstein's attempts to increase the power of the Commission while extending majority voting in the Council. The resulting 'empty chair' crisis produced a deadlock in the Council of Ministers and put the future of the European Community

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19 In 1968 the exports of the EEC amounted to US \$ 64,200 Million compared to US \$ 47,360 Million origination from North America (Canada and US). The import figures were very similar: US \$ 61,960 Million for the EEC compared to US \$ 47,830 Million for North America (Statistical Office of the United Nations 1970, pp. 12-15).

20 For the French European policy during that time see A. Moravcsik (2000).

in serious doubt.<sup>21</sup> However, there was more to the story than just a disagreement about the future direction of European regionalism.

In 1966, France withdrew from the command structure of NATO. De Gaulle challenged American hegemony and sought a transatlantic relationship where Europe, France in particular, would be equal to the US, especially in NATO. De Gaulle intended to use the EEC to reassert French grandeur at the international level. The Fouchet Plan proposed to create a 'Confederation of States'. This was to be an exclusively intergovernmental organisation with no role whatsoever for Community institutions. Significantly, the Fouchet Plan called for the coordination of foreign and defence policies (Bache and George 2006, p. 132). De Gaulle clearly hoped that France would be able to dominate this new institution.

Meanwhile, in 1961, the Macmillan government in Britain had announced that they would apply for EEC membership, thus potentially endangering French leadership claims. Britain's relationship with Washington as well as the British position towards the common agricultural policy ensured that de Gaulle would successfully block British accession to the EEC twice, pitting him directly against Washington which saw British membership as being essential for its own geopolitical and economic interests: 'It would be best for the Atlantic Community if the UK joined [the EC] on an unconditional basis' (US Department of State 1994, p. 6).

Following Charles de Gaulle's resignation from office in 1969, the Hague summit laid out plans for a re-launch of integration. Economic and monetary union (EMU) became a prime objective in 1969 recommended by the Commission's Barre Report. The Hague summit the same year made a commitment to achieve EMU by 1980. Yet, changing international economic circumstances did not favour such endeavours. The mixture of internal and external factors contributing to the failure of the Werner Plan is the best example (Blair 2002). There was indeed a push for monetary integration, but there was no consensus on how to get there. The ideological rift was between those who wanted a convergence of economic conditions before EMU (Germany and the Netherlands), and those who argued for EMU first and convergence later (France). The Werner Plan proposed to achieve a coordination of economic policies and a convergence of exchange rates simultaneously. With the 1973 enlargement of the EC, it became an even more complex task to integrate the three new members into the customs union, the sectoral common markets and the CAP.<sup>22</sup>

In 1971, the breakdown of the Bretton Woods system signalled the end of post-World War Two economic growth and contributed to a crisis for the EC. The system had come under intense pressure in the 1960s following the recovery of the European and Japanese economies. A point was reached when the amount of US dollars outside the US (financing US defence spending and its war efforts in

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21 The 'empty chair' crisis came to an end on 29 January 1966 after a special Council meeting with the agreement on the so-called 'Luxembourg Compromise'. France resumed its seat in the Council in return for a retention of the unanimity requirement if it was believed that very important national interests were endangered. The result was that any member-state could in cases of important national interests demand consensus even though the qualified majority would otherwise have been sufficient. See also Gillingham (2003, p. 68).

22 See Appendix, Table A.2 for successive enlargements.

Vietnam, payments for imports, and Marshall Aid) exceeded the amount of gold in the US, making it doubtful whether Washington would be able to honour its gold exchange commitments. However, given the central position of the US dollar in the global economy, the outflow was needed to provide the global economy with financial liquidity. Faced with Triffin's dilemma, named after the economist Robert Triffin who first noticed the intrinsic problem of the fixed exchange system, many economists began to argue in favour of allowing currencies to float freely against each other. And in 1971, US President Richard Nixon unilaterally cut the link of the US dollar with gold, a major blow for European integration as the stability provided by the Bretton Woods institutions had been critical for post-World War Two European recovery and integration.

With Bretton Woods gone, the EC now made attempts to set up its own monetary system. It set up the 'snake', an arrangement with the aim of keeping the participating currencies within a range of  $\pm 2.25$  percent against one another. However, the snake was fairly short-lived and disintegrated under the impact of another crisis in the global political economy that was to send shockwaves around the world.

In 1973, the Arab oil producing countries of the OPEC cartel decided to quadruple oil prices and to reduce the deliveries of oil to the US and Western Europe in response to the Israeli Yom Kippur War. This triggered a recession in the Western world of a magnitude not experienced since World War Two, naturally with implications for the development of regionalism in Western Europe. With diverging economic realities across the EC community, cohesion was undermined as all member-states turned inwards to deal with the new situation. Rising unemployment, inflationary pressures, a Communist (anti-EC) resurgence in Italy, left-wing terrorism in Germany, strikes and financial chaos in the UK did not produce a climate congenial for monetary union or further economic integration.

The combination of now freely floating exchange rates and their impact on trade, together with the oil price shock, resulted in Western Europe's biggest post-World War Two crisis, shifting the attention of most governments and political elites to domestic economic concerns and away from further European integration.<sup>23</sup>

It is not surprising that many observers concluded that the Community, after its initial flying start, had become stuck as a complicated intergovernmental organisation, more powerful perhaps than others but not essentially different. There was, according to this 'realist' school of thought, little prospect that it would become stronger in the future let alone that there would be further steps in a federal direction (Pinder 1991, p. 15).

### *Towards the Internal Market: The Single European Act*

The crisis was to last until the mid-1980s. However, despite assertions to the contrary, it would be misleading to argue that the development of the EC in the 1970s and early 1980s was characterised by stagnation or 'Eurosclerosis'. Regionalism is not a linear one-directional process, but a complex and multi-faceted phenomenon. While the EC appeared institutionally to be stuck in a quagmire in the 1970s, there were

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<sup>23</sup> The combination of stagnating economic growth and increasing inflationary pressures resulted in a so-called 'stagflation'.

also positive developments. In the Kennedy Round of the GATT negotiations in 1967, for instance, the six member-states acted as a bloc and achieved a much more beneficial outcome than would have been possible otherwise. Progress was also made in other areas such as the customs union, common commercial policy and common agricultural policy (CAP). The enlargement rounds are also good indicators of the continuation of regionalism during this period. In 1973 Britain, Denmark and Ireland joined the EC, followed in 1981 by Greece, and Portugal and Spain in 1986.

However, discord between France and Germany had resurfaced. Although the resignation of Charles de Gaulle and the election of George Pompidou in 1969 brought an improvement in transatlantic relations and triggered renewed US interest in European integration, Willy Brandt, German chancellor since 1969, displeased Pompidou with his independent foreign policy approach. Brandt's *Ostpolitik* aimed for rapprochement with the Eastern bloc and dominated German politics for most of the 1970s. The growing economic and political power of Germany was also implicitly challenging French leadership of the European project. France was especially irritated with Germany's unilateral floating and revaluing of its currency following the exchange rate crisis of 1971.

There is no room here to give a comprehensive account of all the important developments shaping European regionalism during the 1970s and early 1980s. Given the vast body of historical studies on European integration, it is not the purpose of this volume to retell the story but to look for possible points of comparison between two different instances of regionalism. For this reason we will not consider the progress that was made in areas such as environmental policy, regional policy, social policy, or overseas assistance. The Tindemans Report of 1975 and the Lomé Convention will be passed over and the European Monetary System (EMS) will be discussed only briefly.

Franco-German relations improved following the elections of Helmut Schmidt and Valéry Giscard d'Estaing. Schmidt was concerned about the US dollar's depreciation throughout the 1970s and the resulting appreciation of the German mark. Floating exchange rates were seen as detrimental to business because of the implicit uncertainty. When Roy Jenkins, then President of the Commission, came up with a proposal to replace the failed snake, Schmidt and Giscard readily took up the idea. Their combined effort was enough to secure the launch of the EMS. And it succeeded inasmuch as it offered a considerable degree of exchange rate stability in the EC.

International events continued to have a significant impact on European regionalism. A second oil shock following the Iranian Revolution in 1979 pushed Western Europe back into recession. Economic growth stagnated, unemployment numbers rose again and balances-of-trade deteriorated. European competitiveness (especially in the high-technology sector) slowly but steadily declined as Japanese and American companies took the lead in core industries such as semiconductors, electronics, telecommunications, machine tools, robotics and car manufacturing. And the Japanese were closely followed by their offspring, the so-called 'small tigers', the Newly Industrialised Countries (NICs) of the Asia-Pacific.

The geopolitical climate became frostier too. Conservatives in the US were increasingly suspicious of Moscow's intentions. *Détente*, it was believed, was used by the Soviets to spread their influence in the developing world and to systematically undermine the transatlantic community. Moscow, on the other hand, complained that the US was undermining the spirit of *détente* with its adventurism in Latin America and other developing countries, its interference in domestic Soviet politics and its refusal to give the Soviet Union a role in the Middle East (see Young and Kent 2004, p. 482). Things finally came to a head when the USSR invaded Afghanistan in 1979. Since 'it involved Soviet troops rather than Cuban or Warsaw Pact forces, the attention of the world was focused directly on Soviet expansionist goals' (Watson 1998, p. 33). The response was a new 'Ice Age', a new era of containment. Although Ronald Reagan has become the personification of this Second Cold War, it was Jimmy Carter who first adopted a confrontational stance by pursuing a wide range of tough measures to contain the Kremlin, ranging from the introduction of economic sanctions, the reduction of high-level contact and a general expansion of America's nuclear arsenal (Young and Kent 2004, pp. 494-7). The situation was not helped when the Soviets backed the imposition of martial law in Poland in 1981.

The decision to deploy new NATO missiles in Western Europe in 1983 increased Cold War tensions. It also triggered reactions within the transatlantic alliance. Left-wing groups and large parts of the general population in many European countries, including some ruling parties, were unhappy at the prospect of transforming Europe into a nuclear battlefield. Already in 1977 moral concerns against the neutron bomb had caused considerable European resistance. Now, the NATO decision brought thousands of protestors out on to the streets in Western European capitals. On the diplomatic parquet, Western European governments accused Washington of not being interested in serious arms control talks any more (Crockatt 1995, p. 324; Dinan 2004, p. 167). The transatlantic relationship in the 1970s and 1980s was thus characterised by a mixture of cooperation, disagreement and conflict.

A leadership change had brought new figureheads to power in Germany, France and the UK. Helmut Kohl, François Mitterand and Margaret Thatcher dominated the picture now. Faced by renewed East-West tensions and economic problems, leaders of the EC member-states looked to the Community for a solution. The acceleration of economic globalisation from the 1970s onwards, characterised by rapid progress in communication, information and transport technologies, enhanced financial and economic liberalisation, and the introduction of new financial products fundamentally altered the international economic landscape. Neoliberalism became the dominant economic ideology in the late 1970s, following the abandonment of the post-war Keynesian compromise that had been characterised by a balance of social welfare concerns with a commitment to market principles. Economic neoliberalism took the logic of *laissez faire* capitalism to the international level and argued in favour of the removal of all barriers to trade. The focus was now on market driven development, privatisation and international trade. The policies of Ronald Reagan and Margaret Thatcher in particular were underpinned by large-scale privatisation of government assets, economic deregulation, lower corporate taxes and anti-welfarism.

The rise of neoliberalism as the ruling paradigm of economic development was closely associated with US structural power in the global political economy,



best brought out by the so-called Washington consensus, which described a set of policies designed to respond to the problems caused by the debt crisis, and captured an agreement on best economic practice for developing countries between the World Bank, the IMF and the US Treasury Department. Although created to counter problems in Latin America, including its large budget deficits that were exacerbated by inefficient state-owned enterprises, high protectionist barriers that stifled competition and loose monetary policies that led to inflation, the three main pillars of the Washington consensus – market liberalization, fiscal austerity and privatisation – now became the ruling mantra of economic development, and neoliberalism the favoured economic paradigm.

This too was a source for conflict within the EC. In his election campaign Mitterrand, always wary of America's hegemonic position, promised to restore the French economy along socialist lines, seemingly unimpressed by Britain's neoliberal leanings. The EC was still in the process of digesting the influx of new members. Particularly difficult was the accession of the UK with its preferential trading arrangements with various Commonwealth countries and Thatcher's neoliberal leanings, her scepticism about European integration and her budgetary demands. Greek membership brought additional complications. With the accession of Portugal and Spain looming on the horizon, an institutional overhaul was more pressing than ever. Furthermore, as indicated above, the prolonged recession in the Community area and globalisation had resulted in 'a trade gap, a productivity gap, an employment gap, an investment gap and a technology gap' between the EC and its main competitors overseas (Jones 2001, p. 270). The solution was the transformation of the EC from a customs union into a true common market as envisioned by the Rome Treaty. The idea of a single market commanded the support of most national governments and European manufacturers.

In 1985, the Commission produced a White Paper, *Completing the Internal Market*, identifying the measures needed to overcome all obstacles to realising the internal market and setting out a detailed timetable for the removal of all non-tariff barriers by 1990 (European Commission 1985). It was primarily directed against the economic weakness of the Community. However, in order to be successful, the decision- and policy-making processes of the EC had to be reformed. The European Council approved the Commission's White Paper and opened the door for institutional reform, thus providing the impetus needed to overcome the period of stagnation. Now, the governments of the member-states negotiated the Single European Act, which came into force in July 1987. It constituted the first major revision of the Treaties (Pinder 1991, p. 15). And it was more than a simple device to re-launch a single market programme. It was the outcome of a highly complex bargain to improve decision- and policy-making, to increase the efficiency of the Community, to achieve market liberalisation and to promote cohesion.

There is a substantial body of literature dealing with the revival of European integration and the SEA. It reflects the debate among the proponents of supranational concepts and state-centric theories within the Community. Andrew Moravcsik (1994, p. 211), for instance, argues that the SEA was mainly the outcome of a change of attitude amongst some national decision-makers and the bargaining between member-states. For Wayne Sandholtz and John Zysman (1994, p. 189), who incorporate

neofunctionalist elements into their argument, an active Commission supported by powerful transnational and national interest groups was among the major driving forces leading to the SEA. National governments and business groups had decided in favour of the single market in order to exploit economies of scale and face the challenges posed by globalisation. Although it was far from clear at its inception, the SEA initiated the biggest reform in European integration. It opened the door to Maastricht and with it to the EU and EMU. It inaugurated a major revitalisation of European regionalism. In fact, the SEA is seen to have triggered a wave of regionalisms around the world and is commonly associated with the beginning of the period of new regionalism.

So far the analysis has concentrated on the development of regionalism in Western Europe. As we have seen, there is no single factor that can explain why European integration evolved along a particular path of institutionalisation. European regionalism was the product of a constellation of historical circumstances fostering a cooperative mindset among academic and political elites. The impact of the international economy and geopolitics is evident here, as is the influence of the US. Indeed, one might question whether European integration would ever have taken off had it not been for the particular structure of the international political economy shaped by US interest in European regional cooperation as part of its integrated security strategy during the Cold War. This is very much in line with realist arguments focusing on particular systemic conditions driving regionalism, such as a general war exhaustion in Western Europe and the position of the US. Robert Gilpin (1981) argues that regional cooperation is largely subject to a hegemonic international order where one state is capable of imposing order because of its own position. As there is a clear hierarchy of power, there are few clashes of interests. The US projected its influence not merely through the imposition of power. It relied mostly on the general appeal of its proposed order, thus focusing on multilateralism and encouraging regionalism. After all, the Cold War was also an ideological struggle between two competing models of political and economic organization. Thus, it was important that the international political economic order supported by the US was regarded as successful and, more importantly, desirable (Hobsbawm 1994).

Being a general facilitator of regionalism did not mean, however, that the US was able to determine the shape and direction of European integration. Domestic politics in Western Europe and the personal likes and dislikes and ideological convictions of individual leaders have played an important role here. Other central actors included coalitions of powerful interest groups and elites within the actual and potential member-states. With the institutional development of European regionalism, these interest groups found a new level of interaction and began to lobby the emerging supranational institutions directly. Contrary to some liberal claims, integration did not follow high levels of economic exchange. Integration facilitated exchange in the first place. Nevertheless, as we have seen, the existence of interdependencies and the realization of the existence of such interdependencies, played a role in the initial stages of European integration. Only in this particular case, it was not economic interdependence. Interdependence can also occur in the political and security areas as demonstrated by Barry Buzan (1991). The initial impetus for integration was the need to facilitate a stable regional environment to enable the post-war European



economies to concentrate on re-development and aimed to reduce the future risk of conflict by binding Germany and France together.

We will leave Europe here for the moment, turning our attention to Southeast Asia and the development of ASEAN.

### **First-Wave Regionalism in Southeast Asia**

As in Europe, World War Two had a tremendous impact on the geo-strategic landscape of Southeast Asia.<sup>24</sup> The Pacific War and the subsequent Japanese invasion of Southeast Asia permanently transformed the international relations of the region by severely disrupting the previously established political, economic and social patterns.

Following the war, the change from US isolationism to global engagement resulted in a concerted effort to fundamentally change the way the international system worked. As outlined above, a new global institutional architecture was created. However, as Mark Beeson (2005) points out, American hegemony was very uneven. In East Asia, Washington focused initially on Japan while leaving the responsibility for Southeast Asia to the Europeans, the former colonial powers that now attempted to re-establish their claims throughout the region. Yet, World War Two and the swift victories of the Japanese over the European colonial powers left a deep impression on the native populations of the region. The Japanese occupation had facilitated, either explicitly or implicitly, the development of nationalist movements.<sup>25</sup> In places such as Burma and Indonesia this happened directly with Japanese military authorities offering local administrations the opportunity to exercise power, although to a limited degree only (Beeson 2007; Bunbongkarn 1998, p. 12; Stockwell 1992, p. 333). In Indonesia, for instance, the Japanese approved of an independent government under Sukarno and Mohammed Hatta. In other places, nationalist movements were strengthened, coordinated and supplied by the Allies in order to resist the Japanese aggressors. Anti-Japanese resistance movements had been trained and had gained experience in waging successful campaigns against a militarily superior opponent. The Viet Min under Ho Chi Minh in Indochina fell into this category. Helped by the war, nationalism and nationalist movements emerged as important factors in shaping affairs in the region.

In Europe, nation-states had been weakened by the war. Nationalism was discredited and faced a serious onslaught. In Southeast Asia, on the other hand, most territories had never experienced sovereign statehood. The war had facilitated the devastation of whatever colonial political and administrative structures had been established. The sudden withdrawal of the Japanese occupation forces from the region following Tokyo's surrender left a political and administrative vacuum. Local

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24 'The concept of Southeast Asia as a political entity emerged almost by accident from World War II when, at the Quebec Conference in August 1943, the Western Allies decided to establish a separate South East Asia Command (SEAC), embracing Burma, Malaya, Sumatra and Thailand' (Turnbull, 1992, p. 86).

25 For the development of Southeast Asian nationalism during 1941-1945 see Stockwell (1992, p. 336).

nationalist movements filled this vacuum before the European powers could return in force, and these demanded the immediate termination of colonial rule:

The Pacific War certainly helped to precipitate the granting of independence by the USA in 1946. Similarly, the Japanese occupation of the Netherlands Indies led directly to Sukarno's declaration of an independent Indonesia in 1945 (Berger 2004, p. 33).

The passing from colonialism into independence was different for each country. The legacies of this transitional process, and of the colonial period in general, are important for the understanding of relations in the region and for the subsequent regionalism process.<sup>26</sup> Washington's policy-makers were wary of colonialism, fearing that moderate nationalist groups may be pushed into the arms of communism: 'In the Cold War context, colonialism was recognized as a potentially dangerous and retrograde system of government' (Lee 1995, p. 6). Washington was also increasingly concerned about the stability of Southeast Asia. The National Security Council stated in a *Review of the World Situation* in 1948 'that the authority of European colonial powers' would 'undergo further decline' which would invite the USSR to fill the vacuum (NSC 1948). We can see here the origins of the domino theory. Weak and hollow states would emerge that might easily fall prey to external and internal communist challengers. In the Cold War context, the loss of China had already indicated a serious expansion of Communist influence in Asia.<sup>27</sup> Although the US had contributed a significant amount of financial and military aid to the nationalist cause, the Kuomintang regime had collapsed in 1949. For State Department analysts, the victory of the communists in China was a matter of grave concern.

Washington now feared that Southeast Asia too would fall to Communism and, therefore, supported the long-term development of nationalist movements (as long as they were anti-Communist), even asserting diplomatic and financial pressure to keep its European allies in line, persuading them to leave the region, as in the case of the Netherland Indies.

Indochina represented perhaps the bloodiest independence struggle in Southeast Asia. Unlike the Netherlands, France, the colonial ruler of Vietnam, Laos and Cambodia was a crucial and important American ally in Europe, particularly with regard to the recovery and defence of Western Europe. After the success of Mao in China and the Korean War, Washington feared that a communist victory in Vietnam would de-stabilise the whole of Southeast Asia:

[The] neighbouring countries of Thailand and Burma could be expected to fall under communist domination if Indochina were controlled by a communist-dominated government. The balance of Southeast Asia would then be in grave hazard (NSC 1950b).

The American administration came to regard French-Indochina as a frontline in the global struggle against communism: '[...] the French colonial war in Vietnam was

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26 For a good and recent exposé of these processes see Berger (2004).

27 NSC-68 was drafted following the 'loss of China' and the successful testing of the first Soviet nuclear device (see Fakiolas 1998).

read by the USA in anti-communist terms which initially tempted them into support and later direct involvement' (Preston 1998, p. 91).

The Truman doctrine that provided the blueprint for US Cold War foreign policy had important implications for the decolonisation struggles in Southeast Asia (Dion 1970). Containment implied that China would inevitably become an ally of the USSR. The policy of containment also implied that Japan changed status from being a defeated and occupied enemy to a potential ally. Its strategic importance was magnified by the 'loss of the China' and the Korean War. The revival of the Japanese economy depended heavily on access to foreign markets and, therefore, on the security of the vital sea-lanes through Southeast Asia.<sup>28</sup> Besides, America's European allies, especially the United Kingdom, had important economic interests in the region (Williams et al. 1989, p. 52). Hence, US involvement in Indochina increased steadily. The emerging 'San Francisco system' and the peace treaty that was concluded with Japan in 1951 triggered the consolidation of a system of bilateral alliances in Southeast and Northeast Asia.<sup>29</sup> This 'hub-and-spokes' (Beeson 2007, p. 70) security architecture differed substantially from Western Europe. There was no multilateral security institution like NATO in East Asia. According to Hemmer and Katzenstein (2002) this reflects different American attitudes towards Western Europe and East Asia. While dealing with equals in Western Europe, East Asia, and Southeast Asia in particular, were regarded as inferior states. Thus US hegemony had different implications for Europe and East Asia: it effectively meant the application of multilateralism and the encouragement of regional cooperation in Western Europe, whereas East Asia was characterised by bilateralism.

As far as prospective East Asian regionalism was concerned, any possibility of region-wide cooperation, or even meaningful dialogue, was foreclosed. Not only did key security relationships go through Washington rather than neighbouring capitals, but this underlying bilateralism was further reinforced by the fundamental cleavage that resulted from the rapidly intensifying Cold War (Beeson 2007, pp. 70-71).

Peter Katzenstein concurs: 'American power supported the norm of bilateralism and not multilateralism. ... Extreme hegemony thus fostered a bilateral rather than multilateral system of interstate relations' (1996, pp. 20-1). However, while establishing a bilateral alliance system, the US was not entirely averse to the idea of regional cooperation in East Asia and even supported proposals in this direction, as will be outlined below.

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28 Evidence for America's changing interests in the region is offered by the so-called 'Perimeter-Speech' of Dean Acheson (US Secretary of State 1949-1953) to the National Press Club on 1 December 1950. That speech clarified the Cold War demarcation line in the Asia-Pacific region (Acheson 1987; Crockatt 1995, p. 100).

29 Japan was released into full sovereignty with the San Francisco Peace Treaty of 8 September 1951. See Art. 1(b), Treaty of Peace with Japan (1951).

*Nationalism and Decolonisation*

Colonialism had left a profound impact in Southeast Asia:

It transformed the landscape of Southeast Asia and the lives and livelihoods of its peoples, and it regularized, fenced and atomized the region in entirely new and foreign ways. In so doing, it seriously diminished the sense that the region enjoyed any substantial and inherent shared identity or characteristics or destiny (Elson 2004, p. 15).

Colonialism introduced new concepts into the region, which gained importance in the post-colonial period. One of these concepts was the nation-state itself, and the idea of determinable borders. To use Nicholas Tarling's words:

The concept of a frontier was uncommon, if not unknown, in Southeast Asia. The idea that the ambit of a state was geographically fixed was rarely accepted. What counted in Southeast Asia, sparse in population, was allegiance. Whom, rather than what, did the state compromise? States might indeed advance or retreat, grow or decline, but in terms of adherents and followers, of a network of familial and supra-familial relationships (Tarling 1998, p. 47).

The European powers applied the principles of the state system to their colonial territories. However, while in Europe borders had developed over centuries, the frontiers in Southeast Asia were imposed, often in order to avoid rivalry amongst the Europeans themselves (Tarling 1998, p. 48). They were designed to prevent colonial disputes and paid scant attention to regional historical and cultural circumstances. These frontiers, with their deep-rooted potential for conflict, were inherited by the newly established nation-states in Southeast Asia.

Europeans also introduced the ideas of nation-states and nationalism. The elites in these countries used nationalism to mobilise local populations against colonial dependency. The motivation driving Southeast Asia's nationalist elites was a power-transfer symbolised by the foundation of an independent nation-state created on the foundations of colonial territory (Berger 2004, p. 31). Hence, unlike in Western Europe, nationalism was not discredited but the tool of choice in decolonisation and the subsequent state-building efforts in Southeast Asia. This led to an almost extreme emphasis on national sovereignty that was to give ASEAN regionalism its distinctive flavour.

Other colonial legacies were of a rather mundane and economic nature. Most Southeast Asian countries were less developed, with an industrial and agricultural base centred on export commodity production (Rigg 1991, p. 32). The economic infrastructure, which had been put in place by the colonial powers, was mainly focused on the extraction of primary goods and their export to Europe. It might be argued that this had mixed effects: some of the nascent Southeast Asian countries were at least integrated into the international economy to a certain degree. On the other hand, it also implied that an economic focus on the colonial centre remained even after independence as these economies still needed access to foreign markets. Thus, while Southeast Asia was an integral part of the international division of labour, the

centre-periphery relationships that characterised colonialism and the post-colonial phase impeded the formation of regional economic interdependencies.

The colonial powers had systematically abolished traditional structures of governance in Southeast Asia, replacing them with administrations of their own. The various colonial regimes introduced similar features: secular administrations, relatively modern bureaucracies and judiciaries. The native élites were educated in Europe and an urban middle class started to develop. Additionally, the colonial period had seen a huge influx of foreign migrants, especially from India and China, into the region, which introduced entirely new cultural and ethnic elements, laying the foundations for many future conflicts.

The newly established states had different systems of administration, legal systems, metropolitan centres, their own road and railway networks and education systems, based on whether they had been Dutch, French or English colonies. Their different conceptions of nationalism contributed further to the emergence of Southeast Asia as a patchwork of newly independent, internally oriented states that largely ignored each other. However, the rivalry between Washington and Moscow and an increasingly independent People's Republic of China (PRC) seeking to establish itself in the Asia-Pacific region impacted directly and indirectly on decolonisation and state-consolidation in Southeast Asia, in many ways uniting the region.

### *The Birth of ASEAN*

As in Europe, early attempts to enhance cooperation within the region were based on initiatives by extra-regional powers. However, neither of the superpowers were directly involved in Southeast Asian politics during the first few years of the Cold War. In the Asia-Pacific, the US focused on Northeast Asia and left the responsibilities for Southeast Asia largely in the hands of its European allies, particularly the British. The British aimed to use the Commonwealth to build up regional cooperation against the threat of communism. In 1950, Commonwealth foreign ministers resolved on a plan to provide the Asia-Pacific region with the necessary financial and technical assistance (Turnbull 1992, p. 598). This regional intergovernmental initiative became known as the Colombo Plan and was driven by the same concerns as Marshall Aid in Western Europe: the necessity to alleviate economic and social conditions that might otherwise support the spread of communism. For this reason, Britain, Canada and Australia were keen to encourage the US to demonstrate greater commitment in Southeast Asia. For Britain in particular, American support of pro-Western regimes in Southeast Asia presented the possibility of consolidating the Anglo-American partnership in the post-war world. The British had experience and knowledge of the area, while the US had the resources (Lee 1995, p. 37). In addition, as previously suggested, despite its application of bilateralism in East Asia, the US were not averse to regional cooperation. In 1954, the Eisenhower administration put forward a proposal to create an Asian version of the OECD (Grieco 1998, p. 294). However, the proposal was rejected due to many states' lingering suspicions of Japan. Memories of Japanese imperialism and the Greater Asian Co-Prosperity Sphere prevented any desire to establish relations with an economically already resurgent Japan.

Another attempt to enhance and facilitate cooperation within the region was the Southeast Asia Collective Defence Treaty, concluded in Manila in September 1954 (Australian Government Publishing Service 1997). The treaty was signed by the US, Britain, New Zealand, Pakistan, France, Australia, the Philippines and Thailand, making up the South East Asian Treaty Organisation (SEATO) and can be regarded as a direct response to the French defeat in Indochina. It emerged out of the Geneva conference and was directed at providing security for the region against a perceived Sino-Soviet threat. However, its existence was short-lived and as an organisation it was ineffective. One analyst names the diversity of its members and the subsequent lack of a common aim as factors leading to the failure of SEATO:

SEATO never made much practical sense and was more a public-relations organization. Certainly in comparison to NATO, it lacked a regular, unified command. It was geographically divided, ruled by a motley collection of governments, and its members not always agreed on the locus of the main threat. [...] What made NATO work was common political objectives, and the absence of such common objectives in the Pacific was the very reason for the failure of SEATO (Segal 1991, p. 238).

Thus, while in principle supported by the US, the application of bilateralism in the region fostered regional difference rather than cooperation. Local tensions also prevented effective regional cooperation in the early 1960s. As outlined above, the emerging states in Southeast Asia were extremely diverse in terms of political, economic, cultural and social structures, as also the interests and priorities of their ruling élites. Historical experiences varied, as did the ways in which independence had been achieved. With unresolved territorial disagreements inherited through colonialism, state-construction in the region was mired in internal and external conflicts and domestic insurrection and border disputes were common. The gridlock between the USSR and the US meant that the newly established states faced the choice between two different and exclusive ideological, political and economic models for state-building and development. Although the Bandung Conference of 1955 had created a non-alignment movement, the leaders of Southeast Asia had to react to regional and international realities. The polarisation of the Cold War effectively divided the region into a Western and a communist sphere.

Even within the non-communist area of Southeast Asia conflicts arose almost immediately after independence. The Malayan Emergency between 1948 and 1960, for instance, predated the independence of Malaysia in 1947 and began when the British authorities declared a state of emergency following an armed revolt by the Communist Party of Malaya (CPM). Supported by the ethnic Chinese, although there were also Malay members in the CPM, the pro-China and pro-Mao CPM guerrillas waged a campaign resulting in the loss of 11,000 lives (Tan 2004, p. 169). Among the most serious conflicts, however, was a confrontation (*konfrontasi*) between Indonesia and Malaysia beginning in 1960 and ending only with the take-over of power by Suharto in 1965.<sup>30</sup> Sukarno, president of Indonesia at the time, was an ambitious man. His personal leanings were towards communism and he intended

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30 One could argue that the Indochinese conflict was far more serious than the confrontation between Malaysia and Indonesia. It is, however, possible to claim that the war



to become a leader in the movement against imperialism (Turnbull 1992, p. 610). It was, after all, Indonesia's Sukarno, together with China's Zhou Enlai, who had set the 'Spirit of Bandung' in motion at the 1955 Asia-Africa Conference in Bandung in order to create an alliance of Third World nations committed to the development of former colonised countries. While Indonesia was slowly sinking into economic chaos and internal dissension, a belligerent foreign policy and extreme nationalism helped shift the focus from domestic problems.<sup>31</sup>

Among Sukarno's external targets were Malaysia and Singapore for the links these countries still maintained with their former colonial masters. According to Sukarno, true independence could only be achieved when all political and economic connections with the former colonial power were abolished (Turnbull 1992, p. 612).<sup>32</sup> At the Bandung conference he stated:

Colonialism has also its modern dress, in the form of economic control, intellectual control, actual physical control by a small but alien community within a nation. It is a skilful and determined enemy, and it appears in many guises. It does not give up its loot easily. Wherever, whenever and however it appears, colonialism is an evil thing, and one which must be eradicated from the earth (Sukarno 1955).

The idea of a Federation of Malaysia, including all former British Southeast Asian territories, incorporating Malaya, Singapore, Sabah and Sarawak, only alienated the Sukarno administration further. For Jakarta, the proposed federation represented an anachronism artificially dividing Southeast Asia as a direct consequence of British colonialism.

Meanwhile, in 1959, a proposal had been put forward for a Southeast Asian Friendship and Economic Treaty. Thanat Kohman, then foreign minister of Thailand, wanted to include all states of the region in this treaty with the notable exception of North Vietnam. In July 1961, Malaysia, Thailand and the Philippines agreed on the Association of Southeast Asia (ASA) as a loose association whose main objective was to promote cultural and economic cooperation (Turnbull 1992, p. 615). The setting up of ASA was also driven by the desire to stem the perceived spread of communism more effectively. Jakarta opposed ASA since its three signatories were aligned with either the US or Great Britain. In addition, there were frictions among the ASA members themselves as, for example, between Malaysia and the Philippines over the Sabah issue. ASA gave way to the foundation of 'MaPhilIndo' bringing together Malaysia, the Philippines and Indonesia.<sup>33</sup> In the end both plans were aborted over security issues, Indonesia's policy of confrontation and the Sabah claim of the Philippines. Although their real achievements were relatively small, it is noteworthy that both arrangements represented regional initiatives for Southeast

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in Vietnam was mostly a civil war while the crisis between Indonesia and Malaysia was between two different states.

31 The Indonesian claim on West Irian provides a good example.

32 In 1956, Jakarta cut all connections with the Netherlands and by 1957 it confiscated all Dutch properties on the Indonesian islands and expelled all Dutch nationals.

33 'MaPhilIndo' was set up in 1963. It combines the first syllables of its three member-states: Malaysia, the Philippines and Indonesia.

Asian cooperation and ASA has generally been regarded as the forerunner of the Association of Southeast Asian Nations (Khoman 1986, p. 9).

By the mid-1960s, the leadership in Southeast Asia began to change. The 1965 US-sponsored military coup in Jakarta removed Sukarno from power.<sup>34</sup> Sukarno's successor, Suharto, adopted a different foreign policy and ended the confrontation with Malaysia. In 1965, President Marcos was elected president in the Philippines. His administration turned down the tensions with Malaysia over Manila's Sabah claim. In a way, the administrative and personality changes in Indonesia and the Philippines helped to ameliorate the major disputes among the non-communist countries in Southeast Asia by 1966 and prepared the ground for broader intra-regional cooperation. On 8 August 1967, foreign ministers from Indonesia, Malaysia, Singapore, the Philippines and Thailand issued the Bangkok Declaration, effectively creating the Association of South East Asian Nations (ASEAN 1967).

The five original signatories of the Bangkok Declaration shared several aims and characteristics. The Cold War polarisation was escalating. An increasingly violent conflict was raging in Vietnam between the North and the South, aided by the USSR and the PRC on one side and by the US on the other. China's foreign policy at the time played an important part in these events. Hugo Restall writes:

By trying to sow his revolutionary ideology across the Third World, Mao Tse-tung ended up driving much of Asia into Washington's orbit. The worst debacle was the bloody Indonesian coup of 1965 after Beijing's tried to foster the local Communist Party; in the aftermath hundreds of thousands of ethnic Chinese and suspected communists were slaughtered. Soon after, the Association of Southeast Asian Nations was formed with Indonesia at its core to resist Chinese influence, laying the groundwork for the Pax Americana that has made possible four decades of striking progress toward prosperity (2007, p. 10)

The politics of détente between the two global superpowers raised questions concerning the credibility of regional US defence commitments. The potential for instability and conflict was inherent in the area, even within and among the non-communist states. Disputes such as the *konfrontasi* between Indonesia, Malaysia and Singapore and various domestic communist and separatist insurgencies added to the unstable picture. Thus, a combination of vulnerabilities to external forces and domestic fragilities during the 1950s and 1960s provided the impetus for regional cooperation. In the words of Thanat Khoman:

ASEAN, or the Association of Southeast Asian Nations, was born out of the hope – the hope for peace, prosperity, and progress in the Southeast Asian region. It was also born in the context of confrontation (or to use the Indonesian term *konfrontasi*) that in 1963 pitched Indonesia and the Philippines against Malaysia over the territorial disputes arising from the colonial legacy of Sarawak and Sabah. The region was on the verge of war [...] (1986, p. 9).

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<sup>34</sup> For a very informed discussion of the bloody overthrow of Indonesia's President Sukarno and the US involvement see Scott (1985).



ASEAN provided a framework for the development of peaceful intra-regional relations, moving from confrontation to cooperation, ‘[...] securing for their peoples and for posterity the blessings of peace, freedom and prosperity’ (ASEAN 1967). For Indonesia in particular, it offered a chance to signal a shift away from previous policies of confrontation with its neighbours.<sup>35</sup> The preservation of national sovereignty without external interference was among the major driving factors leading to the formation of ASEAN, given that all members with the exception of Thailand had only recently achieved independence. The nominal non-alignment of ASEAN indicates the strong influence of Indonesia in the set-up of the Association. Although Suharto’s New Order regime brought about a reversal of Jakarta’s foreign policy behaviour, some characteristics of the Sukarno era survived. Among them was the continuation of an independent foreign policy.

Self-reliance, whether on a national or regional basis, was key for the ASEAN signatories. The Bangkok Declaration states in this context:

[...] that the countries of South-East Asia [...] are determined to ensure their stability and security from external interference in any form or manifestation in order to preserve their national identities [...] all foreign bases are temporary [...] and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the area or prejudice the orderly processes of their national development [...] (ASEAN 1967).

Although motivated by security interdependencies, ASEAN, unlike NATO or SEATO, never intended to be a conventional collective defence alliance.<sup>36</sup> As such, the emerging regionalism in Southeast Asia resembles the beginnings of European integration. Its main priorities were to achieve security and stability within the region and to end the recent conflicts among its members. In a way it was an attempt to institutionalise rapprochement between Indonesia and Malaysia (Henderson 1999, p. 15). This has parallels with European integration and Franco-German rapprochement. Of course there are limits as to how far one can stretch this comparison. However, Indonesia, very much like Germany, needed to signal peaceful intentions to its neighbours. Like the six signatories of the Treaties of Paris and Rome, the original member-states of ASEAN realised that they were locked in an inter-relational pattern of security interdependencies.

Alagappa (1993) refers to such a security organisation as a formal, intergovernmental organisation among geographically proximate states in a region that is internally and externally recognised as distinct. One of the main purposes of such an organisation is the maintenance of peace and security.<sup>37</sup> Another author describes ASEAN as a ‘neighbourhood watch group’, borrowing the idea from residential neighbourhood watch groups to prevent crime (Khoo 2000). The concept emphasises good neighbourliness, non-interference and respect for national

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35 The signalling factor was important for Indonesia’s neighbours as well as for the West as a potential source of desperately needed investment (Irvine 1982, p. 12).

36 Some writers, such as for instance Shankari Sundararaman (1997) speak of ASEAN as an attempt to create some form of ‘collective political defence’.

37 In this context see also Nye (1971) and Thompson (1973).

sovereignty, territorial integrity, national and regional resilience, consensus and consultation (Ibid.). The neighbourhood watch group argument incorporates many elements of the regional security organisation thesis. ASEAN's founders did not create the Association as a conflict resolving mechanism in a narrow sense. Indeed, conflict resolution would be hampered by the non-interference principle (Henderson 1999, p. 16). In a wider sense, however, the possibility of 'getting to know each other' is the foundation for every confidence and mutual-trust-building exercise and, in a way, a necessity in long-term conflict prevention and resolution among geographically close states.

Unlike the Treaties of Paris or Rome, the Bangkok Declaration itself was little more than a statement of good intentions. ASEAN did not set up any institutional or legal frameworks. Having recently achieved independence, nationalism was not discredited in the region. On the contrary, as we have seen, nationalism was the instrument of choice in the various decolonisation processes. There was no attempt to restrain the nation-state. Rather ASEAN was seen as a way to support state-building. Although political and security issues were crucial to the formation of ASEAN, the founding document hardly mentions these objectives nor how to achieve them. The original five signatories were mindful of the accusations directed against ASA of being a primarily anti-communist, big power directed alliance. Hence, the document was intended to be as uncontroversial as possible, emphasising only economic and cultural cooperation (Rigg 1991, p. 209).

Regionalism had taken root in Southeast Asia with the formation of ASEAN. And although the ASEAN version of regionalism refrained from establishing formal institutional structures and did not set out to achieve anything remarkable in its first years of existence, its members remained committed to it. In contrast to the Sukarno-period, regional disputes that flared up soon after ASEAN's inception did not lead to military confrontation. Certainly, the disputes were not resolved within the ASEAN-framework. But then again, they were of a bi-lateral nature and ASEAN was prevented from interfering by its own principles.<sup>38</sup> Nevertheless, ASEAN provided a forum for Southeast Asian political élites to 'get to know each other':

One fruit of this learning has been the development of genuine mutual respect (but not necessarily affection) among ASEAN leaders, as between Lee and Suharto, between Lee and Mahathir, and in the mid-1990s between the Philippine President Fidel Ramos and Mahathir, and between Singapore Prime Minister Goh Chok Tong and Suharto (Khoo 2000).

However, geopolitical changes were soon to necessitate a reassessment of ASEAN by its member-states. The collapse of the Sino-Soviet alliance led to a re-evaluation of US foreign policy in the region. Relations between the PRC and the USSR had been deteriorating since Stalin's death in 1953 (Yahuda 2004). By the mid-1960s, the former friends and allies<sup>39</sup> were turning into bitter adversaries. The reasons

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<sup>38</sup> A discussion of the normative structure and the underlying principles of ASEAN will follow in Chapter 5.

<sup>39</sup> On 14 February 1950, Beijing and Moscow had concluded a treaty of friendship, alliance and mutual assistance. For details, see Goncharov et al. (1993, pp. 84-129).

were complex, ranging from Chinese disappointment over limited Soviet economic assistance and different foreign policy outlooks, to a struggle for leadership in the world communist movement. The xenophobic mood and turmoil of the Chinese Cultural Revolution only added fuel to the flames. In fact, the militarisation of the conflict began in 1965.<sup>40</sup> As a result of the Sino-Soviet split, China began to explore the possibility of closer ties with the US – effectively creating a power triangle in the Asia-Pacific region. By the late 1960s, Kissinger and Nixon were viewing China as a potential ally in the confrontation with the Soviet Union. In the PRC, the Ninth Party Congress of the Chinese Communist Party in 1969 opened a new phase of Chinese foreign policy, ending the turmoil of the Cultural Revolution. President Nixon's visit to Beijing in 1972 and the Shanghai Communiqué signalled the beginning of rapprochement between the two states (Salisbury 1992, pp. 306-15; The Shanghai Communiqué 1972). And mutual strategic needs led to an eventual normalisation of Sino-US relations.<sup>41</sup>

The Sino-US rapprochement had far-reaching consequences for Southeast Asia. It removed the strategic purpose of America's intervention in Indochina. With the prospect of Sino-US alignment, a victory of communist North Vietnam over the South seemed far less threatening from a strategic perspective. In the 1969 Guam doctrine (also known as the 'Nixon doctrine') the US declared it would avoid becoming entangled in any future conflicts in the region (Nixon 1969), though it would continue to provide financial, logistic and technical assistance (Halasz 1969, p. 156).

In the face of declining US commitment in the region, US allies within ASEAN, the Philippines and Thailand, were forced to rethink their security strategies. The evolving American debacle in Vietnam undermined US defence credibility even further.<sup>42</sup> The situation was no better for ASEAN members who had defence

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40 The military confrontation is often attributed to nationalist sentiments on the Chinese side and territorial disputes in connection with strong feelings regarding the so-called 'unequal treaties'. The true reasons are, however, far more complex involving not only Chinese pride but also Chinese fears of Soviet intentions, a distraction from the domestic problems and power struggles within the Chinese Communist Party and an increasing radicalism in the PRC during the Cultural Revolution. This must be understood in relation to the Brezhnev doctrine, which was formulated in Spring 1968 as a Soviet response to the events in Prague. Moscow adopted a policy of combating 'anti-socialist' forces and invading Czechoslovakia (Brezhnev Doctrine 1968).

41 For American triangular policy see H. Kissinger (1994, p. 703).

42 The Tet Offensive of 1968 underlined the limits of American military abilities. Following the decision of President Nixon to disengage US combat forces from Indochina, victory for the communist North and re-unification of Vietnam was, perhaps, inevitable. In 1973, Washington and Hanoi signed the agreements at Paris finalising the withdrawal of American forces from Vietnam. Only two years later, in April 1975, the capital of South Vietnam, Saigon, was captured by North Vietnamese forces and the second Indochina war came to an end (Yahuda 2004). For a detailed analysis of the Tet Offensive and its implication for US foreign policy in Indochina see Williams et al. (1989, pp. 223-72).

agreements with Britain (Malaysia and Singapore) as, in 1968, London decided to disengage its military forces from the 'East of Suez'.<sup>43</sup>

ASEAN's response to the changing international realities came in 1971 in the form of the Declaration on a 'Zone of Peace, Freedom and Neutrality' (ZOPFAN) (ASEAN 1971). The reduction of US commitment in the region, the communist victories in Indochina and an increasing unease regarding China's intentions<sup>44</sup> forced ASEAN governments to adopt a compromise which would accommodate their diverse interests and preferences. As with the Bangkok document, however, the ZOPFAN Declaration was little more than a statement of good intentions.

In February 1976, the leaders of the ASEAN member-states met at the first ASEAN Heads of Government Conference in Bali. During the summit, two major agreements were signed: the ASEAN Concord and the Treaty of Amity and Cooperation in Southeast Asia (TAC) (ASEAN 1976a and 1976b). Its first chapter outlined its purpose: 'to promote perpetual peace, everlasting amity and cooperation among their peoples which would contribute to their strength, solidarity and closer relationship' (ASEAN 1976b). The document officially renounced the use and threat of force for the settlement of disputes and stressed the ASEAN principle of non-interference in the internal affairs of individual member-states (ASEAN 1976b, Art. 2). Chapter 2 focused on amity, Chapter 3 outlined cooperation, while Chapter 4 provided ASEAN with a dispute settlement mechanism including a High Council:

To settle disputes through regional processes, the High Contracting Parties shall constitute, as a continuing body, a High Council comprising a Representative at ministerial level from each of the High Contracting Parties to take cognizance of the existence of disputes or situations likely to disturb regional peace and harmony (ASEAN 1976b, Art. 14).

Both the TAC and the ASEAN Concord provided ASEAN's regionalism with something like a legal foundation. While the first document was mainly concerned with the broader norms and principles to be adopted by the signing parties, the ASEAN Concord specifies the details of how to achieve enhanced regional cooperation (ASEAN 1976a). The Bali summit reflected developments on the international stage. The agreements granted ASEAN some instruments necessary to manage regional order. Its members were legally bound to the rules of conduct enshrined in these treaties. But, unlike in the case of the ECSC and the EEC treaties, neither the TAC nor the ASEAN Concord required any change in the political structures of member-states.<sup>45</sup>

In a way, TAC formalised the re-assurance of non-aggression signalled with the earlier Bangkok Declaration. The ASEAN Concord, on the other hand, aimed to

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43 For an analysis of British decolonisation in Southeast Asia and its 'East of Suez' withdrawal see K. Hack (2001).

44 In 1974, China seized the Paracel Islands in the South China Sea from Vietnam. Although no ASEAN member-state was directly affected, the move indicated that the PRC was willing and ready to use non-diplomatic means to satisfy its territorial claims in the region.

45 Admission into the Association, therefore, does not require the fulfilment of any political criteria by potential applicants.

consolidate the achievements and expand ASEAN cooperation in the economic, social, cultural and political fields (ASEAN 1976a). The Bali conference helped to develop ASEAN's external relations and its identity as a collective actor (Snitwongse 1998, p. 186).<sup>46</sup> Then the following year, in 1977, the ASEAN leaders met the heads of government of Japan, Australia and New Zealand for the very first time as a group at the ASEAN summit in Kuala Lumpur.

### *Regional Economic Cooperation*

Like in post-World War Two Western Europe there was only a low level of economic interdependency between the members of ASEAN. However, unlike European regionalism, ASEAN did very little to encourage intra-regional economic linkages. As discussed above, the structure of the individual ASEAN economies and political regimes was extremely diverse. In the post-independence era, their economies were fuelled by resource-based exports. The agricultural sector was crucial for post-independence elites in Southeast Asia, who were dependent on political support from rural areas. Rural development was also key to countering communist insurgencies that plagued the region in the 1950s. Resource-based growth in Southeast Asia was further encouraged by the US, which wanted to secure raw materials for Japan as part of its Cold War strategy, leading to greater links between Japan and Southeast Asia (Dixon 1991, p. 9).

Industrial development was mainly based on import-substitution industrialisation (ISI) strategies, the orthodoxy of the day. However, as Greg Felker notes, unlike in other developing countries:

[...] economic nationalism took a back seat to domestic distributional politics [in Southeast Asia]. Indigenous rulers wished to avoid openly strengthening the economic power of ethnic Chinese business communities, who controlled much of the existing commercial and industrial economy (2004, p. 60).

Thus, foreign investment was generally welcomed in the region. By the 1970s, many ASEAN economies were integrated into the international economy. The wars in Indochina and Korea were also to have beneficial impacts as the ASEAN states received huge inflows of American investment and aid during Washington's involvement in Indochina. The almost free access to the crucial US market was also of considerable importance. At the same time Japanese investment in the region began to increase.

By the end of the 1970s and the 1980s industrial growth had slowed down in Malaysia, Thailand, Indonesia and the Philippines. The oilshocks of 1973-74 and 1979-80 and the breakdown of Bretton Woods effectively stalled the growth of the US and European economies, enhancing the prospect of American and European protectionism. Furthermore, by the beginning of the 1980s, import-industrialisation had faced increasingly saturated domestic markets.

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<sup>46</sup> A detailed discussion on the international presence of ASEAN and the development of an ASEAN identity will follow in Chapter 5.

Driven by the desire to emulate the economic success of Taiwan, South Korea, Hong Kong and Singapore, the Newly Industrialised Countries (NICs), Thailand, Malaysia, Indonesia and the Philippines gradually switched from import-substitution industrialisation to more export-oriented development strategies. The NICs, had achieved impressive levels of economic performance characterised by high growth rates, low inflation, macroeconomic stability and an overall improvement of general welfare indicators. A series of economic liberalisation policies in Thailand, Indonesia, the Philippines and Malaysia provided the pre-conditions for enhanced economic cooperation (Akrasanee and Stifel 1992, p. 29). However, these policies did not imply the adaptation of economic neoliberalism as propagated by the Washington consensus. The state remained an important and active player in the economic sector. 'Successful government intervention was based on a powerful set of policy instruments, a corporatist/authoritarian model of state, and the ability to restructure the economy towards high-technology production' (O'Brien and Williams 2004, p. 256).

The move to export-oriented industrialisation was also driven by changes in the international economy. As a consequence of the increasing US-Japanese rivalry, Japan increased its economic involvement in Southeast Asia. Most notable in this context is the 1977 Fukuda doctrine of enhanced economic cooperation. After Fukuda, the Japanese Prime Minister, visited the ASEAN countries in 1977, 'the word "ASEAN" replaced "Southeast Asia" in Japanese political parlance, and ASEAN and China emerged as two major regional units in Japan's Asia policy' (Shirashi 1997, p. 186). Japanese investment in the ASEAN countries surged following the Plaza Accords in 1985, with Japanese manufacturers shifting their production bases there for the export of manufactured goods to Japan and other countries (Ibid.). Similarly, currency adjustments in Taiwan and South Korea resulted in an increase in FDI flows from these countries (Felker 2004, pp. 64-5).

The massive inflow of FDI created new regional interdependencies: it resulted in a regional intra-industry division of labour (Felker 2004, p. 63). Production networks spread across the region, with multinationals increasing intra-firm trade between different countries in the region. This was driven by a Japanese vision of East Asia-wide economic dynamism, with ever expanding frontiers from the NICs to the ASEAN economies, the coastal regions of China and, one day, even to Indochina. This 'flying geese' pattern of economic development would provide Japanese business with ever expanding possibilities:

For Japan economic cooperation no longer means trade promotion and resources procurement as it did in the past, but the encouragement and promotion of Asian dynamism with Japanese direct investment, Japanese aid for structural adjustment, and Japanese imports from Asian NICs and ASEAN countries (Ibid., p. 187).

The flood of FDI from East Asia as well as from the US and Western Europe that arrived in Southeast Asia in the early 1990s triggered a period of high economic growth in ASEAN economies. And high economic growth was accompanied by economic integration. According to the World Bank, intra-regional exports rose from 32 to 40 percent in the period from 1990 to 1996 (World Bank 1997, p. 11).



However, unlike in Western Europe, economic integration was not the result of trade agreements and the development of an extensive institutional framework. It was driven by investment flows, multinationals and private business networks (Katzenstein 1997, p. 1). There was very little institutionalisation.

### *Relations with Indochina – Coming of Age*

Events in Indochina have always been of fundamental importance for the development of ASEAN regionalism. The escalation of hostilities between North and South Vietnam in the 1960s was among the push-factors leading to the foundation of ASEAN in 1967. The retreat of US forces from Vietnam and, therefore, from Southeast Asia, followed by the communist victory in 1975 indicated a significant change in ASEAN's security environment. ASEAN responded with the 1976 Bali summit establishing the TAC and the ASEAN Concord. 'When the communists gained control of Indochina [...], the five non-communist partners of the Association of Southeast Asian Nations (ASEAN), with the domino theory in mind, took rapid steps to try to tighten the resilience of what was a loose regional grouping' (Tasker 1978, p. 18). The Bali summit also emphasised that accession to the Association was open in principle at least to all Southeast Asian countries – including Vietnam (ASEAN 1976b, Art. 18). In fact, ASEAN's principles such as non-interference and the non-use of force applied to all of Southeast Asia.

Among members of ASEAN, opinion on the Vietnam issue was divided. These differences were deeply rooted not only in historical experiences and geographical location but also in the different alliances that ASEAN states were part of. Thailand and the Philippines leaned heavily towards the US, even providing bases from where air strikes against Indochinese targets were launched. Indonesia, on the other hand, did not view Vietnam so much as a threat as an opportunity – Hanoi could be used to balance Beijing.<sup>47</sup> Others, such as Malaysia and Singapore were cautious about the possible spread of communism and the increasing Soviet influence in the region.

Originally only a political sideshow, Cambodia managed to introduce new lines of conflict for ASEAN. The origins of the Cambodia conflict are complex and partly predate colonial Indochina. In 1975, Pol Pot seized power in Phnom Penh after his communist Khmer Rouge had defeated the Lon Nol regime (Kierman 1981), and relations between Cambodia and Vietnam starting deteriorating (Alagappa 1993, p. 7; Chanda 1978, p. 22). The new regime in Cambodia did not constitute a benign neighbour for Vietnam. Territorial claims to areas in southern Vietnam resulted in repeated border incursions. In 1978, responding to a threat to its security, Vietnam invaded Cambodia and crushed the Khmer Rouge and a Hanoi-friendly government was installed in Phnom Pen. However, as Sharpe observes, 'Vietnam certainly had

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47 Although China supported the war effort of the Democratic Republic of Vietnam, Hanoi-Beijing relations were far from happy. Vietnam depended heavily on Moscow for advanced technology and modern weapons. The Sino-Soviet split and the xenophobic rhetoric of the PRC during the Cultural Revolution raised concerns regarding China's intentions. The 1974 occupation of the Paracel group strained the relationship even further and put Vietnam firmly in Moscow's camp.

a reasonable excuse for its invasion, but regardless of the moral arguments, in terms of dry legality, Vietnam had invaded and occupied a sovereign country in breach of core principles held central to regional security by ASEAN' (2003, p. 236). The bilateral conflict immediately acquired international dimensions.

China was not prepared to accept Soviet-backed Vietnam's domination of Indochina. A Treaty of Friendship and Cooperation between Moscow and Hanoi concluded in November 1978 exacerbated Sino-Vietnamese antagonism (Segal 1991, p. 199). As a result of the treaty, the Vietnamese granted the Soviets access to naval facilities at Da Nang and Cam Ranh Bay. Use of these bases represented a substantial strategic gain for Moscow, whose naval bases in the Pacific Ocean, until then, had been limited to cold water ports in the Soviet Far East. The new warm water facilities served to exert pressure on the southern flank of China. Together with the heavy military build-up along the Sino-Soviet border, China felt threatened with encirclement by its adversaries and decided on a demonstration of strength. In February 1979 China attacked Vietnam – only to be beaten back by Vietnamese troops within a few months.<sup>48</sup>

The *de facto* alliance between Vietnam and the USSR also had implications for superpower relations since it extended Moscow's influence into the Pacific and Indian Oceans (Hanley 1978, p. 10). The strategic location enabled the Soviet Union to control the vital sea-lanes of Southeast Asia, thereby endangering America's interests in Northeast Asia in the event of escalating military hostilities. However, the real military value of the naval bases was questionable given the logistical difficulties of over-stretched and, in case of serious conflict, extremely vulnerable lines of supply. Hence, with regard to the superpower conflict the Soviet bases in Southeast Asia were of symbolic rather than real military value.

The reactions of the ASEAN member-states to Cambodia varied.<sup>49</sup> For Thailand the invasion represented a direct security threat due to Vietnam's dominant position in Indochina (Alagappa 1993, p. 9; Chanda 1980, p. 26). The dividing line in the different threat perceptions was China. Indonesia still perceived the PRC as the major long-term threat in the region. The Chinese attack on Vietnam only reinforced the concerns of states such as Indonesia and Malaysia regarding the growing Chinese regional influence. Thailand, on the other hand, regarded itself as a front-line state with respect to Indochina due to its geographical proximity and historical legacy. Hence for Thailand, Hanoi loomed as a much larger threat than China. Thailand's prime minister at the time, Kriangsak Chomanan, even concluded a *de facto* alliance with the PRC (Nischalke 2000). The whole of ASEAN, however, shared concerns regarding the huge number of Indochinese refugees (ASEAN 1979a). Consensus on the Vietnam issue was finally forced by troubles at the Thai-Vietnamese border in 1980 resulting in a unitary ASEAN approach on the matter (ASEAN 1980).

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48 For a brief account of the conflicts in Cambodia and between the PRC and the DRV see Segal (1991, p. 195). For further references on Sino-Vietnamese relations see Amer (1999, pp. 68-129) and Duiker (1985).

49 For the conflicts in Southeast Asia and the interests of the regional states see also Leifer (1980, p. 23).



Once consensus was achieved on the Indochina issue, concerns were expressed of a possible spread of the struggle to other parts of the region. For ASEAN as an organisation, Vietnam's move represented a direct affront to its core principles of non-interference and the sanctity of sovereignty.<sup>50</sup> An emergency meeting of foreign ministers in Bangkok in January 1979 issued a joint communiqué demanding Vietnam's withdrawal from Cambodian territory (ASEAN 1979b). ASEAN countries neither had the means nor the intention of resolving the Cambodian issue by resort to military force. Consequently, its reaction had to be of a political, economic and diplomatic character. There was, as San How Khoo (2000) put it:

[...] sufficient intramural political will and consensus to contain Vietnam after its invasion of Cambodia in December 1978. Among the ASEAN-6 (that is, the founding five plus Brunei), Thailand and the maritime countries could be said to be the most active in the containment of Vietnam.

ASEAN combined a variety of diplomatic and economic instruments in order to assert influence upon Vietnam. In doing so it proved to be successful in rallying international opinion in various international fora, most notably in the United Nations (Snitwongse 1998, pp. 186-7). ASEAN also employed its relations with its dialogue partners such as the US, the EC, Japan and Australia in order to achieve its objectives in Cambodia. It took the lead in lobbying international opinion against Hanoi and for a complete withdrawal of all Vietnamese forces from Cambodian territory and prevented the Vietnam-backed Phnom Pen regime from gaining international legitimacy by denying it the right to take over the Cambodian seat at the UN (Ganesan 2000). The outcome of ASEAN's lobbying was UN resolution 34/22 calling for an 'immediate withdrawal of all foreign forces from Kampuchea' (Antolik 1990, p. 188). ASEAN managed to draw international attention to Cambodia and, as a result, the problem shifted out of its original regional framework and became an issue of international magnitude (Alagappa 1993, p. 10).

However, as some writers point out, other substantial international actors supplemented ASEAN's efforts. These included China, the US, Japan, and the EC (Alagappa 1993, p. 10). Yet, the main significance of the Indochina-period for ASEAN lies not so much in the role of the Association in conflict prevention, management or solution but in its achievement of a new stage of organisational maturity (Tasker 1978, p. 19). If the Bali summit had provided the Association with a foundation for a collective identity, then the consensus of the member-states regarding the Cambodia crisis proved to be momentous in further enhancing and strengthening that identity. The Cambodia issue harmonised the foreign policies of the member-states on that matter, evoking a public sense of unity and provided ASEAN with a solid reputation as an international organisation. In short, ASEAN emerged as a collective actor at the international stage with the ability to display a certain degree of internal cohesion in maintaining a collective position.

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50 See also the discussion in Chapter 5.

## Conclusion

The main purpose of this chapter was to sketch the historical development of regionalism in Western Europe and in Southeast Asia. There is no dominant theoretical approach capturing an individual case of regionalism in all its nuances, let alone accounting for all the complexities and diversities of regionalism worldwide. The empirical evidence outlined above serves to support this. Nor is there a common paradigm of regionalism to which Western Europe and Southeast Asia have subscribed.

The aim of this volume is to undertake a comparison of two very distinctive forms of regionalism by locating them within their respective historical contexts. The EC/EU and ASEAN could hardly be more different. From the accounts given above we have learned that the forces driving the EC and the ASEAN versions of regionalism need to be located within the historical idiosyncrasies of each region. World War Two had set events in motion that favoured cooperative solutions in both parts of the world. Nationalism was widely discredited within Western Europe. Following the war, pro-integration forces in the various European countries were invigorated. And, although the European movement lacked unity and the forces of nationalism managed to recover quickly, it led to a considerable rethinking of European politics among the elites of Western Europe.

World War Two was also significant for Southeast Asian regionalism. It weakened European colonial power in the region and facilitated decolonisation in the region both explicitly and implicitly. Unlike in Western Europe, nationalism was strengthened and it remained the tool of choice in the various state-building processes. Indeed the different conceptions of nationalism in Western Europe and in Southeast Asia may account to a certain degree for the differences in institutionalisation. While Western Europe saw the emergence of a unique and novel mixture of supranationalism and intergovernmental cooperation, sovereignty needed to be consolidated and not restricted in Southeast Asia, and institutions with supranational authority, or indeed any external influences on domestic politics were not needed.

Despite these differences, there are similarities in the internal dynamics of both regions. Security matters were responsible for the take-off of regionalism in Europe and in Southeast Asia. As we have seen, the ECSC served to foster the reconciliation process between France and Germany, whereas ASEAN was created as a framework to facilitate the reconciliation between Indonesia, Singapore and Malaysia in the aftermath of the *konfrontasi* period. Both, Germany and Indonesia fostered regionalism to re-integrate with their neighbours and to offer assurances of their peaceful intentions.

The polarisation brought about by the Cold War added another crucial security dimension. The US promoted regional cooperation directly and indirectly in both cases. Cooperation was seen as necessary to strengthen Western Europe and non-Communist Southeast Asia in order to prevent a further expansion of Communism. Several states in both regions faced strong domestic Communist parties or were subjected to Communist insurrection. Regionalism was in line with the Truman doctrine and domino theory. It created a relatively stable regional environment in Western Europe and in Southeast Asia. In Western Europe, regionalism laid the

foundation for greater economic prosperity. In Southeast Asia, the confidence-building mechanism of ASEAN offered member-states of the Association breathing space to consolidate their power and to focus on economic development. ASEAN was designed to prevent armed conflict between its signatories and to allow them to devote their attention and resources to domestic concerns.

The Cold War and geopolitical events in general such as the 'loss of China', the Korean War, and the politics of détente had implications for both regionalisms. They created a distinctive set of security challenges so that regionalism was driven by the need to achieve some form of regional security, where security was conceptualised in the widest possible manner. First-wave regionalism was kicked off by internal and external security dynamics. The emerging superpower conflict played an important role, as did the hegemonic position of the US acting as an explicit facilitator of regionalism. Its application of multilateralism in Western Europe and the international institutional structures it set up in the aftermath of the war should not be underestimated when considering the beginnings of European integration. And, although Washington applied a bilateral approach in East Asia, it also encouraged regional cooperation there.

Another set of factors that influenced regionalism in both regions was the international political economy. The Bretton Woods system of fixed exchange rates created a stable international economic climate that facilitated economic integration. The breakdown of the system, and the economic recession following the oil shocks, was to eventually invigorate regionalism. The 1970s and 1980s witnessed the dawn of a new age in the international political economy. Neoliberalism, as manifested in the Washington consensus, increasingly became the ruling economic orthodoxy with far-reaching consequences. The liberalisation of trade and finance in conjunction with the revolution in the information and communication sectors and the development of new financial products had a positive impact on European and ASEAN economic integration alike. In the EC, these changes directly contributed to the formulation of the Single European Act, the Maastricht Treaty and the foundation of the EU itself. In Southeast Asia, it caused a rethinking of development strategy and a switch from the import substitution route to export-oriented growth. The changes in the global political economy and the ensuing American-Japanese economic rivalry implied that a large wave of Japanese foreign direct investment hit the region, setting up production networks and, thus, facilitating, the informal, non-institutionalised economic integration of ASEAN countries.

The chapter has also noted that regionalism needs capable supporters and requires different domestic coalitions and elites to find a consensus. Regionalism in both cases was very much an elite-driven top-down process. This raises various questions that, although interesting, cannot be answered within the scope of the current volume. For example, if individual decisions and domestic coalitions are so decisive for regionalism, then a closer look at the rich body of scholarly work on political decision-making might help to shed more light on regionalism both as a general phenomenon and for the analysis of individual cases. Also, the impact of leadership capabilities and its influence on regionalism needs to be explored further.

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## Chapter 4

# Second-Wave Regionalism: The Post-Cold War Period

The previous chapter introduced us to the first period of regionalism in Western Europe and Southeast Asia. By focusing on the post-Cold War period, this chapter will continue the comparative theme of this volume. It systematically explores the intensification of regional cooperation in Europe and in Southeast Asia and discusses the role of globalisation and geopolitical change for both regionalisms. The chapter also includes an account of the impact of external shocks and seismic events such as the Asian financial crisis and US unilateralism since 9/11 on the EU and ASEAN and on regionalism in general. The consequences of EU enlargement and the constitutional crisis and the ASEAN Plus Three process are also elucidated and evaluated.

### **Second-Wave Regionalism in Western Europe**

#### *Towards a European Union*

In the previous chapter we have seen how the project to create a Single European Market was driven by national governments and, in particular, by individual politicians (Moravcsik 1994, p. 211). Leadership constitutes an important variable in the complex process of region formation. The close involvement of non-governmental actors such as the Commission and private actors such as transnational industrial interest groups and multinational enterprises has also been documented (Baun 1996; Jones 2001; Sandholtz and Zysman 1994, p. 189). It is during this period that new transnational actor networks become increasingly assertive at the regional and international level, actively influencing regional policy-making and the form and shape of regionalism. The technologies of globalisation have enabled the formation of transnational interest groups and business networks, while the effects of globalisation have provided the necessary motivation.

Chapter 3 has indicated that the Single Market initiative has to be seen in the context of globalisation, e.g. the need for Western Europe to respond to changes in the international political economy. The liberalisation of capital movements and telecommunications, for instance, was aimed at enhancing the competitiveness of European industries by facilitating transnational mergers and acquisitions. This was particularly important in terms of research and development. It triggered a certain path dependency – the Single Market Programme created a new impetus for monetary union. Varying exchange rates between EC members were seen as

being contradictory to the aims of the single market. In the late 1980s, business leaders and the creators of the EMS, Helmut Schmidt and Valéry Giscard d'Estaing, began to actively lobby for European Monetary Union (EMU) (Dinan 2004, p. 235). In 1988, the Hanover European Council agreed that monetary union would be a logical consequence following the adaptation of the SEA (European Commission 1988). The 'Delors Report' of 1989 proposed to achieve monetary union via a three-stage process that would culminate with the introduction of a single EC-wide currency in 1999 (European Commission 1989b). Critical support for the monetary union came from the governments of France and Germany, with Mitterrand openly espousing greater European integration led by closer Franco-German cooperation in a range of areas, including monetary policy (Cole 1994, p. 122). A single currency and a European Central Bank had the potential to establish the EU as an economic counterweight to the US. While Helmut Kohl in Germany supported the idea in principle, he faced strong domestic opposition from the *Bundesbank* (the German Central Bank) that proved difficult to overcome.

Dramatic changes in the international political economy, especially developments in the international monetary system provided additional dynamics towards monetary union. The previous chapter elaborated on the breakdown of the Bretton Woods system of fixed exchange rates. In 1979, the US Federal Reserve raised interest rates to combat inflation. As a consequence, the value of the US dollar increased dramatically – it rose by about 30 percent between 1980 and 1982. By combating inflation at home, the US was, in effect exporting inflation – a textbook case of a 'beggar-thy-neighbour' strategy. Together with the second oil shock following the Iranian revolution in 1979, the effect was global recession. Unemployment levels rose throughout the world to levels unsurpassed since World War Two.

As the US Federal Reserve increased interest rates, US President Ronald Reagan made good on his election promise by lowering taxes at home and providing investment incentives to businesses. At the same time, the exacerbating Cold War tensions meant that the Reagan administration accelerated its defence spending. The combined effect of these measures was to give the US economy a fiscal stimulus at the cost of a spiralling budget deficit. Inflation was contained, and American consumers had more to spend on imports. However, American exports became more and more expensive. A worrisome dip in export demand for a number of leading US export sectors including textiles, car manufacturing, steel industries and agriculture resulted in pressure for protectionist legislation, which increased in the mid-1980s.

As most industrialised countries were eager to avoid the threat of enhanced US protectionism, the Group of Five (G 5) countries, the US, Germany, Japan, France and the UK, agreed at the Plaza Hotel in New York on 22 September 1985 to jointly intervene in the foreign currency market to bring down the value of the US dollar (Announcement of the Ministers of Finance and Central Bank Governors of France, Germany, Japan, the United Kingdom, and the United States (Plaza Accord) 1985). As a result of this initiative the value of the US dollar began to fall against the European currencies and the Japanese yen. A renewed effort for coordinated exchange rates followed two years later at the Louvre meeting of the G 6 (G 5+Canada) (Statement of the G6 Finance Ministers and Central Bank Governors (Louvre Accord) 1987).

The Plaza and Louvre accords indicated a growing dissatisfaction with floating exchange rates. Governments increasingly had to intervene to influence exchange rates. Within the EC, the EMS had proved to be a success but the devaluation of the US dollar exposed operational problems. The German mark had emerged as the anchor currency of the EMS. German monetary interests dominated the EMS, generating a strong French reaction. France sought a full-scale reform of the EMS, including a monetary union, with powers vested in a European central bank rather than the *Bundesbank* determining interest rates.

By the mid-1980s the geopolitical situation began to change dramatically. Gorbachev became Secretary General of the Communist Party of the Soviet Union, opening the way for reconciliation between East and West. This was, eventually, also to facilitate the implosion of Communism in Eastern Europe. In November 1989 the fall of the Berlin Wall signalled the end of the Cold War that had determined so much of post-war history, thus, shaking the very foundations of European integration. This was followed by sudden collapse of the USSR.<sup>1</sup>

The prospect of a reunited and self-confident Germany now posed a significant challenge to the EC as it marked a shift in the Franco-German balance and in the whole structure of post-war Europe. Overnight, the geopolitical situation in Europe had changed. Mitterrand, clearly disconcerted by the prospect of German reunification, was ever more determined to tie Germany closer to Europe. And he saw the rapid achievement of monetary union as the right tool to achieve this.

Helmut Kohl was more than happy to oblige and cement German unification with closer European integration. Indeed, he had no intention of changing the course of post-war German foreign policy. At the Strasbourg summit he declared that German reunification:

[...] should take place peacefully and democratically, in full respect of the relevant agreements and treaties ... in a context of dialogue and East-West cooperation ... [and] in the perspective of European integration (European Commission 1989b).

A unified Germany now emerged as the largest state in the EC. Located at the heart of Europe, and with strong traditional ties to Central and Eastern Europe, there were immediate concerns about a gravity shift within the EC from France to Germany. As Desmond Dinan argues in this context:

As with EMU, the essential impetus for political union came from France and Germany. ... Hoping to anchor Germany further in the EC and patch up his differences with Kohl, Mitterrand suggested a Franco-German initiative on political union. Accordingly, Mitterrand and Kohl requested an extraordinary meeting of the European Council to discuss the possibility of convening an intergovernmental conference on political union alongside the conference on EMU. Kohl and Mitterrand did not define political union but identified four elements of it: greater democratic legitimacy, more efficient decision-making, coherent socio-economic policies, and the development of a common foreign and security policy (Dinan 2004, p. 244).

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1 Ironically, Gorbachev, while setting the USSR on a course of political and economic reform to ensure its survival, ultimately triggered a chain reaction that would result in the breakdown of the Soviet Union.



Thus, EMU was driven by the need to respond to financial globalisation on the one hand and changes in the geopolitical landscape bringing about the prospect of a unified and assertive Germany on the other. However, some in the EC were already fretting at more regulation and competencies for the EC that monetary union entailed, key among them the British Prime Minister, Margaret Thatcher. In her view, market liberalisation and national deregulation were pointless if they were accompanied by an increase of EC-wide regulation. She saw this as the transfer of sovereignty from the national level to an unaccountable supranational bureaucratic body. Thatcher supported *laissez-faire* capitalism and was strongly opposed to the Commission, EMU and German re-unification. She made her views very clear: 'We have not successfully rolled back the frontiers of the state in Britain only to see them re-imposed at a European level with a European superstate exercising a new dominance from Brussels' (Thatcher 1988, p. 6). Hence, it came as no surprise when she voted against a proposal to hold an intergovernmental conference on EMU at the European Council in Madrid in 1989. She remained, however, the only voice of dissent; the proposal was agreed eleven votes to one.

The end of the Cold War marked the end of the 'European dichotomy'. For all its intrinsic dangers, the Cold War and the Iron Curtain had enabled Western Europe to prosper unencumbered by disruptions in the East. With the end of the Cold War, the political and economic crises in the successor states of the Soviet Union and its satellites affected the EC directly. There was increasing migration from the East, together with expansion of armed violence and an increase in international crime (Mauil 1993, p. 23). The disappearance of the division between East and West Europe had opened the way for the formation of a wider European security complex.

Apart from Germany's new geopolitical position, other considerations were also now beginning to work in favour of the idea of political union. The end of the Cold War brought the prospect of further EC expansion eastwards. Several Central and Eastern European countries had indicated membership aspirations. For someone like Delors, this demonstrated the appeal of European integration and the need for institutional reform and consolidation. To cope with the strategic and economic challenges posed by the changes in Central and Eastern Europe, the EC needed to extend its competence in a variety of areas, to increase the efficiency of its decision-making and to enhance its democratic legitimacy. One area demanding immediate attention was a possible common foreign and security policy. The EC had emerged as a security actor in its own right. By focusing on economic integration it had largely achieved its underlying security motive – the forging of a security community that made the use of military force for dispute settlement among its members unthinkable. Western Europe had been transformed from a zone of periodic conflict and source of instability to a zone of peace and stability. The Mediterranean enlargements of the 1980s helped to extend this zone and to consolidate the new and relatively fragile democracies of Greece, Portugal and Spain.

With the Single Market Programme, the EC further expanded its international presence and emerged as the largest economic bloc in international relations. Its economic clout and its enlarging international policy agenda were transforming the EC into a security actor. This had implications for the transatlantic partnership. By the mid-1980s there were concerns about a relative decline in American power



amidst high interest rates, an overvalued US dollar, spiralling national debt and an ever-increasing trade deficit. While there were never doubts about US military supremacy, there were differences with regard to economic and political security matters. Here the picture varied between cooperation, competition and even conflict as briefly stated in the previous chapter. With American hegemony perceived to be in decline, the EC sought to acquire a greater leadership role in international affairs. Yet, the EC still lacked a coherent and efficient institutional framework to coordinate and execute common foreign policy and security operations.

The end of the Cold War had also significantly altered the security concerns that had dominated for almost four decades. The breakdown of the superpower overlay facilitated the acceleration of a more expansive security agenda, raising new concerns about security and international order. Many Central and Eastern European states faced economic dislocation and uncertain political futures. There was great potential for insecurity in Moscow's former client states with old hostilities re-surfacing. With the Cold War becoming a subject for historians, questions were being raised about the future of NATO and US commitment to European security. It was also becoming increasingly evident that globalisation had blurred the distinction between domestic and foreign policy: '[T]here is no longer division between what is foreign and what is domestic – the world economy, the world environment, the world AIDS crisis, the world arms race – they affect us all' (Clinton 1993). Many non-traditional security issues too required cooperative solutions, as unilateral efforts were rendered increasingly ineffective.

The response to the variety of regional and international challenges was a proposal to hold a second intergovernmental conference on political union to run alongside the intergovernmental conference on monetary union. The two conferences met throughout 1990 and their proposals were merged into the Maastricht Treaty (Treaty on European Union – TEU) that established the European Union and led to the acceptance of a monetary union under strict conditions. The negotiations were long and difficult. The Maastricht Summit itself dealt mainly with political union since the negotiations on EMU were more or less complete by that time.

This treaty had important implications for the development of regionalism within Western Europe. First of all, TEU created the EU and its three-pillar structure. The Maastricht Treaty amended the Treaties of Rome and Paris but did not replace them. Titles II, III and IV contain the provisions amending the Treaties establishing the EEC, the ECSC and EURATOM. These areas are combined in the first pillar where the so-called community method of decision-making, e.g. the pooling of sovereignty, continues to be predominant. In addition, two new areas (pillars) of cooperation were introduced: Common Foreign and Security Policy (CFSP) and Cooperation in Justice and Home Affairs (JHA). The crisis in Yugoslavia (and later the conflict in Kosovo) emphasised the importance of a comprehensive European foreign and security policy. At the same time, the provisions for free cross-border movements for people raised concerns over transboundary issues such as migration and transnational crime. Both areas, however, were closely entwined with national sovereignty and hence, cooperation depended on intergovernmental methods. CFSP was particularly difficult since the member-states of the new EU had very different foreign and security policy priorities and histories. Thus, the new EU emerged as

something of a hybrid creature combining supranational and intergovernmental methods of decision-making. To a large extent the introduction of the two new areas of cooperation reflected continuity rather than change. Efforts, for example, to coordinate the foreign policies between the member-states of the EC can be traced back to the 1970s and initiatives on European Political Cooperation (EPC).

The treaty contained a number of other important provisions. EMU followed in the footsteps of the common market launched in 1958 and the integrated customs union created by the SEA in 1987, and constituted a decisive moment in the process of European integration (Goldstein 1993, p. 113). Maastricht came with a slew of institutional changes. The TEU enhanced the legislative powers of the European Parliament through the extension of the co-decision procedure and extended the Community's competence in several new areas. It created the Committee of the Regions, incorporated the principle of subsidiarity into the treaty framework, and introduced the concept of European citizenship. All these measures were designed to provide a political dimension to advanced economic integration. Indeed, what we see here is the institutionalisation of regional governance and the creation of a system of increasingly dispersed multilevel governance shared between the sub-national, the national and the regional/EU levels.

### *Problems After Maastricht*

By 1992, the euphoria of the late 1980s and the early 1990s had subsided and been replaced by cynicism. An economic downturn took hold in the three world trading blocs: North America, the Asia-Pacific region and the European Union. The Central and Eastern European states struggled with marketisation and democratisation. Furthermore, Europe had had its first post-Cold War conflict in Yugoslavia,<sup>2</sup> and a wave of migrants from Eastern Europe and Africa had arrived in the EU (Economist 2000, p. 25). These factors, combined with the economic recession and rising unemployment, led to domestic unrest and violent riots in several European cities.

There was also growing public dissatisfaction with decision-making in Brussels, perceived as lacking in transparency, and hugely bureaucratic.<sup>3</sup> Ratification problems in Denmark and France following the Maastricht Treaty exposed a lack of popular understanding and sympathy regarding European integration and EMU.<sup>4</sup> Although the French referendum generated a small majority in favour of ratification the narrow margin – 51.05 percent for and 48.95 percent against – undermined the treaty even further. Guyomarch, Machin and Ritchie (1998) have identified a variety of factors that helped to shape public dissatisfaction with Maastricht and European integration in France. These included a relatively high unemployment rate, concerns about social security and further integration, the proposed CAP reforms, the implications

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2 For European security issues in the post-Cold War world see Bowker (2000). For the EU and Yugoslavia see also Koutrakou et al. (1996).

3 For an account on democracy and the EU see Newman (1997).

4 The Commission headed by Delors acted immediately. In order to stop further public alienation it tried to make the decision-making process in Brussels more transparent. This has been a major issue since then (Prodi 2000).

of opening up the domestic market for protected industries, concerns about EU interference in domestic affairs and the 'French way of life', and splits in the main parties that had left the electorate without a clear leadership.

Furthermore, as highlighted earlier, the global economic situation was far from congenial. In 1990, the US economy was facing an economic downturn. The economic slowdown soon spread to Europe. In October 1990 the UK decided to join the exchange rate mechanism at the heart of the EMS. The pound sterling was pegged to the European Currency Unit (ECU) at a relatively high exchange rate reflecting Thatcher's wish that the pound should be seen as a strong currency even though a lower exchange rate would have been more favourable for British exports to Europe. As a consequence of the high pegging, British exports to Europe were hurt and Britain slowly went into recession. Unemployment rose quickly as did the pressure to reduce interest rates. However, due to the commitment to exchange rate stability under the EMS, the UK was forced to retain a comparatively high interest rate, worsening the recession.

In 1992, the British pound came under intense attack from currency speculators. Investors, doubting the willingness of the UK to continue to maintain the current exchange rate, began to move out *en masse* forcing the British central bank to spend an unprecedented 30 billion US dollars of its reserves to defend the value of the pound. The *Bundesbank*, trying to cope with the inflationary pressures following German economic unification, refused to intervene in the currency markets, damaging relations between London and Bonn. Finally, Britain was forced out of the EMS and let its exchange rate float. These events were to provide a field day for British Europhobic tabloids. It soured British opinion against not only the *Bundesbank* and the EMS but the Maastricht Treaty itself. John Major, having succeeded Thatcher as Prime Minister, decided to wait until the second Danish referendum before bringing ratification of the treaty to the House of Commons.

The *Bundesbank*, meanwhile, continued to maintain high interest rates to suppress domestic inflation. This pushed the rest of Europe further into recession, making it even more difficult to sell the Maastricht Treaty and EMU to European citizens already alarmed about the possible implications of the treaty.

A few points need to be emphasised here. First of all, the wave of discontent about European integration among European citizens signalled a radical departure of second-wave regionalism from its predecessor. Prior to the 1980s, European integration largely did not concern the so-called general public. It was a process driven largely by political elites. Private actors, in particular transnational business elites, had started becoming involved in the 1980s. However, with the changes proposed by Maastricht a new problem had emerged: the importance of legitimacy. Governments and the Commission had been aware of this problem; indeed, the perceived democratic deficit had resulted in the inclusion of the principle of subsidiarity in the Maastricht Treaty. As it turned out, however, abstract principles did little good when it came to selling something as far-reaching as EMU to the public. The ratification crisis following Maastricht is indicative of the increasingly active participation of civil society actors and the general public in the European integration process.

The impact of economic globalisation on the development of regionalism can also be observed:

The collapse of the exchange rate mechanism of EMS gives strong support to the argument that the evolution of the EC can only be understood against the background of global economic forces. The globalization of monetary markets, and the increase in the quantity of liquid capital traded across the international exchanges, made it impossible for the system to be maintained in the form that had functioned for years to stabilize European exchange rates, and gave added force to the argument that only a single currency would provide the stability that was necessary to ensure the smooth and complete functioning of the single market [...] (Bache and George 2006, p. 174).

Personalities and individual agendas also had a role to play. Thatcher's objection to the extension and deepening of social policy cooperation in conjunction with the establishment of an European internal market, as envisioned by Delors, displayed her neoliberal convictions. Her objection to the EMU, on the other hand, reflected a long tradition of Euro-scepticism. In fact, her legacy on these issues was long lasting. As Bache and George (2006, p. 174) note, Thatcher's successor John Major had little choice but to negotiate opt-outs for Britain on the EMU and on social policy at Maastricht.

### *European Union – New Challenges, New Regionalism?*

The Maastricht Treaty was a response to the fundamental changes brought about by the end of the Cold War and the ever-intensifying forces of globalisation. Regionalism was now firmly back in the limelight:

[...] it needs to be related to the structural transformation of the world, *inter alia*, including (1) the move from bipolarity towards a multipolar or perhaps tripolar structure, with a new division of power and new division of labour; (2) the relative decline in American hegemony in combination with a more permissive attitude on part of the USA towards regionalism; (3) the erosion of the Westphalian nation-state system and the growth of interdependence and 'globalisation', and (4) the changed attitudes towards (neo-liberal) economic development and political systems in the developing countries, as well as in the post-communist countries (Hettne and Söderbaum 2002, p. 33).

The post-Cold war environment had opened up new spaces for regional actors and increased regional awareness. Evidence for the new spurt in regionalisms is the worldwide growth in the number of regional organisations. Also worth mentioning is the increase in capacity, membership and range of tasks of regional organisations. In the case of the EU, nothing exemplifies these points better than enlargement, EMU, CFSP and the related institutional and policy challenges.

For the reasons outlined above, the EU faced a different world compared to its predecessor, the EC. Towards the end of the Cold War, the EC was mainly preoccupied with problems such as the completion of the single market, EMU and the implications of German reunification. In the 1990s, the EU was confronted with a wave of membership applications from the newly independent countries in Central

and Eastern Europe.<sup>5</sup> In no way was the EU prepared for enlargement of such an unprecedented scale and scope. The first wave of enlargement in the mid-1990s included the neutral European states that were now freed from their former Cold War constraints. Austria, Finland and Sweden, already members of the European Economic Area (EEA), joined the Union in 1995. This enlargement created the world's largest economic area, increased the collective Gross Domestic Product (GDP) substantially, and gave a boost to the population and size of the EU. Its territory increased by more than 30 percent and now stretched far up North. The industrial clout and the economies of scale resulting from the extension of the Union gave it strong leverage in dealing with the North American and Asia-Pacific trading areas.

This enlargement was relatively unproblematic. Austria, Sweden and Finland possessed powerful industrialised economies and became net contributors to the Community budget. Their experiences with respect to the Baltic States, Russia and Slovenia would prove to be extremely useful for the Eastern enlargements. Furthermore, the strong commitment of Austria, Finland and Sweden to democratic accountability, free trade and environmental issues helped to make the EU more open and transparent and to shape policies in social, environmental and trade issues (Dinan 2004, p. 168).

In the mid 1990s it became clear that the role of the EU in the modernisation process of the Central and Eastern European States (CEES) would prove to be much more critical than predicted and certainly more important than that of other international institutions such as the IMF, OECD or the IBRD. After decades of Soviet domination, most governments of Eastern and Central Europe declared their desire to adopt a liberal political and economic model and to bind themselves to their Western neighbours. The EU was seen as a symbol of prosperity and democracy and accession to the EU became a priority for most of these states. Political and economic elites emphasised that the CEES always had been European and that they were about to 'return to Europe' after the Cold War interlude (Henderson 1999, Pérez-Solórzano Borragán 2002).

Accession to the EU was also seen as an opportunity to re-integrate with the international political economy. The promise of early accession to the EU would help consolidate stable and democratic governments in the applicant countries. There was also a security dimension to it. Neutrality was not an option for these militarily vulnerable states. NATO membership, therefore, was sought to provide security, and EU membership offered a solution to the difficult problem of economic administration (Tuschhoff 2006, pp. 177-8).

The EC/EU had been enlarged before but never to such an extent. In the past the EC admitted countries which fitted more easily into its existing structure and in much smaller numbers. Eastern enlargement was therefore new and unprecedented. It raised questions about issues such as European identity and European culture. The EU was in a unique position to help its neighbouring countries in economic and political terms and to foster wider European integration. The EU was given the chance to promote peace and stability throughout the region and to create a better

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5 For successive waves of enlargements see Appendix Table A.2.

security environment for itself by extending its security community and drawing in the newly independent states of Central and Eastern Europe: ‘The more of Europe it can bring into its charmed circle of peace and prosperity, the more perfect the peace and security of all European countries will be’ (Economist 1999, p. 13). There is evidence of the socialising effects of institutionalised interaction between geographically closely located states. The EU with its institutions and its normative and ideational structure compelled member-states to behave in certain ways towards each other. As Barry Buzan and Ole Wæver argue:

This project is built on a meta-securitisation: a fear of Europe’s future becoming like Europe’s past if fragmentation and power balancing are allowed to return. The integration process itself, however, generated securitisation, which is largely societal security, i.e., fear for (national) identity. Traditional interstate security concerns exist only beneath the surface. Their effects are most often on the form of the generalised fear of ‘back to the future’, rather than the concrete fear of a specific Other (Buzan and Wæver 2003, pp. 352-3).

The enlargement project was partly driven by the historic mission of European integration – that it could do for Eastern Europe what it had done for Western Europe – thereby stabilising the Western European regional security complex.

There would, no doubt, be advantages to a union. For instance, the exports from some EU states to Central and Eastern Europe exceeded those directed to the US and Canada. The EU member-states were also benefiting from the emerging markets in the East. However, with the breakdown of the Soviet Union, important markets were gone and CEES economies were suddenly exposed to fierce competition in the global market. This raised questions about the ability of these former communist countries to assume the responsibilities and requirements associated with full EU membership. Indeed, much of the debate on Europeanisation focuses on this topic.<sup>6</sup>

Exporting stability carried the risk of importing a substantial amount of instability. Every enlargement carried the risk of dilution and institutional paralysis. Hence, politically costly institutional and policy reforms were necessary in anticipation of enlargement (Jacobsen 1997, p. 2). Mastering the difficulties inherent in the enlargement process depended on two main points. First, the applicant countries had to change and to adopt the legal, political and economic system of the EU. And, second, the EU had to change in order to accommodate so many diverse countries (Willing 1995). Yet, while the EU was quite happy to insist on a radical and painful reform process in the CEES, it lacked the commitment to launch an equally painful process of internal reform. As Moise and Mertes (1995) point out:

Western Europe benefits from new markets emerging to its east. More important, though, is the healthy pressure to tackle overdue reform economies, where structural dislocation has weakened West European competitiveness in recent decades. The exceedingly high non-wage costs of labor in Germany, France, the Netherlands, Belgium, and Denmark is just one example (p. 128).

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6 For Europeanisation see Olson (2001).



Partly responsible for the lack of commitment to internal reform was a division within the EU on the enlargement issue. While officially all member-states wholeheartedly endorsed eastward enlargement, some countries were more in favour of this than others. Enlargement creates winners and losers among the older member-states (see Schimmelpfening 2001). Germany's commitment to enlargement was primarily driven by security and economic considerations. Sharing extensive borders with Poland and the Czech Republic implied that potential instabilities within those countries would spill over into Germany. In addition, Germany had strong traditional economic links with central Europe and with the fall of Communism these links were quickly revived. Other countries, however, such as France and the Mediterranean member-states were less enthusiastic about enlargement fearing a shift in the intra-EU balance-of-power toward Germany. There were also concerns about the future distribution of EU funds.

At the Copenhagen Council in 1993, the European Council officially endorsed the accession of the applicants from central Europe. It also formally laid out the so-called Copenhagen criteria, the political and economic criteria accession countries would have to meet before achieving EU membership. Thus, any candidate country was to have achieved: (a) stability of institutions guaranteeing democracy and the rule of law, (b) human rights and respect for and protection of minorities, (c) the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union, and (d) the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union (European Commission 1993). However, none of this could mask the enormity of the task ahead. It implied a complete revision of the legal, administrative and economic frameworks of candidate countries, though they could receive assistance in this process from the EU. A white paper by the Commission that outlined how to prepare the candidate countries for integration into the single market was approved in 1995 (European Commission 1995).

Enlargement continued to progress relatively smoothly and in 'Agenda 2000' in 1997 the Commission was able to recommend commencing negotiations with the Czech Republic, Poland, Hungary, Estonia and Slovenia (European Commission 1999). The inclusion of Slovenia reflects the underlying security considerations in the enlargement process: With the inclusion of Slovenia the EU security community would stretch right up to the Balkans – a trouble spot in post-Cold War Europe. Only two years later, in 1999, the Helsinki European Council agreed to open negotiations regarding the five remaining countries: Bulgaria, Latvia, Lithuania, Romania and Slovakia in February 2000. Of these countries Latvia, Lithuania and Slovakia managed to catch up with the first group of countries (Poland, Hungary, Czech Republic, Slovenia and Estonia) in the negotiations. In October 2002, the European Commission declared them ready for full EU membership in 2004. Bulgaria and Romania were recommended for membership in 2007. At the Copenhagen Council in 2002, the accession negotiations between the candidate countries and the EU member-states and institutions came to a successful conclusion.

The treaty on accession was signed on 16 April 2003 and entered into force in 2004 (European Commission 2003). Membership applications were not restricted to central Europe. Cyprus, Malta and Turkey also expressed their wish to join the



EU. Malta and Cyprus joined in 2004. Romania and Bulgaria followed in 2007. Turkey, however, proved to be a more problematic case. Deep-rooted hostility from Greece and opposition from Germany resulted in the exclusion of Turkey from the enlargement negotiations in 1997. Since then, several factors have improved Turkey's position. Greek-Turkish relations have improved and a change in government in Turkey in 2002 produced rapid progress in meeting the Copenhagen criteria (Bache and George 2006, p. 204). Geopolitical events such as the 'war on terror' and the 2003 US-led invasion of Iraq have increased the strategic value of Turkey. Indeed, security reasons are often cited as the main reason for an inclusion of Turkey into the EU security community. At the same time this populous country is much poorer than any of the previous accession countries, and the role of the military here raises concerns about its commitment to democratic rule. There are human rights issues with regard to the Kurdish minority. Opponents to Turkey's accession have also pointed to religious and cultural differences between the EU member-states and Turkey.

The institutional implications of enlargement became a major issue for the Intergovernmental Conference of 1996-97 resulting in the conclusion of the Treaty of Amsterdam in 1997. Questions of legitimacy (whether the EU had a 'democratic deficit') and institutional efficiency dominated the agenda of the Intergovernmental Conference. Subsequently, the powers of the European Parliament were enhanced and the use of qualified majority voting in the Council was further extended. More powers were given to the presidency of the Commission and the ties with national parliaments strengthened.<sup>7</sup> The provisions of the Amsterdam Treaty can be interpreted as an attempt to deal with the conflicting demands for efficiency and legitimacy (Laursen 2006, p. 136). However, even the Nice Treaty in 2000 did little to solve the problems of institutional reform. Negotiations on both agreements had been dominated by domestic politics and a renewed emphasis on intergovernmentalism. The main reforms of the Nice Treaty 'concerned the re-weighting of votes in the Council, the expanded use of QMV, the Commission (especially its size and composition) and the scope for the practice of flexibility' (Laursen 2006, p. 137).

The debate regarding the overhaul of EU institutions and decision-making processes in terms of efficiency and legitimacy is still ongoing. The fall of the Santer Commission amid allegations of corruption and the rejection of the Nice Treaty by an Irish referendum are but two indicators. The debate is driven by the enlargement process but also by dynamics in the wider international arena. With the growth in competencies and the influx of new members, regionalism has reached such proportions that the EU has emerged as a political and economic actor in its own right. Subsequently, it has become a matter of urgency for the EU to assert coherence on foreign policy issues and to speak with one voice in international affairs. The perceived lack of transparency and accountability of EU institutions is also providing added impetus for institutional reform. While elites are perceived to have a significant input into decision-making in institutions such as the WTO, NAFTA or the EU, citizen groups find it difficult to hold their governments accountable once decision-

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<sup>7</sup> For the amendments introduced by the Amsterdam Treaty see European Commission (1997).

making power has been transferred and hence, feel excluded. Indeed, the much-cited 'democratic deficit' plaguing the EU constitutes part of a much wider debate on transparency, accountability and participation in global and regional governance.

The response to these and more problems came in 2001. At the Laeken Summit, the heads of the EU member-states adopted the *Declaration on the Future of the European Union*, or Laeken Declaration (Council of the European Union 2001), which committed to institutional change and to enhance transparency, accountability and participation in EU decision-making processes. It also proposed a European Constitution. In order to facilitate the reform process a Constitutional Convention was formed under Valéry Giscard d'Estaing, bringing together a range of public and private actors. Formal participants included government and parliamentary representatives from the EU member- and accession states and representatives from EU institutions. In addition, the forum explicitly incorporated business representatives, research institutions, academics, NGOs and other interested groups. The novelty of this approach was the opening-up of the negotiation process and the involvement of a large and diverse group of actors in the debate preceding the formulation of a draft treaty.

The results of the Convention were submitted to the Thessaloniki European Council in 2003 and a Treaty establishing a Constitution of Europe was signed in October 2004. The treaty had far-reaching implications. It replaced the existing treaty framework of the EU. It included a reform of EU institutions, decision-making processes, its founding principles and its policies. It also specified areas of exclusive competence of EU institutions and areas where competencies are shared between the EU and its member-states, thus clearly outlining the demarcation between supranationalism and intergovernmentalism (see Treaty Establishing a Constitution for Europe).

Opinions on the Constitution were divided. For Eurosceptics, it presented a step too far along the road to federalism. It was another onslaught on the sovereignty of the nation-state just short of proposing the creation of a 'United States of Europe'. Others, however, saw it as nothing more than a glorified tidying-up exercise, a compilation of existing rules and regulations in a single document. Controversy can all too easily boil over into discontent as we have seen with the ratification problems following Maastricht and Nice. And, true to form, another ratification crisis was to follow. This time, however, it was not so much the usual suspects that stalled the process. In Spring 2005, the citizens of two of the founding members, the Netherlands and France, rejected the Draft Constitution in public referenda. The French 'no' is of particular significance; it appears to be indicative of a crisis engulfing the contemporary European integration process since the French have traditionally been at the very core of further and deeper integrative measures. More importantly for our analysis, here is yet again evidence pointing to the importance of the national level and of national politics on regionalism. To a large extent the French 'no' was a reaction to Chirac's presidency that had become increasingly unpopular. It can be interpreted as a backlash against globalisation, in particular against the neoliberal globalisation project threatening the French social welfare model. Concerns about current and potential future immigration flows following enlargement also played a role, particularly in view of rising unemployment levels.

The 2007 election of Nicolas Sarkozy to the presidency signals a clear shift to the right in France's domestic and foreign policy. Sarkozy, leader of the popular right-wing Union for a Popular Movement (UPM) campaigned on a platform of fervent nationalism with calls for more law and order. Hence we can see how dynamics at multiple levels of international relations interact in shaping the pace and direction of regionalism in the EU.

Another key feature of new regionalism in the EU is the European Monetary Union. At first glance, the Euro appears to be a purely economic concern. Neofunctionalism or liberal intergovernmentalism point to economic interests as the prime mover of European integration. The advantages of the Euro are well known: it stops currency fluctuations and protectionist measures within the Euro zone; and it reduces transaction costs, potentially leading to increased investment. Sandholtz (1993, p. 27) remarks that the success of the EMS propelled the drive towards EMU.<sup>8</sup> The Euro seemed to be the answer to increased economic interdependence among EU member-states and to the challenges posed by economic globalisation and the volatility of floating exchange rates (Risse et al. 1998, p. 3). As Bache and George (2006, p. 447) argue:

In addition, from at least the early 1980s on, there was continuing and growing concern about the extent to which the United States was prepared to use the still-dominant position of the dollar in the international monetary system to benefit the US domestic economy. Large fluctuations in the value of the dollar threw off course the economic and budgetary plans of the EC, and gave it a strong incentive to develop a single European currency that could displace the dollar from its position of pre-eminence in the international system, which it continued to hold more by default than because of the strength of the currency.

Geopolitical reasons such as security concerns have also been used to explain the Euro. Some researchers argue that the Maastricht Treaty, together with monetary union, provided a tool to tie a reunified and self-confident Germany more closely with the Western institutional network.<sup>9</sup> However, others dismiss such claims. Moravcsik (1999, p. 381), for example, argues that the timing was simply wrong. EMU was already well on its way before the end of the Cold War and certainly before German reunification was ever on the table. Both France and Germany were already as committed to EMU as the UK was opposed to it. According to historical institutionalists, once an institutional decision, such as the SEA, changed economic, political, social and institutional parameters in a certain direction, decisions made thereafter are likely to follow in the same direction (Risse et al. 1998, p. 7). Hence, once a decision had been made to create an internal market, a path-dependency had been set up and turning around became rather difficult.

Among economists, the jury is still out on the benefits and costs of the Euro (Risse et al. 1998; De Grauwe 2000, p. 3). Monetary union, however, is much more

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<sup>8</sup> However, there was some discontent in France and elsewhere about the central position of the *Bundesbank* in the EMS. The *Bundesbank* set interest levels in response to Germany's domestic needs, while its policies affected all EMS member-states because of the need to keep all currencies aligned.

<sup>9</sup> See Chapter 2.

than just about economics. As Risse et al. (1998, p. 3) aptly point out: 'The Euro is about European union rather than just lowering transaction costs.' It is a political venture. Historically, currencies have played an important role in the construction of national identities (Helleiner 1997). The common currency, therefore, can be regarded as part of a collective identity construction-process.<sup>10</sup> Risse et al. (1998) go on to argue that:

[...] the Euro is about identity politics and political visions of Europe. Strong supporters of the project in all three countries [Britain, France and Germany] join a common vision of European integration as overcoming the historical divisions of the continent. [...] They use EMU and the single currency as a tool to get closer to that political vision. The Euro then symbolizes a collective European identity, while the Deutsche Mark, the Franc and the Pound Sterling are constructed as the symbolic remnants of a nationalist past (p. 32).

In January 1999, eleven countries adopted the Euro.<sup>11</sup> It was another two years before the Euro coins and Euro notes began circulating. Given the logistical immensity of the task, the launch of the single currency was managed surprisingly smoothly. It was, however, to soon run into difficulties. Sluggish economic growth in the core economies of the Eurozone, Germany and France undermined confidence in the new currency in international financial markets and the value of the Euro fell steadily against the US dollar. Indeed, the discrepancies in terms of economic growth and employment levels between the Eurozone economies and those EU countries that chose to remain outside the EMU remained consistently high. It is, therefore, not surprising that Denmark, Sweden and the UK have so far not opted to join the single currency. Denmark held a referendum on Euro membership in 2000 followed by Sweden in 2003. In Britain the government is still to set a date for a public referendum on the matter.

The single currency and the European Central Bank have been subjected to intense scrutiny and some criticism. The devaluation of the Euro against the US dollar gave Eurozone exporters a competitive edge. Subsequently, US officials complained that the European Central Bank was not doing enough to stabilise the Euro-Dollar exchange rate (Keegan 2003). But the task of the European Central Bank is not to ensure exchange rate stability but to keep inflation within the Eurozone down and to facilitate the conditions for stable economic growth.

There has been division amongst the member-states over the convergence criteria. It was difficult for some of the Eurozone members to meet the requirements

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10 This argument has been underlined by the problem of finding the right design for the new currency. The notes display a bridge constructed from bits and pieces of famous bridges across Europe. This particular image has been selected to strengthen the Euro in its purpose of linking the states of the EU even more tightly and, thus, starting a new phase of European integration and unification. It is hoped that the new currency will become a symbol of collective identity, of the same importance for the EU as the flag or the national anthem are for the nation-state (Schmid 2001).

11 Austria, Belgium, Finland, France, Germany, Ireland, The Netherlands, Portugal and Spain. Greece failed to meet the convergence criteria and was originally excluded. It became a full member of the EMU in January 2001. Britain, Denmark and Sweden decided not to join.

with regard to public debt and a budget deficit of not more than three percent of the GDP. Portugal and Ireland were reprimanded for infringing on the budgetary targets. However, when Germany and France ran into trouble, they irked smaller member-states by resisting criticism from the Commission, thus effectively undermining the Stability Pact and transferring its requirements from mandatory rules to national guidelines on fiscal discipline.

Domestic politics continued to influence the European integration process. In 1995, Jacques Chirac, a Gaullist, succeeded François Mitterrand as French President. His election appeared to indicate a turn in French perceptions on integration and a change in Franco-German relations. Chirac's position on deeper integration and monetary policy was ambiguous. His decision to test nuclear weapons in the Pacific was met with opposition and protests by other EU member-states. The UK proved to be a notable exception, and for a while France seemed to be adopting a British approach to European integration. However, Chirac soon came to the conclusion that France had little choice but to endorse deeper integration and EMU and he gradually swung back toward the position of his predecessor. In Britain, John Major's government had lost its majority in Parliament. In 1997, Tony Blair's Labour government, which looked more favourably at Europe, replaced the Conservatives. In Germany, the Kohl government remained in office until 1999. After a number of electoral setbacks it was replaced by a coalition of the Social Democrats and Green Party under Gerhard Schröder. In 2007, Gordon Brown has succeeded Tony Blair in Downing Street, in Germany Angela Merkel and the Christian Democrats are firmly in power and in France, Nicholas Sarkozy took over the presidency from Jacques Chirac. Domestic considerations and leadership changes in many EU countries impacted on European integration and it remains to be seen what implications the 2007 leadership changes will have. The picture will be complicated by the fact that the EU now contains 27 member-states.

With the Maastricht Treaty, the EU gained competencies in security and foreign policy. Due to the close connection of these policy areas with sovereignty, CFSP remains an area of intergovernmental cooperation. In many ways, CFSP represents a more formal institutionalisation of European Political Cooperation (EPC). In the immediate post-Cold War climate, hopes ran high for new roles for the EU as a security actor. However, a capability-expectations gap<sup>12</sup> was revealed when the EU found itself unable to prevent Serbian atrocities in Bosnia until the US intervened in 1995. CFSP urgently needed reviewing. And indeed the Amsterdam Treaty provided for CFSP improvements. The Treaty of Amsterdam established a High Representative for CFSP raising hopes of a foreign and security policy for the EU. It amended the Treaty on European Union so that the Union could now introduce a Common Defence Policy if the Council decided to do so (TEU (as amended by the Amsterdam Treaty), Arts. 13-15). Paragraph 2 of Article 17 of the TEU includes 'humanitarian and rescue tasks, peacekeeping tasks and tasks of combat forces in crisis management, including peacekeeping' (TEU (as amended by the Amsterdam Treaty), Art. 17 (2)).

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12 For the expectations-capability gap discussion see Ginsberg (1999).

At the initiative of the UK and France, the EU set out in 1998 to establish a European Security and Defence Policy (ESDP) (Franco-British Summit-Joint Declaration on European Defense 1998). Tony Blair favoured closer European political cooperation along intergovernmental lines. He also hoped to increase Britain's role within the EU, bringing Britain 'back to the heart of Europe'. For Chirac, cooperation with the UK on this issue enabled him to pursue a long-standing French foreign policy objective. At the Cologne European Council in June 1999, EU leaders agreed to address and strengthen the defence components of the CFSP (Council of the European Union 1999). This was followed by the announcement of the so-called Helsinki Headline Goal at the Helsinki European Council in December 1999 in which the EU member-states set themselves the goal to be able 'to deploy rapidly and then sustain forces capable of the full range of Petersberg tasks as set out in the Amsterdam Treaty, including the most demanding, in operations up to corps level (up to 15 brigades or 50,000-60,000 persons)' by 2003 (Council of the European Union 1999b; 1999c). Only 11 months later the Council of Ministers announced its 'Military Capabilities Commitment Declaration' (Council of Ministers 2000). Other developments in this context included the Nice European Council approving the establishment of new political and military bodies such as a standing Political and Security Committee, a European Union Military Committee, and a European Union Military Staff (Council of Ministers 2001a; 2001b; 2001c).

The dissonance between the EU's 'soft policy' measures compared to its CFSP was underlined during the crises in former Yugoslavia. Without external help and assistance from the US, the EU was unable to resolve a serious post-Cold War problem in its own backyard. Once again, the EU had failed to act decisively in the Balkans. The Serbian assaults on the Muslim population in Kosovo in 1998 and 1999 could only be stopped after sustained NATO bombardment of Serbia. Despite the maze of defence agreements and organisations in Europe, there was still no coherent and efficient institutional framework to prepare and execute the security operations of the EU. In 2002, the so-called European Rapid Reaction Force existed in name only. EU defence ministers admitted that the capability shortfalls of the European Rapid Reaction Force would probably only be covered by 2003 (EUobserver 2002, Solana 2002). Additionally, the EU member-states themselves, perhaps with the exception of the UK, are far from having the capabilities for effective military enforcement outside EU territory (Joetze 2000, p. 15).

Apart from the very real security considerations there were other rationales driving CFSP and the development of an autonomous EU defence capacity outside NATO, related in part to EU desires to exercise global responsibilities. Enlargement and the internal market had significantly enhanced the EU's international economic role and extended its borders. CFSP has also been driven by a desire to counter-balance a perceived US hegemony. It had been a long-standing French aspiration to provide the EU with a capacity to act independently from Washington. The Al-Qaeda attacks on the World Trade Centre in September 2001 had a profound impact on international relations. As such it decisively changed the security environment for the EU and its transatlantic relationship with the US. The emerging Bush doctrine argued for unilateral action and military intervention abroad when American



interests were perceived to be under threat (The White House 2002). And this had implications for the EU-US relations. Robert Kagan argues:

On the all-important question of power – the efficacy of power, the morality of power, the desirability of power – American and European perspectives are diverging. Europe is turning away from power, or to put it a little differently, it is moving beyond power into a self-contained world of laws and rules and transnational negotiation and cooperation. It is entering a post-historical paradise of peace and relative prosperity, the realization of Immanuel Kant's "perpetual peace". Meanwhile, the United States remains mired in history, exercising power in an anarchic Hobbesian world where international laws and rules are unreliable, and where true security and the defense and promotion of a liberal order still depend on the possession and use of military might. That is why on major strategic and international questions today, Americans are from Mars and Europeans are from Venus (2003, p. 3).

While there may be some merit in Kagan's analysis it is too reductionist. The positions of the US and the EU are largely over-simplified. For example, Kagan presupposes a cohesion on international matters that the EU simply does not possess. Different states have different foreign policy objectives and diverging strategic interests. In addition, there is little consensus within the EU on the direction to take. As this volume has demonstrated so far, the history of European integration can be very well described as an open-ended struggle between the forces of sovereignty and supranationalism or, to use Kagan's analogy, between a Hobbesian and a Kantian perspective. Also, as we have seen, national preferences remain important determinants in the context of EU regionalism.

While there has been a lot of progress in terms of foreign policy cooperation in recent years, there is still a long way to go before a truly coherent and common foreign and security policy is formulated. To date CFSP and ESDP are merely an ambition that is not shared to the same degree by all member-states. How widely foreign policy preferences diverge was illustrated recently over the 2003 US decision to invade Iraq. In his 'State of the Union' speech in 2002, President George W Bush identified Iraq, alongside Iran and North Korea, as constituting an 'axis of evil' (Bush 2002). The EU had long worked diplomatically to bring Iran back into full participation in the international community. It also followed a policy of functional engagement with North Korea in order to bring it out of isolation (Bache and George 2006, pp. 524-5). Bush's bellicose tone undermined any progress EU diplomacy may have made up to that point. However, the build-up to the invasion of Iraq had more severe consequences, dividing the EU on the issue over how to react to the US initiative. Different states had different opinions, driven by governing elites determining their own and national interests. France and Germany led a group of countries that openly opposed the invasion whereas the UK, Italy and Spain led the supporters of US action. Britain supported the US in line with its special relationship with its transatlantic partner. Strategic and long-term commercial interests also played a role. In Germany, the Schröder government used its opposition to the US to win an election while France was driven partly by its traditional suspicion of the US and partly motivated by its own strategic and economic interests in the Middle East. Donald Rumsfeld, the US Secretary of Defence, exploited this division in the



EU, pointing out that Germany and France did not speak for Europe. They posed a 'problem' and represented the 'Old Europe'. In contrast, the so-called 'New Europe', he contended, was supportive of US action in Iraq (CNN 2003). Donald Rumsfeld's assertions infuriated France. President Chirac publicly stated that the seven 2004 accession states that had vocally rallied to the US cause had been 'infantile' and 'reckless' (Traynor and Black 2003).

More important, at least with regard to ESDP, was the split between France and the UK following the Iraq invasion in 2003. Yet, by the end of 2003, Franco-British relations had improved somewhat and Tony Blair agreed that the EU should have the capacity to conduct operations without the involvement of NATO (Castle 2003). However, some writers question whether the EU needs a military capability in order to be an effective security order. In the words of one scholar:

[...] the most promising activities of the EU in the field of security are of 'soft' but efficient nature: in conflict prevention and post-conflict co-operation by providing material resources and inspiring regional co-operation. The Balkan Stability Pact gives the EU a chance to develop from a mere provider of money and advice into a political player that determines the political shape of an area (Joetze 2000, p. 21).

## **Second-Wave Regionalism in Southeast Asia**

### *New Regionalism in ASEAN*

Having so far focused on the post-Cold War development of EU regionalism, the remainder of this chapter will analyse developments in Southeast Asia. The previous chapter has demonstrated how ASEAN emerged as a regional entity. As indicated in Chapter 2, the concept of a region presupposes processes of socialisation between key regional actors. Such processes are required for the development of a regional identity and a regional consciousness. A regional institutional and legal framework such as in the case of European regionalism is a helpful but not a necessary tool for such a process. ASEAN, for historical and other reasons that have been elaborated on earlier, employed a very different set of measures. Informal and formal diplomatic meetings, publications and speeches, the development of business networks as well as shared historical legacies of conflict, strife and colonialism, and common external and internal threat perceptions facilitated the development of a 'we-feeling' in the region. The necessary common 'other' was provided by Mao's China and by Vietnam, or by the perceived threat Vietnam posed to ASEAN by occupying Cambodia. By doing so, Vietnam had violated the sovereignty of another Southeast Asian country and two of the core norms of ASEAN, non-intervention and the renunciation of the threat or the use of force in intra-mural conflicts. The episode, as previously outlined, proved to be crucial for the development of ASEAN regionalism. First, it unified ASEAN members and enabled them to speak with one voice. Second, it provided the common other, necessary for the development of an ASEAN identity. And, third, the unified and concerted action enabled ASEAN to be recognised as a group-actor, a distinct region, by the rest of the world.

The 1990s saw new initiatives for regionalism in Southeast Asia. This was driven by extra- and intra-regional dynamics. On the wider international stage, the difficulties at the Uruguay Round on International Trade by the end of the 1980s provided reasons for concern among ASEAN members. In Europe, the SEA of 1987 followed by the TEU in 1992 and the increasing attention of the EU on Eastern Europe raised fears of a 'Fortress Europe', and not in Southeast Asia alone. The foundation of the NAFTA was a direct response by the US, Mexico and Canada to the European Single Market programme. The ASEAN states perceived these developments as enhanced protectionism, posing a direct economic threat as further trade and investment diversion effects were feared (Cuyvers and Puppavesa 1996, p. 6). These fears may be substantiated if one considers Japanese FDI flows between 1985 and 1990 as an example, which increased during this period in the US, the NICs, ASEAN and Europe (Andersson 1993, p. 218). However, it is Europe that attracted the biggest share, a trend that was also observed by Dunning and Cantwell (1991, pp. 155-83). The special attraction of Europe as a destination for Japanese FDI flows in the late 1980s and early 1990s can largely be explained by the prospect of a European Single Market. The free intra-European transboundary flow of goods, services, capital and labour resulted in a restructuring of FDI flows. It potentially enhanced the competitiveness of European companies vis-à-vis their non-European competitors. At the same time, transaction costs inside the EU were decreasing for outside companies as well. It is worth mentioning here that in their investment decisions, Japanese multinationals generally focused on the whole European market rather than on a particular national one. Thus, the prospect of the European Single Market considerably enhanced investment incentives. In addition, the fear of a 'Fortress Europe', the introduction of higher external tariffs to compensate for the removal of intra-EU tariff and non-tariff barriers motivated non-European multinationals to gain a foothold within the Single Market. The Euro had its attractions too, lowering transaction costs for intra-EU trade and reducing the exchange rate risk.

In ASEAN, the FDI boom of the 1980s and early 1990s had generated a shared interest in sustaining economic growth. By the beginning of the 1990s, there was a real interest among political and economic elites in enhancing economic regionalism. This was also in line with the much-cherished 'regional resilience' policy of ASEAN as uninterrupted economic growth was deemed to be necessary to stabilise the political regimes of some ASEAN members. It should, therefore, come as no surprise that ASEAN leaders sought to enhance the collective position of ASEAN by joining forces on the economic front (Sukma 1999, p. 42).

In 1992, the first ASEAN summit in the post-Cold War era was held in Singapore. At the top of the agenda was the question of how to adapt the Association to the challenges brought about by the changed regional and international circumstances. Singaporean Prime Minister Goh Chok Tong summarised the underlying agenda of the meeting when he emphasised that '[...] the challenge will be to keep ASEAN relevant and sought after in a situation where the great powers no longer need to compete for ASEAN's support and the European Community and North America are forming economic blocs' (quoted in Snitwongse 1998, p. 188). Like the EU, ASEAN now decided to enhance economic and security cooperation and to focus on enlargement issues. The document resulting from the summit, the Singapore

Declaration, explicitly mentions enhanced regional economic cooperation, cooperation in security matters and an interest in forging closer ties with the Indochinese countries (ASEAN 1992c). Thus, the Singapore summit paved the way for the ASEAN Free Trade Area (AFTA), the ASEAN Regional Forum (ARF) and the incorporation of the Indochinese states and Myanmar into the Association.

### *Pre-Crisis Economic Regionalism*

In the Singapore Declaration the ASEAN-members agreed to establish AFTA using the Common Effective Preferential Trade scheme as the main mechanism with a timeframe of 15 years, beginning in 1993, and with the ultimate effective tariffs ranging from 0 to 5 percent (ASEAN 1992c). Thus, AFTA was to be established by 2008. The intentions behind the setting-up of AFTA can be divided into two categories. One was, obviously, to stimulate intra-regional trade, improve the economic competitiveness of member-states and attract foreign direct investment and extra-regional trade. However, AFTA was also an attempt to create post-Cold War cohesion and to support the emerging organisational identity of ASEAN.<sup>13</sup> The rationale for AFTA thus went far beyond the creation of an internal market. As remarked by several authors, an ASEAN regional market would be far too small for an inward-looking regionalism (Yue 1998, p. 229). The percentage of intra-regional trade among the ASEAN economies was not significant enough to justify such a move. And the creation of an internal market with a common external tariff could turn out to be counterproductive.

Moreover, the creation of an ASEAN customs union could well have negative consequences for the countries involved. The share of intra-ASEAN trade is still low and, consequently, a restrictive common external tariff would lead to much trade diversion and little trade creation. Trade between Malaysia and Singapore alone represents 52% of intra-ASEAN trade (Cuyvers and Puppavesa 1996, p. 13).

AFTA was not intended to integrate the ASEAN economies with each other but rather to further integrate them with the rest of the international economy (Sukma 1999, p. 49). As already mentioned, one of the main values of the AFTA initiative was to provide member-states with greater internal cohesion and an enhanced collective economic identity and a voice in other groupings such as the Asia-Pacific Economic Cooperation Forum (APEC) and the WTO. The AFTA initiative is indicative of a shift in post-Cold War foreign policy agendas among political and economic elites worldwide. Throughout the 1990s, economic considerations increasingly replaced geopolitical ones. According to Bowles and MacLean (1996), AFTA was primarily driven by three dynamics. First, as discussed above, were changes in the international political economy such as the Plaza Accord. Second, with the Cold War over, and Vietnam having withdrawn from Cambodia, and with Indochinese enlargement on the horizon, ASEAN needed to reinvent itself in order to remain relevant. And, third,

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13 'At the outset, therefore, AFTA was as much about building post-Cold War cohesion and increasing ASEAN's credibility as it was an attempt to boost the region's gross domestic product' (Acharya 1997, p. 5).

was a shift within regional power structures towards business interests (Bowles and MacLean 1996).

On 1 January 2002, AFTA became a reality when the original members (including Brunei) complied with the Common Effective Preferential Trade scheme. The initiative provided ASEAN with a framework for regional economic liberalisation. It substantially increased the attractiveness of the Association for foreign direct investment and as a production base. The integrated ASEAN economies represented a regional market of half a billion people. Over 96 percent of ASEAN trade now fell into the AFTA grouping (Clerk 2002). In the words of George Yeo, Singapore's minister for trade and industry: 'As an integrated Southeast Asia with many strengths and abundant resources, we can compete with China, Latin America and Eastern Europe for our fair share of foreign direct investment' (quoted in Clerk 2002). Indeed, the attraction of AFTA is bound to increase even further with the creation of a proposed ASEAN-China Free Trade Area. According to some commentators, however, progress to date has been rather disappointing:

The share of intraregional trade within Asean has only increased marginally over the last decades. In 2004, less than 10% of all intra-Asean trade was under the Asean Free Trade Area's common effective preferential tariff scheme' (Engammare and Lehmann 2007, p. 9).

### *Pre-Crisis Security Regionalism*

The 1990s also saw a new dynamism in other areas of ASEAN regionalism. The policy of rapprochement initiated by Gorbachev in the Soviet Union in the mid-1980s had implications for the geopolitical framework ASEAN was embedded in. Arguably, the end of the Cold War had far greater implications for Europe than for Southeast Asia. But among its direct consequences for the Asia-Pacific region were the normalisation of Sino-Soviet relations and a cessation of aid to Hanoi, leading to a withdrawal of Vietnamese forces from Cambodia ultimately enabling the Paris Peace Settlement of 1991 (Fishcake 2000, p. 5; Pollack 1988, pp. 26-7).

Indeed, it could be argued that dramatic changes in the Asia-Pacific were well under way since the beginning of modernisation in China in the late 1970s. The subsequent step-by-step opening of China to the international political economy resulted in double-digit growth rates. The Chinese economy became an important competitor in the international export markets and for foreign direct investment. The economic modernisation of the PRC also facilitated an upgrading and restructuring of the People's Liberation Army (PLA),<sup>14</sup> in turn raising questions around a variety of territorial disputes in the South China Sea such as those around the Paracel and Spratly islands (Nischalke 2000, p. 7; Austin 1998). From 1988, Beijing employed a strategy of occupying inlets and atolls in the disputed Spratly group, ignoring the claims of Vietnam, the Philippines, Taiwan, Malaysia and Brunei. On 25 February 1992, the National People's Congress adopted the 'Law of the People's Republic of

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14 The Gulf War only emphasised the need for a modernised army, navy and air force in the eyes of Beijing. The victory of the allied forces over Baghdad underlined the superiority of Western technology.

China on its Territorial Waters and Contiguous Areas' through which the PRC was 'legally' able to claim and enforce sovereignty and control over these disputed areas (Kim 1995, p. 53).

Combined with the perceived decline in US power and increasing worry about the value of US regional security guarantees (the Nixon doctrine was not forgotten in the region), China's new-found military prowess and foreign policy confidence raised fears about Chinese expansionism filling the so-called power vacuum in the Asia-Pacific region.<sup>15</sup> The end of the Cold War only added to these anxieties. The superpower conflict had suppressed regional historical legacies and unresolved rivalries, and now they threatened to flare up again. This might explain the increase in military spending in the region during this period, while defence expenses were being cut in other parts of the world. However, it is important not to over-emphasise this point since the trend represented more an arms build-up rather than an arms race. The states of Southeast Asia were only responding to changed international circumstances and their own economic progress (Buzan and Segal 1994, p. 9). Often military equipment was purchased merely for the purpose of acquiring prestige and status rather than for real combat use.

The resolution of the Cambodian conflict and the end of the Cold War seemed to remove some of the urgency driving the construction of ASEAN. Earlier discussions have demonstrated how the Cambodian conflict facilitated the development of a collective or corporate identity for the Association. However, right from the outset, ASEAN's aims were to prevent tensions escalating into armed confrontations among ASEAN members. ASEAN's record of conflict prevention and security cooperation is a rather positive one. Since its foundation the member-states of the Association have not been engaged in armed struggle with each other despite some serious tensions. ASEAN's establishment was driven by security factors and ASEAN members used the Post Ministerial Conferences (PMC) to discuss issues affecting regional security such as Cambodia. However, ASEAN never intended to be a formal multilateral security forum. As stated in the Manila Declaration of 1987:

While each member state shall be responsible for its own security, cooperation on a non-ASEAN basis among the member states in security matters shall continue in accordance with their mutual needs and interests (ASEAN 1987, Art 5).

Öjendal (2001) argues that by the end of the 1980s, ASEAN had emerged as a 'soft security organisation'. The Association was working with security issues but without formal military cooperation. As such, ASEAN regionalism appears to be not to be too dissimilar from the EC at the time. However, ASEAN had only created limited political institutions and no satisfactory mechanism to promote and foster regional economic cooperation. Then again, ASEAN's importance lies in its role as a political body rather than in its administrative organisation or its regional trade patterns. As already mentioned, it is very likely that ASEAN's existence prevented the escalation of tensions and conflicts among its members and facilitated the reconciliation of Indonesia with the region. Thus, regionalism in the cases of both ASEAN and the

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15 For the relative decline of the United States in the post-Cold War world see Preston (2000). For the power vacuum argument refer to Roy (1995).

EU was driven by political motives, the foremost being the need to create a security community among its respective member-states.

But, with the end of the Cold War, a variety of qualitatively new challenges for the internal structure and external relations of ASEAN arose. The changed strategic landscape also brought new opportunities for ASEAN. The communist regimes in Indochina did not collapse (as they did in Central and Eastern Europe) but cooperation with Vietnam, Cambodia and Laos nonetheless became possible, including the prospect of enlarging the Association.

The Singapore summit prepared the groundwork for the creation of the ASEAN Regional Forum (ARF), arguably the most important attempt to institutionalise security cooperation in East Asia. The formative meeting of the ARF took place in 1993 as a foreign minister security meeting involving the member-states of ASEAN, its dialogue partners and representatives from other states in the region.<sup>16</sup> The composition of the forum indicates recognition of the fact that Southeast Asia is firmly embedded in a wider regional and extra-regional security setting.

The ARF inaugural meeting was held in July 1994 in Bangkok and its objectives were outlined in the ARF Chairman's statement (ASEAN 1994). It was agreed that the ARF would base itself on the principles of the TAC 'as a code of conduct governing the relations between the states and a unique diplomatic instrument for regional confidence building, preventive diplomacy, and political and security cooperation' (ASEAN 1994). Consequently, ASEAN principles such as non-intervention, consensus, consultation and minimal institutionalisation became the guidelines for the forum.

The ARF to date has emerged as a mechanism for consultation between Southeast Asian states, their neighbours and other significant powers. It aims to identify and to address common security interests (Bellamy 2004, p. 173). Thus, the ARF fulfils a variety of purposes. First of all, it gives a security structure to the post-Cold War Asia-Pacific region (Henderson 1999, p. 27). Secondly, it brings together policy-makers and security analysts from the major regional powers in order to prevent misunderstandings and to facilitate confidence-building measures. The forum intends to stabilise regional security by ameliorating tensions and cultivating consultation rather than intervention (Quigley 1997). Therefore it can be interpreted as an application of the 'ASEAN way' in terms of conflict prevention in the wider Pacific area.<sup>17</sup> It also provides a perfect opportunity for ASEAN as an organisation to engage with the PRC.

Meanwhile, territorial disputes between the members of the Association and Beijing threatened the region. In 1992, ASEAN produced a document calling for the peaceful settlement of all issues on jurisdiction and sovereignty with reference to the South China Sea dispute (ASEAN 1992a). ASEAN managed to display collective unity and encouraged the PRC to discuss the subject within the ARF framework,

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16 In 2002, the ARF consisted of 10 ASEAN members (Thailand, Malaysia, Singapore, Indonesia, the Philippines, Brunei, Myanmar, Laos, Cambodia and Vietnam), its dialogue partners (the EU, the US, the PRC, Australia, Canada, South Korea, North Korea, India, Japan, New Zealand, Russia and Mongolia) as well as the ASEAN observer Papua New Guinea.

17 The 'ASEAN Way' will be discussed in greater detail in Chapter 5.



although Beijing had previously rejected multilateral talks (To 1999). Thus, the ARF gave ASEAN the possibility of presenting itself as a coherent international organisation, strengthening its collective identity. The Association played a leading role in the forum and provided member-states with more weight than they would have enjoyed individually at the international level.<sup>18</sup>

The signing of the Southeast Asian Nuclear Weapons Free Zone Treaty as a follow-up of the ZOPFAN Declaration by all heads of government of Southeast Asia in Bangkok in 1995 constituted another significant contribution of ASEAN towards improving post-Cold War regional security (ASEAN 1995b). Although none of the nuclear powers agreed to the protocol and its efficiency is therefore rather questionable, it is possible to argue that its real value lay in what it signalled. At the beginning of the 1990s, Southeast Asia was characterised by high growth rates. Given the regional security environment, which has been elaborated in the preceding section, combined with sufficient financial means and the possibility of access to the necessary technologies, there was a real danger that regional states would embark upon their own weapons of mass destruction programmes by either producing or purchasing the necessary technology. Herein lies the true importance of the treaty – it underlined again the non-aggressive intentions of ASEAN members towards each other and toward extra-regional powers.<sup>19</sup>

Its successes notwithstanding, a number of shortcomings regarding security cooperation also exist. First, even though ASEAN claims a central role in the ARF process, the ARF can only work as long as the major non-ASEAN powers are interested in it. Its foundation became possible because of the interests of the US, Japan, China and other security players in a structured multilateral regional forum. Furthermore, globalisation has been instrumental in giving rise to security actors other than nation-states. Many security issues and threats have acquired non-territorial dimensions. The Asian financial crisis and the following upheaval in Indonesia have pointed out the increasing interconnectedness of domestic and foreign economic, political and social issues. National and regional security is not only determined by traditional military factors but also by economic, environmental and domestic circumstances of nation-states. Take, for example, the forest fires in Indonesia in the late 1990s, which had a devastating impact on the region. According to the Malaysian government, approximately 15,000 people had to be admitted to hospitals and clinics due to respiratory illnesses in 1997 alone. In December the same year, the state of Sarawak was forced to declare a state of emergency, closing schools, businesses and government services for 10 days. In addition, the haze brought significant losses to the tourism industries in Malaysia and Singapore (Sukma 1999, p. 48). The SARS (Severe Acute Respiratory Syndrome) epidemic or the Bird Flu outbreak are other examples. And the strain events like these impose

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18 ARF meetings are usually held in conjunction with the meeting of foreign ministers of ASEAN.

19 All Southeast Asian states had previously signed the Nuclear Non-Proliferation Treaty. However, one should also consider that maintaining a nuclear capability is an expensive tool of little strategic use given the geographical proximity of the signing Southeast Asian states.



on national economies are particularly hard to bear for countries which had only recently begun to recover from the impact of the 1990s' financial crisis.

Given this context, a realist approach to security is likely to fail. It also needs to be noted that Southeast Asia's security threats emerge largely from within sovereign states. Secessionist movements or religious radicals confront almost all ASEAN countries. Although with the end of the Cold War the danger of externally backed communist insurgencies has evaporated, recent years have witnessed an increase in threats from radical Islam and terrorism. Greg Fealy argues that Islamic extremism, while being confined to an extremely small minority of the Muslim population in Southeast Asia, has nonetheless had a significant impact on regional security and politics. 'Muslim insurgency and terrorism have led to significant security problems in the Philippines and Indonesia, but Thailand, Burma, Malaysia and Singapore have also had either sporadic violent extremism or a high risk of such actions' (Fealy 2004, p. 147). Furthermore, as repeatedly highlighted throughout this volume, the legitimacy of many Southeast Asian governments is intrinsically linked to their economic performance. Economic security, therefore, is perhaps the most important security issue. In Indonesia, for example, the Asian financial crisis contributed directly to the demise of the Suharto regime and the secession of East Timor. Thus, as Alex J. Bellamy (2004, p. 163) highlights, since 1997 'economic turmoil rather than external military threat has been identified by state leaders as the most significant threat to their security.'

### *Indochinese Enlargement*

As in Western Europe, the end of the ideological confrontation of the Cold War paved the way for an expansion of ASEAN regionalism.<sup>20</sup> The largest applicant for ASEAN membership in the 1990s was Vietnam. During the formative years of the Association, the admission of either North or South Vietnam was completely out of the question since it would have contradicted the founding principles of ASEAN. North Vietnam was a communist country, perceived to be hostile to some members of ASEAN and heavily dependent on the Soviet Union and the PRC. South Vietnam, on the other hand, was seen as being little more than a pawn of the US. And, perhaps most importantly, the foundation of ASEAN was partly driven by the need to provide a counterweight to communism and the spreading influence of foreign powers in the region. Hence, neither North nor South Vietnam were invited to join ASEAN in 1967.

By the end of the 1980s Vietnam began to rethink its foreign policy programme and changed its attitude towards ASEAN (Goodman 1996; Williams 1992). Improved relations with ASEAN seemed a logical choice given that Vietnam's uneasiness regarding Beijing struck a chord within ASEAN. Further, the sudden cessation of Soviet aid made it necessary to find new sources of support for Vietnam's domestic reform programme (*doi moi*) (Williams 1991). Like the newly independent Central and Eastern European countries, Hanoi looked to its economically relatively successful neighbours to help with economic modernisation.

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20 For ASEAN enlargement see Appendix, Table A.3.

The expansion of membership in ASEAN can be regarded as a process of rapprochement between ASEAN and Vietnam, Cambodia, Laos and Myanmar. In particular, the admission of Vietnam and Laos was a logical consequence of regional initiatives to resolve the Cambodia conflict in the latter half of the 1980s (Alagappa 1990; Frost 1991). Vietnam had defeated the United States and France in military combat and pushed back PLA forces after China's intrusion into Vietnamese territory in 1979. From ASEAN's point of view, Vietnam's accession certainly had potential benefits for the organisation. First, inclusion in ASEAN would ensure non-aggression since Vietnam would be required to sign the TAC. Hanoi would be socialised into adopting the ASEAN way. Second, as in Europe, the accession of all Indochinese states into ASEAN was a powerful image; it would end the Cold War division of the region into two hostile camps. And, third, some political elites were motivated by the thought that Vietnam would be useful in counter-balancing China's increasing influence in the region.

Vietnam's withdrawal from Cambodia in 1989 opened the way for accession talks. Only three years later, at the 25<sup>th</sup> ASEAN Ministerial Meeting in 1992, Vietnam gained observer status and signed the TAC, as did Laos (ASEAN 1992b, Art. 5). In July 1995, at the 28<sup>th</sup> ASEAN Ministerial Meeting, Vietnam was admitted into the Association (ASEAN 1995, Art. 2). Cambodia signed the TAC and was granted observer status at the same meeting. Myanmar too signed the TAC (ASEAN 1995a, Art. 2 and 3). In 1997, Laos and Myanmar were granted full ASEAN membership (ASEAN 1997a, Art. 2). Cambodia followed suit in 1999 and realised the 'ASEAN 10' (ASEAN 1999).

The ASEAN enlargement process proceeded at a much faster pace than EU enlargement. The limited institutionalisation of ASEAN implied that no internal reform was necessary. Nor were there any requirements along the lines of the Copenhagen criteria to be adopted by applicant countries. ASEAN membership is not based on adherence to democratic governance and respect for human rights. ASEAN itself contains a variety of different political systems ranging from military regimes and authoritarian regimes to democracies and semi-democracies. Thus, there was no lengthy transition period and, overall, enlargement was relatively straightforward. The accession countries found it easy to adhere to the ASEAN behavioural norms, such as non-interference, epitomised by the ASEAN way. However, as in Europe, enlargement also introduced a number of problems into the organisation.

Helen Nesadurai (2006) points to the fact that the Indochinese countries are transition economies, with Vietnam and Laos engaged in changing from a collectivist economic system to a more market-based economy. Cambodia is currently undergoing a process of economic and political state-building. Given these factors, and adding the relative underdevelopment of the new ASEAN members, Nesadurai (2006, pp. 199-200) asks whether enlargement has actually undermined the prospects for further economic regionalism. On the one hand, enlargement has the potential to enhance economic regionalism 'by helping to extend the dimensions of the ASEAN regional market and the range of internal industrial complementarities it presents to investors' (Nesadurai 2006, p. 200). On the other hand, like in Europe, there is the danger of creating a two-tiered ASEAN, divided between a richer core and a poor

and underdeveloped periphery, if regional economic integration is undertaken in a manner that ignores socio-economic divisions between and within states.

There are also concerns that intra-regional interaction within ASEAN and regional cooperation in general may become more complicated as the result of incorporating states with a different ideological and strategic outlook. Nesadurai (*Ibid.*) argues that Indochinese enlargement increases the already diverse threat perceptions in ASEAN. Also, Vietnam's military capabilities make the country a heavyweight in the Association from a security point of view.

As for Myanmar, ASEAN risked serious alienation and heavy criticism from its dialogue partners in Europe and North America due to the lack of democratic legitimacy and the constant abuse of human rights by the Rangoon regime. However, ASEAN had fewer problems with these issues than its Western partners. 'Asian values', which are, allegedly, different from Western values, were used to justify acceptance of Myanmar. The Asian values debate was very popular in the early 1990s when it was backed by the high growth rates of the ASEAN economies. Proponents of the 'Asian value' concept included Singapore's Lee Kuan Yew and Malaysia's Mahathir bin Mohamad. The concept focuses on socio-cultural differences between Asia and the West, which supposedly make it almost impossible for Western moral standards to be successfully applied to an Asian context. Asian cultures, therefore, are in a way exempt from considerations such as civil liberties, political freedom, democracy and human rights (understood as individual rights). The rights of the individual must, if necessary, be compromised in order to foster the well-being of society. Critics of the 'Asian values' concept have often accused its advocates of putting forward a variety of self-serving arguments in order to justify their authoritarian, paternalistic and illiberal political systems (Lawson 1998 and 1999; Öjendal and Antlöv 1998; Tanji and Lawson 1997).

To some extent the 'Asian values' discourse is indicative of a wider normative struggle in international relations between cosmopolitan and communitarian positions. On the one hand we have cosmopolitan ideas, focusing broadly on a 'community of humankind', transcending the local particularities and cultural norms of individual states. Cosmopolitanism can generate a strong sense of moral obligation to people other than your fellow nationals. An example is the notion of universal human rights. On the other hand, the equally deeply rooted tradition of communitarianism emphasises the status and moral values of particular cultural and political communities, such as nation-states. People are perceived as being first and foremost creatures of such particular cultural and political communities. Thus, individual rights and duties arise only within the context of such communities. The conflict between cosmopolitan and communitarian ideas is reflected in the conflict between notions of universal human rights and state sovereignty. Sovereignty, the fundamental principle of international relations enshrined in the UN Charter, is increasingly challenged:

It is now increasingly felt that the principle of non-interference within the essential domestic jurisdiction of States cannot be regarded as a protective barrier behind which human rights can be massively or systematically violated with impunity (United Nations 1991).

It is clear that political elites in Southeast Asia (and in East Asia in general) are on the communitarian side of the debate. This is only consistent with the long-term emphasis on sovereignty and non-interference, an emphasis that is, as argued earlier, deeply rooted in the complex history of the region.

ASEAN's approach towards Myanmar emphasised constructive engagement. While Western pressure on what was perceived to be an intra-ASEAN issue certainly did not go down well in the region, the pertinent aspect in contemplating the enlargement of ASEAN is the interconnection between economic, political and security factors. The successful management of regional security and conflict situations created conditions conducive to economic and political cooperation. Constructive engagement aimed at creating better relations with potentially hostile and unstable countries, such as Myanmar, with the ultimate goal of enhancing regional security through the socialising aspect of active political and economic cooperation.

The willingness to grant full membership to Myanmar also relates to a very specific security concern of ASEAN. As a result of its international isolation, Myanmar was very dependent on China, and this carried the risk of China extending its sphere of influence in Southeast Asia. Indeed, this could be interpreted as a decisive factor in ASEAN's acceptance of Myanmar's application, despite the serious misgivings of Europe and the US (Kraft 2000, p. 457). The speed with which Myanmar was integrated into the ASEAN framework is worthy of note. Myanmar signed the Bali Treaty in 1996 and gained observer status the same year. A year later it became a full member of ASEAN. This can be contrasted with Laos, which signed the TAC in 1992 but was not admitted until 1997.

### *Post-Crisis Regionalism in ASEAN*

On comparing regional developments during the 1990s in Southeast Asia with European integration, it is possible to detect several similar trends: the enhancement of economic regionalism, an increase in security cooperation, and the inclusion of entrants from the former Communist bloc. These similarities can be partly explained by the external dynamics driving regionalism in both instances. Two of them are particularly important: geopolitical restructuring following the end of the Cold War and globalisation.

In our theoretical observations in Chapter 2 we concluded that globalisation, international order and regionalism are closely connected. Nowhere is this more apparent than in the case of economic regionalism. Much of the economic globalisation literature focuses on the internationalisation of trade and the liberalisation of financial transactions. Indeed, the global financial system has changed dramatically over the decades. The most important developments include the move from a system of fixed to floating exchange rates following the end of the Bretton Woods system, the innovation of new financial products, the liberalisation of international financial transactions and the debt crisis enveloping much of the developing world in the 1980s. This allowed for the emergence of a new financial infrastructure in the 1980s. Capital and security markets in the developed world were gradually deregulated. In the 1990s, the ASEAN economies followed suit. New technologies such as

new satellite systems, fibre optic cables and the Internet allowed for cheap and instantaneous communication and further accelerated the liberalisation of financial transactions. As a consequence, capital flowed between countries in larger volumes and at a faster speed. The financial growth, liberalisation and innovation of the 1980s quickened in the 1990s.

However, one characteristic of the new global financial system is its vulnerability to shocks and its propensity to financial crises. A large proportion of the financial exchange is composed of portfolio investment. As such the capital has little to do with productive investment. Most of the financial growth in the 1990s occurred in the currency and security markets in the form of high-risk hedge funds. Some analysts, such as the late Susan Strange (1986), have compared the global financial system to a global casino. The term is most aptly chosen if one considers that profits are drawn from estimates of the future development of economic indicators. 'Bets' are placed on the future development of company profits, commodity prices, exchange rates and interest rates. Given the large sums that are involved and the possibility to move capital almost instantaneously across national boundaries, the global financial system is characterised by general insecurity, a high degree of competition and high volatility. Financial crises are unavoidable in an environment that creates artificial boom and bust cycles.

By the mid-1990s, these developments had reached the shores of the ASEAN economies. Portfolio investments began to overshadow productivity-enhancing FDI. Governments and political elites of the region responded to the financial inflow in the same way as to the globalisation of trade and production: they used positive incentives to attract greater foreign financial inflows. Hence, in the early 1990s, Thailand, Malaysia, Indonesia and the Philippines began to liberalise their respective banking sectors to benefit from financial globalisation and to channel the gains into domestic development projects and enhance regime stability. These changes in domestic politics were partly driven by private business elites in Malaysia, Indonesia and Thailand who, seeking easy profits from speculative gains and the borrowing of abundant and cheap foreign currency, used their considerable influence to push for financial liberalisation. Vast fortunes could be generated by the free flow of capital. However, as Greg Felker (2004) points out, the fact that big business with a need for investment and wealthy individuals were among the beneficiaries of capital mobility does not necessarily suggest that the private sector in East Asia truly had the political clout to drive political change. State elites, to some extent in collusion with the private sector, deliberately drove regional financial liberalisation to 'establish themselves as important nodes in the global or regional financial industry. Meanwhile, the licensing of new private financial institutions furnished a new and lucrative resource for patronage politics' (Felker 2004, p. 69). Unfortunately, however, the extreme volatility of the global financial system and the inherent potential for crisis was somewhat misjudged:

[...] government leaders fatally underestimated the difficulty of monitoring and regulating international financial transactions, a much greater challenge than managing export-manufacturing FDI. They foresaw neither the speed at which domestic business could pile up debt, nor the potential for a sudden, destabilising reversal of international financial

flows. Finally, Southeast Asia's political elites failed to grasp the implications of broader changes in Pacific Asia's political economy. With the Cold War now a fading memory, the United States was no longer prepared to engineer financial bailouts for its erstwhile clients, as it had in previous decades for South Korea, Indonesia and Thailand. America was prepared to see its allies in the region suffer greatly unless they opened their domestic economies to foreign investment (Felker 2004, pp. 69-70).

In the mid-1990s, Mexico plunged into a serious financial crisis having just overcome the effects of the debt crisis of the 1980s. After the negotiations and signing of the North American Free Trade Agreement (NAFTA), short-term capital had flowed into the country. By 1994, however, a series of events including higher interest rates in the US and the Zapatista rebellion in the Chiapas caused a rapid outflow of capital and forced Mexico to abandon its link with the US dollar. The result was a rapid devaluation of the Mexican currency, diminishing savings and pushing up interest rates, leading to falling living standards. The crisis quickly spilt over into other Latin American countries such as Brazil and Argentina (the so-called Tequila effect).

A few years later disaster struck in Southeast Asia, so far a showcase for successful development. The ensuing economic and financial crisis ended the so-called 'East Asian Miracle' and severely undermined the confidence and prowess of Southeast Asia's regimes and their legitimacy. It is significant to highlight the role the US played during the crisis, as this will have long-term implications for the development of regionalism. The narrative of the Asian financial crisis is well known and well documented by now. The crisis started in Thailand in July 1997 and very soon affected currencies, stock markets and other asset prices in several Southeast Asian countries. Until the outbreak of the crisis, the East Asian economies attracted almost 50 percent of investment directed towards developing countries. Like its Mexican counterpart, the Thai government had pegged its currency to the US dollar and abolished capital controls, causing a massive inflow of short-term speculative capital. With this, Thailand fell victim to what Benjamin Cohen (1993), based on Mundell and Flemming, coined the 'unholy trinity', according to which it is impossible to simultaneously pursue an independent monetary policy, a fixed exchange rate policy and have capital flowing freely in and out of the country. Only two of these policies can be pursued at any time. The third would be automatically determined by the choice of the other two. The Thai government had opted for high capital mobility to attract investment. It now had to choose between a fixed exchange rate to facilitate international trade and an independent monetary policy to influence the domestic economy via the setting of interest rates. Since the Thai baht was pegged to the US dollar, Thailand had given up control over domestic interest rates. Thus, it was unable to efficiently control and manage the massive inflow of capital in the mid-1990s. The consequences were increasing asset prices, rising wages, a speculative boom in the construction industry, rising import levels and a loss in competitiveness for Thai exports.

In 1997, investors began to doubt whether Thailand could maintain the value of its currency against the US dollar and, like the British crisis in 1992 and the Mexican crisis in 1994, began pulling out of the country. Thailand subsequently had to devalue its currency and to abandon its peg against the US dollar. Thailand's



financial turmoil triggered a contagion and that spread quickly through the region causing capital flight on a massive scale. Indeed, the ripples of what began as a minor Thai currency crisis sent shock waves throughout the whole of East Asia, with Thailand, Indonesia, Malaysia and South Korea being the countries worst affected. To illustrate the dramatic scale of the reversal of financial flows, these four countries and the Philippines suffered a net-outflow of 11.5 billion US dollars of portfolio capital in 1997 compared to a net-inflow of 12 billion US dollars the year before (Beeson and Robinson 2000). Eventually the crisis acquired truly global dimensions with consequences for Latin America and Russia.

Several explanations have been put forward for the Asian financial crisis centring on internal and external causation theories. The version championed by the International Monetary Fund (IMF) blames economic and political conditions in the afflicted countries:

[...] the difficulties that the East Asian countries face are not primarily the result of macroeconomic imbalances. Rather, they stemmed from weaknesses in financial systems and, to a lesser extent, governance. A combination of inadequate financial sector supervision, poor assessment and management of financial risk, and the maintenance of relatively fixed exchange rates led banks and corporations to borrow large amounts of international capital, much of it short term, denominated in foreign currency, and unhedged. ... [T]his inflow of foreign capital tended to be used to finance poorer-quality investments. Although private sector expenditure and financing decisions led to the crisis, it was made worse by governance issues, notably government involvement in the private sector and lack of transparency in corporate and fiscal accounting and the provision of financial and economic data (IMF 1999).

In other words domestic factors, crony capitalism and inadequate governance did, if not trigger the crisis, exacerbate its effects. The crisis, therefore, was the outcome of poor policy decisions and structural problems internal to the afflicted economies. Take Indonesia. Here, Suharto's leadership was based on an extensive network of patronage and personal relations to cronies and members of his extended family. The IMF and the US used the opportunity to emphasise that the Asian development model was intrinsically flawed and that the neoliberal policies of the Washington consensus represented the best way out of the quagmire. They underlined that incomplete liberalisation and bad governance were to blame rather than the liberalisation of capital controls. Thus, in return for rescue packages and financial bailouts, the IMF insisted on the implementation of far-reaching structural adjustment programmes.

External causation theories attribute the financial crisis to external systemic factors such as financial globalisation and American hegemony. Critics of the IMF inside and outside the region have observed that the policies imposed by the IMF during the crisis only worsened the situation. Joseph Stiglitz (2000) writes that 'it became clear that the IMF policies not only exacerbated the downturns but were partially responsible for the onset: excessively rapid financial and capital market liberalization was probably the single most important cause of the crisis ...' (p. 89).

IMF insistence on pushing up interest rates and slashing government subsidies had major political consequences in Indonesia and Thailand (and also in South Korea). Indeed, as Mark Beeson remarks, the 'net effect [of IMF intervention] was



to compound an economic crisis with a political one' (2007, p. 208). The economic development of the ASEAN countries in the 1980s and the first half of the 1990s had increased their clout in global economic and strategic interaction. This generated enormous benefits for domestic regimes in Southeast Asia, which had based a large part of their legitimacy on economic growth and their ability to raise living standards. The implications of the crisis and of IMF driven domestic reforms were truly catastrophic. As Bhagwati (1998) notes, the IMF measures only served to deepen the crisis and to promote social and political unrest in Southeast Asia. In Thailand, the Chavalit government fell as a consequence of economic difficulties (in combination with other factors) in late 1997. In Malaysia, the crisis aggravated the tensions between Mahathir bin Mohamad and Anwar Ibrahim, leading to the dismissal of Anwar from office and his imprisonment on corruption and sex-crime charges (Japan Center for International Exchange 1999). The biggest change, however, occurred in Indonesia where the crisis triggered massive domestic upheaval leading to the downfall of the autocratic Suharto regime. While many celebrated this event initially, the resulting instabilities in Indonesia have become a matter of great concern for Southeast Asia. As indicated previously, much of the region's volatility during the 1960s was related to Indonesia in one way or another. The country is the largest member of ASEAN. Its geographical position between the Pacific and the Indian Ocean means that Indonesia is the key to regional security (Dibb 2001). Any long-lasting domestic turmoil in Indonesia is potentially dangerous, not only for Southeast Asia, but for the whole of East Asia.

Indonesia serves as a good example for the power of the forces associated with contemporary globalisation and the influence of international institutions such as the IMF on the domestic politics of sovereign states. The insistence and the support of the US for the IMF reform programmes despite their inappropriateness is an indicator for American hegemony in the international political economy. This hegemony, as outlined earlier in this volume, is based on the promotion of a specific economic, political and ideational order and has been realised through international institutions such as the IMF (Beeson and Higgott 2005). The US government used the opportunity to press for further liberalisation in the wider East Asian region that, with the Asian developmental state model, had so far resisted the pressures of the Washington consensus. As Beeson argues, America's economy is dependent on the free flow of capital into the country to finance its growing trade and budget deficits (Beeson 2007, p. 210). As such, it is not surprising that the US rebuffed initiatives for Asian-led responses to the crisis such as Japan's 1997 proposal for an Asian Monetary Fund, and insisted instead on the implementation of far-reaching neoliberal structural reform programmes under the guidance of the IMF. Also unsurprisingly, this caused a deep resentment in the region. So much so that Malaysia actually introduced capital controls in direct contravention of IMF rulings.

ASEAN as an institution came under strong criticism for its failure to respond effectively to the crisis. Goh Chok Tong, prime minister of Singapore, remarked in April 1999 that 'ASEAN as a group is being seen as helpless and, worse, disunited. In our summits in 1997 and 1998, we failed to convince the outside world that ASEAN was tackling the crisis with determination and decisiveness to regain its high growth' (quoted in Richardson 1999).

Nonetheless, the Asian financial crisis had important consequences for the development of regionalism in Southeast Asia as well as for the development of wider East Asian regionalism bringing together Southeast Asia and Northeast Asia in the ASEAN Plus Three framework. A couple of points are worth noting here. First, the crisis highlighted the extent of economic interdependence in the region. The speed with which an original Thai financial crisis transmuted into a regional crisis indicates the extent to which investors regarded the region as economically integrated. It further underlined how sensitive ASEAN countries are to economic contractions in neighbouring countries. It also exposed the vulnerabilities of the ASEAN economies to currency fluctuations.

Second, the crisis emphasised the linkages between ASEAN and Northeast Asia in economic terms. This is reflected in the terminology applied to the crisis, which is variously known as ‘Asian financial crisis’ or ‘East Asian crisis’ but not as ‘ASEAN financial crisis’.

Third, and related, the crisis persuasively stressed the relative importance of investment flows in the global political economy and the relative power of the US and US-dominated international financial institutions such as the IMF. Not that American hegemony is something new in the region. But with the Cold War over, the US is less restrained by geopolitical constraints in its pursuit of economic goals. This points once again to the linkages between the international economy, geopolitics and regionalism.

Fourth, the Indonesian leadership change also indicated the connections between international economics and domestic politics, especially in a region where government legitimacy is often derived from the capacity to deliver economic growth. Furthermore, while overall the Indonesian democratisation process might be positive, it removed a head of state instrumental in the foundation of ASEAN and a lifelong supporter of ASEAN. Indonesia and Suharto had been regarded as beacons of stability in Southeast Asia. As stated repeatedly in this volume, effective leadership is an important variable in the development of regionalism, whether in Western Europe or in Southeast Asia. Indonesia’s position within the region has changed after the crisis and the ensuing economic and political turmoil. It remains to be seen whether succeeding governments possess a similar commitment to and knowledge about ASEAN. Indeed, the opposite might be true. According to Dewi Fortuna Anwar, Indonesia’s current leadership has very little knowledge of ASEAN and is, understandably, rather inward-oriented, creating the impression that Jarkata is no longer committed to ASEAN:

Far from seeing Indonesia as a ‘leader’ in ASEAN, many neighbouring countries have meanwhile begun to see Indonesia as a problem. On issues of economic integration and trade, the most developed member state, Singapore, and Thailand have assumed the role of joint ‘engine’ of ASEAN, sponsoring the project for an ASEAN Economic Community (AEC) and pushing for its more rapid realization (Anwar 2006, p. 67).

As if this were not enough, in the late 1990s ASEAN’s image was marred by several other unfortunate events. ASEAN’s norm of non-interference was challenged and bilateral tensions between member-states flared up once again. Indonesia and the

Philippines, for example, criticised Malaysia for the handling of the Anwar issue (Ganesan 1999, pp. 29-34). Indonesia's president B. J. Habibie even cancelled a scheduled visit to Malaysia. Thai leaders and Singapore's Lee Kuan Yew expressed sympathy with Anwar (*Ibid.*, pp. 23-8, 35-44).

The crisis aggravated intra-mural tension in ASEAN. Malaysia and Indonesia saw Singapore as doing little to help its neighbours recover from the crisis. Singapore's offer to Indonesia was not sufficient and Indonesia had to seek IMF assistance with all its consequences. Indonesia's President Habibie openly criticised Singapore for letting its neighbours down in their hour of need (Suh 1998). Furthermore, relations deteriorated between Singapore and Malaysia over issues such as commercial disagreements, the supply of Malaysian water to Singapore and alleged violations of Malaysian airspace (Funston 1999). The financial crisis also highlighted the increasing connection between non-military and military security issues.

The secession of East Timor was triggered by the financial crisis. Anti-Chinese riots in Indonesia traumatised the ethnic minorities of the country resulting in a trickle of migrants into neighbouring Singapore and Malaysia. Confronted with this wave of refugees, many regional states voiced concerns about the increasing strain on their social services and increases in crime and social tensions (Goshal 1999, p. 34). Indonesia's forest fires only compounded the problems.

In our analysis of regionalism, both in Western Europe and in Southeast Asia, we have seen that economic and political crises have the potential to threaten further regional integration. At the same time, however, external and internal threats have also been among the major catalysts for regional cooperation. Thus, the impact of the financial crisis on Southeast Asian regionalism also had positive consequences for the development of ASEAN cooperation. As mentioned above, the crisis exposed the vulnerabilities of economic interdependencies in the region and the vulnerabilities of small and medium-sized economies in the new global financial system. It also revealed the structural leverage of the US in the international political economy and the role of global institutions and regimes in safeguarding the financial architecture. Thus, the crisis radically affected the way political and economic elites in the region perceived intra-regional relationships and their own position in the global arena. It reconfigured the relations between the regional states and external actors, in particular with regard to the US, Japan and China. The result was an increased interest in developing cooperative regional mechanisms and strategies.

At the 1998 Hanoi summit, ASEAN heads of state declared their intentions to 'move ASEAN onto a higher plane of regional cooperation in order to strengthen ASEAN's effectiveness in dealing with the challenges of growing interdependence within ASEAN and of its integration into the global economy' (ASEAN 1998a). The summit, whose main focus was economic, produced three major documents: the Hanoi Declaration, a 'Statement of Bold Measures' and the Hanoi Plan of Action (ASEAN 1998b and 1998c). The documents are of a rather pragmatic nature focusing on measures to enhance regional cooperation and liberalisation. They include commitments to the maintenance of macroeconomic stability, further liberalisation and strengthening of financial systems, the speeding up of AFTA and expedited implementation of the ASEAN Investment Area (AIA). The summit also discussed issues such as poverty, human resource development, sustainable development and

the protection of the environment (Funston 1999). An ASEAN Surveillance Process was established as part of the Manila Framework Group, devised by regional central bankers and finance ministers, to complement IMF measures (MOF 1998).

During and after the crisis, ASEAN began to institutionalise summit and ministerial meetings to bring together the ASEAN members and the three economically and geo-politically important Northeast Asian countries: Japan, South Korea and China. This framework, known as ASEAN Plus Three, has been growing in recent years, suggesting a new direction for regionalism, merging Southeast Asia and Northeast Asia into East Asia. The idea of wider East Asian regionalism is not entirely new. In the early 1990s, Malaysia's former prime minister, Mahathir, suggested the development of an exclusively East Asian economic bloc, the East Asian Economic Caucus (EAEC). At the time, the proposal was not taken up. Japan displayed little interest. The US, which saw the development of an EAEC as a direct challenge to its interests and influence in the region, was hostile to the idea (Berger 1999; Terada 2003). However, the core idea for EAEC was still nurtured within ASEAN. Already before the crisis ASEAN had begun to strengthen cooperation beyond its regional borders, with ASEAN including China, Japan and South Korea in the Asia-Europe Meeting (ASEM) in 1995. Despite some initial reluctance, the three countries agreed cooperation on various issues to be put on the ASEM agenda (Stubbs 2002, p. 442). ASEM, thus, became instrumental in consolidating the idea of an East Asian identity and for further East Asian regional institutionalisation. Indeed, the concept of East Asia became increasingly accepted as highlighted by Goh Chok Tong at the 1995 ASEAN summit. There, the Singaporean prime minister suggested inviting Japan, China and South Korea to ASEAN informal summit meetings (Terada 2006, p. 223).

However, it was the financial crisis that became the catalyst for the revival of the EAEC idea and the subsequent birth of ASEAN Plus Three. Richard Higgott suggests that the crisis had created deep resentment of international financial institutions such as the IMF within East Asia (Higgott 1998). There was increasing interest in a regional approach to any future crisis that would be able to take into consideration the unique characteristics of the regional economies (Bowles 2002). Thus, there was a collective call for wider and more institutionalised East Asian cooperation to enhance the region's weight at the global level, to reduce dependency on outsiders, especially on international financial institutions, and to counterbalance the influence of the US. To use the words of Ali Alatas (2001), a former Indonesian foreign minister, wider East Asian regionalism was an 'idea whose time had come'. At an informal ASEAN summit in Kuala Lumpur in 1997, the concept of ASEAN Plus Three was born, suggesting regular meetings between the members of the Association, China, Japan and South Korea. Japan participated because, as Terada (2003) highlights, Japan had realised 'that a consensus has developed and the time was ripe to create East Asian regionalism solely to tackle regional problems.' Japan was still struggling with China for regional leadership. Thus, China's acceptance to participate in the 1997 ASEAN summit in Kuala Lumpur triggered Japan's interest (Stubbs 2002, p. 443).

The ASEAN Plus Three process was set up to discuss the possibility of enhanced cooperation in the field of economic, financial and political security, as well as on

environmental, energy, social and cultural issues (ESAG 2002). The integrative impact of Japanese multinational companies and Chinese business networks has already been touched upon. Not only were these actors instrumental in providing the foundation for economic integration in Southeast Asia, they also linked the Southeast Asian economies with those in Northeast Asia. Furthermore, as Pempel (2005, p. 256) points out, regionalism in East Asia is also consolidated by issue-driven and problem-oriented coalitions of public and private sector organisations to cooperate on transboundary issues such as SARS, bird flu, energy, environmental problems etc. Thus, while ASEAN regionalism and the emerging ASEAN Plus Three regionalism are elite-driven processes, they are not exclusively restricted to intergovernmental cooperation.

So far, the ASEAN Plus Three process is significant for two reasons. First, it may provide the basis for the development of a regional East Asian identity. This point will be further elaborated in the next chapter. And, second, it raises the possibility of integrating Northeast and Southeast Asia by further institutionalising East Asian regionalism. Very much like the EU, ASEAN has been subject to enlargement in the post-Cold War world, with similar consequences. The ASEAN Plus Three process represents a further enlargement, raising questions of leadership. Japan and China appear to be the natural candidates. On a superficial level, the situation looks similar to European integration in the aftermath of World War Two. Just as Germany and France had fought bitterly with each other, so Japan and China have been at war with each other. Also, like France, China has experience of being a dominant power and has been at the centre of regional politics, until a rising and militarily aggressive neighbour challenged its supremacy.

However, this is where the comparison ends. Nationalism has seen a revival in both countries in recent years. Accommodation between two former enemies is difficult at the best of times, as Germany and France can testify. It is next to impossible if the states in question are powerful and regard each other as strategic and economic competitors. While regionalism has been a tool to achieve reconciliation between France and Germany (and not a precondition for it), it is very clear that the circumstances of post-war Europe differ considerably from the circumstances of post-financial crisis East Asia. Furthermore, the role of the US is different. In the European case, the US acted as a facilitator of regionalism. In East Asia, however, the US preferred a system of bilateral alliances. In addition, the US is regarded with suspicion by Beijing. Indeed, ASEAN Plus Three is partly a reaction against US hegemony in the international political economy.

This leaves ASEAN as a candidate for regional leadership. While it may be counter-intuitive given the size and the limited influence of the ASEAN states, the Association has certain advantages that may appeal to Japan and China. First of all, the limited institutionalisation, the primacy of sovereignty, consensus-based decision-making and the principle of non-intervention, in short the so-called 'ASEAN way', appeal to both countries. And, second, ASEAN enjoys the trust of China and Japan and alleviates the fear of great power domination in the region. Thus, ASEAN might be the natural compromise for regional leadership in the ASEAN Plus Three process, so long as it enjoys the support of the two big regional powers, Japan and China.

ASEAN Plus Three has also been instrumental in initiating closer monetary cooperation. The most significant proposal is the Chiang Mai initiative (MOF 2000). In May 2000, the finance ministers of the ASEAN Plus Three economies agreed to expand the ASEAN swap agreements and to set up a network of bilateral swap arrangements to provide foreign currency liquidity in the event of another financial crisis (Hamilton-Hart 2006, p. 111). According to Hamilton-Hart, the significance of this initiative is threefold. First, it is aimed at preventing any future crisis from spiralling out of control. Second, it is designed to supplement the IMF (rather than replace it), particularly since the effects of the contagion were exacerbated by insufficient liquidity provision during the crisis. And, third, it brings together the countries with the greatest interest in regional crisis management (Ibid., p. 114). Thus, the Chiang Mai initiative may be a stepping-stone towards closer and more institutionalised regionalism and economic integration. Some commentators, such as Dieter and Higgott (2003), have analysed how far the Chiang Mai initiative is a launch pad for monetary integration (see also Dieter 2001). As in the EU, intra-regional trade in East Asia has increased significantly over the last few decades. According to neofunctional logic and the European example, increasing intra-regional flows of trade and investment leads to closer economic integration and, ultimately to closer financial and monetary cooperation.

ASEAN Plus Three members have expressed a strong interest in further enhancing economic integration by expanding AFTA. In 2002, China and ASEAN signed a 'Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People's Republic of China' (ASEAN 2002b). The aim is to extend AFTA by establishing an ASEAN-China Free Trade Area in two stages: by 2010 between the ASEAN Six (Singapore, Malaysia, Thailand, Indonesia, the Philippines and Brunei) and China and to include the new ASEAN entrants by 2015. In response to this initiative, Japan proposed the creation of an East Asian Free Trade Area (EAFTA). The proposal has been endorsed by South Korea and Singapore. Stubbs (2004, p. 229) argues that this drive towards further economic integration is a reaction to the consolidation of economic regionalism in NAFTA and the EU. It can further be interpreted as a reaction to globalisation, global institutions, and US hegemony in the region. Hence, the ASEAN Plus Three process demonstrates once again that global-regional interaction can be the catalyst for enhanced regionalism.

The ASEAN Plus Three Process represents a unique opportunity for ASEAN to enhance its collective standing in the international community. Belonging to a bigger group will certainly give more weight to ASEAN's position in negotiations in the WTO and in its dealings with the EU. There is the possibility that the ASEAN Plus Three process may eventually marginalize ASEAN, just as the economic integration between the Benelux countries was eclipsed by European integration. However, this is not necessarily a negative outcome. It may strengthen ASEAN as a distinct group of small and medium-sized states within a larger East Asian community. The ASEAN experience and the ASEAN way of regionalism can be a model for confidence-building and socialisation measures in ameliorating the lingering tensions in Northeast Asia. Buzan and Wæver have convincingly argued that we witness the emergence of an East Asian security complex combining the Southeast Asian and the Northeast



Asian security complexes (Buzan and Wæver 2003). Economic integration may ultimately facilitate reconciliation between Japan and China, just as Franco-German reconciliation was a product of European integration. It should also be remembered that ASEAN, among other things, was a tool to bring about reconciliation between Indonesia, Singapore and Malaysia after the *konfrontasi* period.

Despite the prominence of simmering flashpoints such as the Korean peninsula, Taiwan or the South China Sea, the most important long-term threats East Asia faces are not so much inter-state conflicts as so-called non-traditional security threats. These include environmental problems such as deforestation, soil erosion, water scarcity, declining air quality; a looming energy crisis; rising migration and refugees flows; transnational crime such as drug trafficking and people smuggling; diseases such as SARS, AIDS and bird flu; economic crises; and terrorism. These challenges have in common transboundary qualities and are unlikely to be contained by the application of traditional approaches to security.

ASEAN has reacted with a variety of procedural innovations in order to deal with the new security environment. The Association agreed on the establishment of a regional surveillance mechanism to prevent the outbreak of another financial crisis on the scale of 1997. The haze served as a reminder that environmental problems within a particular country can have transboundary environmental, health and economic implications: 'domestic, political and social challenges [faced by individual members] are likely to become ASEAN challenges' (Hernandez 2001, p. 105). Following a proposal from Singapore, ASEAN organised a retreat for foreign ministers to enable intra-mural exchanges. This breaks in a way with previous ASEAN procedures inasmuch as it provides a mechanism to voice concerns about the domestic developments of individual ASEAN members. However, the ASEAN way and with it the norms of non-interference and quiet diplomacy are still being upheld. The establishment of the ASEAN Troika in the aftermath of the East Timor crisis has not changed that, despite the fact that this proposal aimed to enable ASEAN to address regional political and security issues (ASEAN 2000).

In October 2003, ASEAN adopted the 'Declaration of ASEAN Concord II' which built on the 1971 ZOPFAN Declaration, the 1976 Treaty of Amity and Cooperation and the 1976 ASEAN Concord. This declaration centred on the agreement that an 'ASEAN Community shall be established comprising three pillars, namely political and security cooperation, economic cooperation, and socio-cultural cooperation that are closely intertwined and mutually reinforcing for the purpose of ensuring durable peace, stability and shared prosperity in the region' (ASEAN 2003). The framework to achieve the goal of an ASEAN Community includes a three-pillar structure composed of an ASEAN Security Community (ASC), ASEAN Economic Community (AEC) and an ASEAN Socio-Cultural Community (ASCC). The proposal to establish an ASC to enhance regional security cooperation displays the recognition of increasing security interdependencies. The AEC idea is driven by similar motivations. It aims to establish ASEAN as a 'single market and production base via, among other things, strengthening existing initiatives such as AFTA, the ASEAN Framework Agreement on Services (AFAS) and the ASEAN Investment Area (AIA). However, H. E. Ong Keng Yong, Secretary General of ASEAN, has



been quick to point out that ASEAN is not constructing an economic community along the lines of the EU:

While EU ensures the free movement of goods, services, capital (including investment) and people across the territories of its Member States, ASEAN seeks to create a unique single ASEAN market where there is a free flow of goods, services, investment, skilled labour, and a freer flow of capital (Yong 2004).

Furthermore, ASEAN is pursuing a form of economic integration that is open to its economic partners, very much in line with the 'open regionalism vs. closed regionalism' argument. The ASCC is also significant inasmuch as it provides, for example, conditions to cooperate on transboundary health issues such as HIV/AIDS and SARS. It also aims to foster the establishment of a regional identity while recognising the diversity of Southeast Asia's cultural heritage.

It becomes clear that the Bali Concord II and the proposal to create a three-pillar ASEAN Community is a reaction to the pressures arising out of the contemporary globalisation process and geopolitical pressures such as a changed US foreign policy direction following 9/11. International terrorism features very heavily on the new security agenda, in particular since the 9/11 attacks on the World Trade Centre and the subsequent 'war on terror' waged by the Bush administration. Terrorism is nothing new in Southeast Asia. There have been long-running separatist movements in Indonesia, the Philippines and in Thailand. What is new, however, is the focus on so-called Islamic terrorism. The 9/11 attacks and the 2002 Bali bombings brought US interest back into the ASEAN region. Washington regards Southeast Asia as a major front in its war against terrorism. In the Philippines, the US has provided assistance to increase the pressure on the Abu Sayyaf group in Mindanao. Indonesia, with the largest Muslim population in the world, finds itself in a difficult position. On the one hand, the government is under increasing pressure to deal efficiently with suspected Islamic militants; on the other, the government needs to maintain the support of moderate Muslim organisations. Clamping down too hard on suspected militants could potentially generate a backlash and create a recruiting ground for militants from radicalised and alienated Muslims. Of the anti-terrorism agreements ASEAN has signed with China, Japan and the US, the one with Washington is by far the most important (Wain 2002; ASEAN 2002a).

However, as destructive as terrorism can be and has proven to be, it is important not to overemphasise the threat potential. Domestic insurrection and armed rebellion are nothing new for ASEAN countries. Indeed, such instabilities have been a characteristic feature of the nation-building process across the region and have been among the driving factors of ASEAN regionalism, as argued in the previous chapter. It can be expected, therefore, that the war on terrorism does generate a variety of push-factors towards enhanced regional cooperation. First, the Bali bombings had potentially devastating implications for Southeast Asia's economies. Thus, they underlined the need to intensify cooperation among ASEAN security and intelligence forces. Second, US pressure and its uncompromising unilateral position only serves to further undermine the legitimacy of Washington in the region (Beeson 2007, p. 94; Kagan 2004). Mark Beeson (2007, p. 140) and Amitav Acharya (2005) have

pointed out that current US foreign policy is undermining the development of a civil society in Southeast Asia, while its preference for bilateral security arrangements is sidelining the development of multilateral regional security arrangements. Increasingly, as Alagappa (2003, p. 595) highlights, the US acts as an obstruction to further regionalism rather than as a facilitator. This, to some extent, has convinced regional elites to revive the EAEC idea, and to foster East Asian regionalism to deal with East Asian problems.

The U.S. is perceived as the pushy, intrusive troublemaker in the region, making demands on a range of issues from human rights to intellectual property to the environment. Meanwhile Beijing is refraining from pushing ideology on its neighbors. Rather it is pledging pragmatic partnerships for mutual benefit while rebuilding its traditional prestige as the Middle Kingdom and capitalizing on the natural desire among Asians for self-reliance and freedom from outside interference (Restall 2007, p. 10).

This point is emphasised by the inauguration of the East Asia Summit on 14 December 2005 (ASEAN 2005a). The East Asia Summit is linked to the ASEAN Plus Three process. However, its membership is more wide-ranging, including sixteen nations: the ASEAN Plus Three countries, India, Australia and New Zealand. The absence of the US seems to point to a declining influence of Washington in the region. It also highlights the changes the US and China have gone through during the last 17 years. China appears to be more and more dominant in the region. Indeed, the inclusion of India in the East Asia Summit process can be interpreted as a potential counterbalance to China. According to some analysts, the East Asia Summit highlights a new confidence in East Asia's economic future and might become the core for a regional East Asian economic group similar to the EU (Mydans 2005).

The 2005 ASEAN Kuala Lumpur summit also resulted in a commitment to establish an ASEAN Charter (2005b). An ASEAN Charter would be a significant development, probably the most important ASEAN document since the Bangkok Declaration in 1967. It will enshrine the values and principles that bind ASEAN together, create a rule-based organisation, set-up a legal and institutional framework and confer legal personality to ASEAN. Thus the ASEAN Charter will further institutionalise East Asian regionalism and regional identity.

## **Conclusion**

The end of the Cold War was a geopolitical event that sent shockwaves around the globe. It was unexpected and removed many of the certainties that had governed global politics and regionalism alike. It changed the global setting in which regionalism took place. Three points deserve to be stressed. First, the end of the Cold War fundamentally altered the security environment in which regional security relations were embedded. Second, issues of globalisation and liberalisation gained increasing salience. In a way, the vanishing of Cold War geopolitical considerations offered more operational room for the forces of globalisation. And, last but not least, the role and the attitude of the US toward regional cooperation in the context of changing geopolitical considerations ought to be considered.

The new regionalism in both cases is in many ways a continuation of first wave regionalism under Cold War conditions. However, both, the EU and ASEAN, are undergoing a fundamental process of reform and adaptation to changed structural circumstances. Both regionalisms are caught up in a process of transformation and re-organisation. The changing security context has had far reaching implications. The previous chapter has demonstrated that security interdependencies and geopolitical imperatives were among the main driving factors in the early stages of Western European and Southeast Asian regionalism. And security interdependencies remain important in the current period of regionalism: 'Geopolitics and security have been far more important in explaining the process of enlargement than the sort of interest-driven, exchange-related processes stressed by integration theorists (Hurrell 2005, p. 45).

Freed from the geopolitical overlay, globalisation has accelerated throughout the 1990s. Deregulation and liberalisation have changed the role of the state at the domestic level. This has been accompanied by an increase in regional cooperation and the emergence of an increasingly dense layer of governance at the regional level to mediate between the state and the global level. The chapter has demonstrated that the link between globalisation and regionalism has become a very significant driving factor of the so-called new regionalism. Globalisation, however, is a multidimensional process and its relation with regionalism is not that easily discernable. Both, the EU and ASEAN have responded to the pressures of globalisation in various ways. To some extent, neoliberal globalisation, as expressed in the Washington consensus, has resulted in the search for greater regional cohesion to maximise the bargaining power of small and medium-sized states, to coordinate transboundary challenges, and to respond to the changing regulatory nature of the state. Regionalism is increasingly providing an additional arena for political, economic and social interaction in an emerging multilevel framework of global governance.

And, third, the role of the US with regard to regionalism is also changing. We have seen that during the Cold War, the US acted as a facilitator for regional cooperation. This was part of its Cold War strategy of containment and, thus, it comes as no surprise that its main efforts were directed at constructing a multilateral regional framework in Western Europe. However, Washington also encouraged regional cooperation in Southeast Asia, although perhaps not to the same extent as in Western Europe. Nonetheless, during the first wave, the role of the US with regard to EU and ASEAN regionalism was primarily a positive one. American hegemony remains important during the current wave of regionalism. However, freed from geopolitical constraints, Washington is currently enjoying a unipolar moment. Its increasing economic and political assertiveness and the unilateralist policies of the Bush administration are transforming the role of the US from being a facilitator of regionalism to increasingly becoming 'the other' to regionalise against. This feature of regionalism, observed in the EU and ASEAN during recent years, focuses on enhancing bargaining power and political capacity. Many analysts have stressed the role of Europe in providing a possible counterweight to US power in the future. Emphasis is very often placed on the normative foundation of European regionalism, allegedly offering an alternative to US imposed order. This is based on different

understandings of sovereignty, governance and statehood that are developed within Europe.<sup>21</sup>

We have seen that individual factors such as leadership skills, the preferences, personalities and agendas of political and economic decision-makers as well as domestic imperatives continue to influence regionalism in the post-Cold War world. This, of course, should come as no surprise. After all, regional cooperation with questions regarding who to cooperate with, what form cooperation should take, whether it should be institutionalised or not, is ultimately the outcome of individual decisions. Regionalism is thus best understood as a series of multiple and overlapping processes occurring simultaneously in several areas of interaction, e.g. economic, political or social interaction, at all three levels of analysis, e.g. the individual, the national/state and the systemic/international level. Indeed, regionalism adds another intermediate level between the national and the international.

All this, of course, makes it imperative to delineate the regional level, e.g. to identify the 'region' in question from its constitutive parts and from the wider international environment. In recent years the regional level has received considerable attention in academic literature and political discourses. What is surprising, however, is that comparatively little attention has been paid to the theoretical identification of the construct region. This then, in a way, provides the rationale for the following and last chapter of this volume.

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21 See also Kagan (2003) in this context.

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## Chapter 5

# Identifying Regions: Emerging Regional Identities in Europe and East Asia

This chapter addresses issues concerning the identification and delineation of a 'region'. How can a region be effectively isolated from the wider international environment? Who and what belongs to a particular region? Who is excluded and why? Are there identifiable differences between economic, political and security regions? These questions are imperative for the development of regionalism as they focus on problems of exclusion and inclusion in region-building processes and demarcate the regional from the global level. And they have real implications for successful enlargement as has been demonstrated by the tensions caused by Turkey's desire to join the EU.

This chapter wraps up the analysis of regionalism processes in the EU and ASEAN, and completes the comparison. As stated in the theoretical observations in Chapter 2, regions have commonly been identified as groups of countries characterized by high levels of economic, political, cultural or security interdependencies. Regions are thus spatial concepts with an explicit territorial dimension. They are also dynamic; they represent particular moments in time and are the outcome of long, complex and multifaceted processes of intentional and unintentional region-building, which is an open-ended process inasmuch as regional actors are engaged in constantly changing, maturing and re-adapting to international and intra-regional conditions.

The central problem for the conceptualisation of regions arises out of our inability to locate them easily, for they are neither just the national, nor quite the global. The EU, for instance, can be understood as both, the sum of its member-states, and as an institutionalised regional organisation, a structure of governance and policy-making. If a region is more than merely the sum of its component parts, it raises the question as to how we might classify its position, since regions occupy an intermediate and not well-defined level between the nation-state and the global system. The main problem here is that regions, despite the prominence of regionalism, remain somewhat under-theorised. Indeed, current discourse in international relations appears to centre on globalisation and the 'withering away' or the continuing resilience of the nation-state. Much more needs to be done to understand the persistence of regionalism, regional differences and the continuing self-conscious pursuit and active creation of regional institutions and regional identities.

The beginning of any analysis of the external role of the EU and of regions in general is the understanding that nation-states are not the only structures of importance in the international political economy. A multitude of actors originating

from the regional, the national, the sub-national and the communal levels interact at the international level. These include public and private actors. States themselves might be seen as political, social and economic constructs covering a multitude of different actors at the domestic level.

This opens up the possibility of regarding the EU too as a ‘construct’: ‘it is widely accepted that it is how political actors perceive and interpret the idea of a region and notions of “regioness” that is critical: all regions are socially constructed and hence politically contested’ (Hettne 2005, p. 544). There is a rich literature focusing on the ‘actorness’ of the EU. Consider, for instance, the contributions of Gunnar Sjostedt (1977), Joseph Jupille and James Caporaso (1998) and Christopher Hill (1994). According to Hill, the ‘actorness’ of the EU touches upon the distinction of the EU from other political entities, the autonomy it enjoys in making its own laws and a variety of actor capabilities. Its ‘presence’ is about its impact on the global system (Hill 1994, p. 107). Mike Smith and David Allen (1990) also talk about the EU’s presence in the international arena in terms of both, its external behaviour, and the way it is perceived by other international actors.

However, the question remains as to how ASEAN or a possible East Asian region fits into the picture. The EU is often regarded as the most developed example of region-building and taken as a benchmark against which to measure other regions. However, while it is certainly true that Southeast Asia is not as coherent as Europe, especially in terms of political cooperation and formal institutionalisation, there is sufficient ground to consider it as a discrete region in very much the same fashion as we think about Western Europe. Regional institutions can be the markers for the existence of a region, and regional institution-building presupposes some form of consensus on what constitutes a region. Hence, regional awareness and regional identity are perhaps among the most important factors in region-building processes (Hurrell 1995).

The nature of regions is, therefore, determined by the ideas and beliefs extra- and intra-regional actors have about themselves and the region in question. To adopt from Alexander Wendt (1999), if actors treat each other and are treated by other actors as if they belong to a discrete region, then it is likely that this belief is internalised. As stated above, institutionalisation is a powerful marker of regionalism and the existence of a region. It delineates who is in and who is out and provides a rallying point for the formation of a ‘we-feeling’. Regional institutions provide some form of regional cohesion. Andrew Hurrell (1995, p. 337) suggests two facets of regional cohesion: when the region plays an important role in the relations between the member-states and the global level, and when the region forms the basis for intra-regional policy-coordination. Regional institutions are at the centre of these processes. Institutionalisation, furthermore, facilitates the recognition of the region by outsiders as being more than just an arbitrary geographical location.

The remainder of this chapter will compare the regions that have emerged as a result of EU and ASEAN regionalism by discussing their emerging identities. These identities, as argued in Chapter 2, are based on two aspects: first, the role of the region as a coherent actor at the global level and its recognition as such by outsiders, and second, referring to the internal side, a shared normative outlook between the members of the region. These shared norms, principles, procedures



and values define the actors involved in region-building and socialize them into the adaptation of certain behavioural patterns in their dealings with each other and with the outside world. They help to identify who they are and, perhaps more importantly, who they are not. An 'other' is, as we will see, a requirement for successful identity formation.

### **Regional Identities – The EU and European Identity<sup>1</sup>**

In 2003, having failed to gain a second UN resolution to attack Iraq, the US, supported by the UK and several other countries, went ahead anyway. The US-UK led invasion of Iraq divided the European Union (EU) into two camps: 'Old Europe' and 'New Europe', to borrow Donald Rumsfeld's phraseology. The result of this division was a failure to formulate a coherent EU-wide foreign policy position. This was to severely undermine the image of the EU as a foreign policy actor and damage the reputation of the EU within the region and beyond. It raised questions about the internal cohesion of the EU and the efficiency of its actorness in international relations. Common Foreign and Security Policy could not have been further away. While the project of a CFSP is closely connected to the challenge of promoting a sense of belonging among the members of the EU, it also raises questions about European identity. A tense debate about the future of the European project was triggered, especially with regard to the identity of the EU as an international actor. This could not have come at a more crucial time. Several internal and external dynamics and processes are now overlapping and posing fundamental challenges to the development of the EU. These include the globalisation process and the associated changes in the international economy that increasingly infringe upon the capability of nation-states to provide effective governance based on the principle of territorial sovereignty. Demographic dynamics, migratory pressures, the activities of multinational enterprises and other transnational activities put even more pressure on the state and support the search for governance solutions at the supranational level. On the other hand, geopolitical changes, the political consequences of failed decolonisation processes, the rise of India, China, and an increasingly unilateral US foreign policy, pose additional challenges for the EU. Together with the recent enlargement and the rejection of the constitutional treaty by France and the Netherlands in May and June 2005, it is perhaps understandable why several commentators speak about an identity crisis. After a relatively successful decade, the EU has reached a critical point in its development. It appears to be stuck in a quagmire with no clear direction forward.

#### *Cornerstones of European Identity: European vs. National Identity?*

The literature on European identity is rich, diverse and growing. Despite this, the concept of a European regional identity and what might constitute such an identity remains highly controversial. Certainly, entities such as the EU do not command the same sense of loyalty as national identities do. Some commentators argue that the

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1 For more on this, see Wunderlich (2006).

EU is, therefore, a rather ineffective international actor. This is highlighted not only by the deep divisions and disagreements within Europe that became evident once again through the CFSP failure with regard to the Iraq invasion, but also by the lack of identification with the EU among Europeans themselves. National sentiments remain strong, and apart from a few Europhiles, popular sentiments still focus on expressions of nationalism and national identity. The model of the nation-state, it appears, still looms large as a defining feature of actorness in international relations. It also remains the focal point of belonging and community, and the main locus of rights and obligations. Indeed, nationalism, arguably in different manifestations, is still one of the most successful and lingering creeds.

Nationalism is closely linked to notions of group identity and community. Identities are constructed on the basis of difference, and identity issues are closely related to the unity of any political entity. They are at the core of any state-building process. European nation-states have been evolving over long periods and so have the associated national identities. It is important to remember that national identities are highly subjective creations, lacking any objective criteria. They are devoid of any real basis but represent the outcome of complex cultural and socio-economic processes (Jepperson et al. 1996; Wendt 1999). Identities, including national identities, are ideological constructions, and every national identity is ultimately a political standpoint (Karlson 2000, p. 169). They are 'relatively stable, role-specific understandings and expectations about self' (Wendt 1992, p. 397). They provide the foundation for preference- and interest-formation of actors. Identities are built around emotional ties of belonging to a particular group which sees itself as being distinct from other groups. Identities are ascribed to individuals and communities on the basis of shared cultures, common ethnic backgrounds, linguistic similarities, common experiences, a common heritage, shared norms, values, and principles.<sup>2</sup>

Compared to national identities, a European identity appears to be an over-ambitious project given the amazing cultural, linguistic and ethnic diversity and thriving nationalisms in the EU. However, it is important to bear in mind that the EU is not a nation-state. And it is unlikely that the EU will ever become one. In the current global framework of multilevel governance, regions represent an intermediate layer between the nation-state and the global level. European identity does not aim to replace ethnic or cultural or indeed national identities.<sup>3</sup> It is here that the concept of multiple identities needs to be considered. As pointed out before, identities are never absolute. They are multilayered, and context and time specific. The collective identities of political communities, including national identities, are the outcome of lengthy and deliberate construction efforts. They are top-down processes, referring to the deliberate, well-concerted and elite-driven attempts to construct national identities at the highest political decision-making levels of a nation-state. Shared myths, symbolism and school curricula play a substantial role in these processes. This can also be observed in the efforts to construct a European identity.

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2 Frank Pfetsch (2000) names four factors that may foster a European identity: a) common values and common heritage, b) complementary cultures, c) common institutions and d) common foreign policy.

3 This can be found in the Treaty framework of the EU (Art. 6 (3) TEU).

Attempts to foster a European identity have a long history. Early evidence of attempts includes the 'Declaration on European Identity', which was adopted in December 1973 at the Copenhagen Summit (European Commission 1973, pp. 188-122). One of the landmarks in this process was the so-called Tindemans report suggesting that the Europe of technocrats should improve its contacts with its citizens (Fontaine 1991, p. 6). Over the years, the Commission has worked actively and effectively for creating certain symbols of European Union, including the EC flag and the EC anthem. Actions aimed at cultural integration include a European passport, Europe Day, and the European cities and culture initiative. Even the Euro can be interpreted as a symbol aiming to establish a sense of regional identity since a currency is usually more than just a legal tender. The notes of the new currency are full of symbolism: the EU stars were incorporated into the design along with a simple map of Europe. Furthermore they picture seven periods of European architecture such as the Classical, the Romanesque and the Gothic styles, and might be seen as an attempt to transfer the symbols of nationalism and national identity to the European level.

A sense of shared historical experience and religious ties are often used to bolster particular national identities, and the European identity construction process has been no exception. Nowhere does this become more apparent than in the opposition to Turkey's possible EU membership on the basis of its different historical and religious background. There have also been attempts to include notions of Christianity in the proposed Constitution. Hence, European identity is often described as having a historical basis, which can be traced to a combination of Europe's Greek, Roman and Christian heritage. There are, however, serious problems with such a perspective. First of all, although Christianity is the dominant religion in Europe, it is also very fragmented. Religious differences have been the reason for fierce intra-European conflict and, therefore, for division rather than unity. Unfortunately, this does not belong to times long gone. Sectarian violence is still with us as highlighted by the example of Northern Ireland.<sup>4</sup> On the other hand, religion as a defining feature of political life seems to be on the decline in Western Europe.<sup>5</sup> This is especially true of countries such as Germany, the Netherlands or Italy (Latin 2000). Secular traditions such as the Enlightenment and the Industrial Revolution might be far more relevant as binding elements. Nevertheless, both Christianity and the Greco-Roman heritage provide raw material for the deliberate myth making which is typical of the formation of identities.

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4 One might even wish to argue that religion has been responsible for the deep divide of Europe into Western and Eastern Europe in the second century AD. At around this time Christianity was divided into a predominantly Catholic Western Roman Empire and the Orthodox Byzantine Empire in the Roman East. This split was reinforced by the introduction of Islam in the tenth century AD and the Muslim conquest of much of Eastern Europe. The Iron Curtain, dividing Eastern and Western Europe during the Cold War, only re-emphasised an already existing division.

5 However, authors such as Grace Davie (2002) point out that it is important to distinguish between 'belonging' and 'believing' in Western Europe. Thus, the widespread decline in people attending church services does not necessarily imply a decline in religious beliefs.

European identity cannot be defined on the basis of a perceived common cultural heritage, shared religion or linguistic similarities. Several scholars have, therefore, suggested the potential of (recent) shared historical experiences and common political values, norms, principles and socialisation processes for EU identity-building. But historical experiences include the legacies of extreme nationalism causing two devastating and destructive world wars as well as the impact of the Cold War. And indeed, as repeatedly argued throughout this volume, European integration has to be seen in the context of the historical excesses of nationalism. It is an institutionalised attempt to reign in nationalism and to constrain sovereignty. External factors such as the geopolitical situation during the Cold War also played a part. The commonly perceived threat of communism and Soviet expansionism reinforced a feeling of 'us' compared to 'them'. The foundation of NATO further helped to unite the Western European states. Thus, the Cold War contributed to a sense of unity in Western Europe (Guibernau 2001, p. 22).

Another binding element is provided by the development of a particular European political culture and its transformation into norms and principles. Thomas Risse-Kappen (1996) and other scholars have repeatedly emphasised the strong linkage between identities and underlying normative structures. The foundations of something like a common European political culture may be found in the secular ideas of the Enlightenment movement. These ideas developed into norms and principles shared widely among the actors involved in the policy- and decision-making processes of the EU. In many ways, these principles create the normative basis and provide the core foundations upon which the EU rests. They form the centre for the self-understanding of the EU as a relatively distinct and coherent regional entity. From these ideas, a set of rules and norms has developed to form the internal dimension of European identity. These norms and principles include a belief and commitment to liberal democracy and to some form of market economy. Respect for human rights, the rule of law, non-violent resolution of internal conflicts, respect for property, rights of minorities, and norms of consensus-building, compromise and democratic decision-making are features which characterise all member-states of the EU. However, it is doubtful whether these norms are unique to the EU or, in fact, to its member-states. Other democratic non-EU states such as the US, Norway, Japan, Australia and New Zealand, to name but a few, have embraced a very similar if not the same set of values which are commonly perceived as being the basis for any modern liberal democracy.

### *The Regional Identity of the EU*

While the discussion regarding the foundations of a European identity remains unresolved, it is possible to argue that the EU has nonetheless been able to construct an identity as a discrete region. Indeed, it appears that the EU has co-opted some of the classic symbols of state-building in order to foster a sense of belonging. Some commentators have suggested viewing the EU as a political community and applying a civic notion of identity. Like civic forms of nationalism, European identity is an elite-driven top-down process. It is tolerant of diversity ('unity through diversity' remains a popular catch phrase) and actively encourages multiculturalism.

Furthermore, the EU actively promotes symbols of itself as a political entity (including a flag, an anthem, citizenship and even a currency). As stated above, the EU as a political entity perceives itself as based on a certain political culture, certain norms, values and principles: 'EU membership implies the voluntary acceptance of a particular order as legitimate and entails the recognition of a set of rules and obligations as binding' (Risse 2004, p. 163). This shared normative structure finds its expression in the *aquis communautaire* and the admission of new member-states.<sup>6</sup> In 1993, at the Copenhagen European Council, the EU laid out the political and economic norms for the accession of new members.<sup>7</sup> The Maastricht Treaty stated that the 'Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States' (TEU, Art. 6). This is, of course, not unique to the EU as stated above. What makes the EU distinctive is the way these norms and principles impact on the member-states, how they form and shape their respective identities and interests. The EU is a regional political entity combining intergovernmental and supranational features and, therefore, does not merely express the combined wishes of its member-states. It restricts the range of political choices available to member-states and changes the way these member-states perceive themselves and formulate their national interests. Wayne Sandholtz (1996) brought this point to the fore when he stated that 'EU membership matters'. EU member-states define their identities, national interests and foreign policies increasingly by their EU membership.

The commitment to some form of liberal democracy and peaceful conflict resolution is a feature all EU member-states share. It is encoded within the EU principles and finds its expression in the external relations of the EU. The Eastern enlargement of the EU, for instance, can be interpreted as fostering and supporting the spread of liberal democracies in Central and Eastern Europe (Schimmelpfennig 2004). This brings us to the second aspect of regional identity – regional cohesion at the global level. The institutional overlay of the EU provides it with a distinct regional identity. Any identity depends to a large extent on how it is perceived by outsiders. Despite the fledgling CFSP, the EU has managed to establish itself as a recognised actor alongside nation-states in many areas of international relations. Its membership and agenda setting in international organisations probably best highlights this.

Since 1 January 1995 the EU is a full member in its own right of the WTO as are its member-states. The agenda of the WTO has been influenced to a large extent by the EU, extending into new areas of international trade such as public procurement, trade and investment, social and environmental issues (Cameron 1998, p. 22). In other words, the EU has been instrumental in the creation of norms and principles governing areas of international relations. The example of the EU in the WTO is indicative of its institutional presence and its regional cohesion for two reasons. First, within the WTO, the EU acts as a coherent organisation on behalf of

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6 The *aquis communautaire* refers to the complete body of EU treaties, laws, directives and regulations. It includes rulings by the European Court of Justice and has to be accepted by every candidate for EU membership.

7 See Chapter 4.

its member-states but also side by side with them. The Commission has managed to establish itself as the EU's single negotiating voice. Clearly, especially in the WTO and in international economic negotiations, the EU has been able to play a role that is greater than the sum of its parts. Put differently, none of the member-states of the EU acting alone could possibly hope to achieve the same bargaining outcomes and assert the same influence in the global political economy that the EU can assert. And, second, the membership of the EU in international organisations such as the WTO fosters the recognition of the EU as an international presence, an international actor and a relatively coherent region.

The EU has managed to reinforce its own identity by influencing rules of 'appropriate' behaviour, not only for dealings among its own members but also for other international actors. The EU has constructed its identity through the construction of 'others'. According to Julie Gilson (2002) a region may feel its regioness 'through the interaction with other regions' (p. 1). In particular, the ASEAN-EU relationship deserves to be highlighted in this context. It developed into a political dialogue characterised by regular meetings centring on information exchange and cooperation in specific fields. It is based on a relatively low level of institutionalisation, respecting the preferences of the ASEAN side, usually at ministerial, ambassadorial and senior official levels, supplemented by expert working groups. The transregional relationship has been beneficial for both parties since it proved to be an important stepping-stone in their respective identity construction processes and helped both regions develop a distinctive regional identity and status as collective international actors.

### *'Old Europe' and 'New Europe' – European Regional Identity or Misplaced Federalism*

The previous elaborations have highlighted that the EU has managed to establish an identity as a relatively coherent region despite assertions to the contrary. EU membership changes the self-perception of nation-states, their national interests, foreign policies and even impacts on national identities. Yet, the general sense of belonging in the EU does not run very deep. Various opinion polls bear witness to the lack of a wider European identity. Loyalties are still very much oriented towards the national level. The transfer of loyalties from the national level to the supranational level as heralded by neofunctionalist thought may have occurred to a certain extent among small parts of national elites, businessmen, and interest and lobby groups. But it remains largely superficial and has not affected the general populace.

It needs to be mentioned in the same breath that this does not necessarily impede the actorness of the EU or its regional identity. We need to divert our focus from the ultimately unfruitful questions of belonging and loyalty. At the same time, it is imperative to bear in mind that contemporary expressions of national identity are the outcome of long and deliberate state-building processes. They are neither 'natural' nor bottom-up processes. If identity-building succeeded at national level there is reason to assume that similar processes at the supranational level might turn out to be successful. The big question is whether such a process is actually desirable. The consolidation of the nation-states in Europe and their national identities was



not a smooth or straightforward process. Instead, it was characterised by upheaval, systemic warfare and violent repression of dissent. The EU is not a nation-state and, in fact, represents the very antithesis to the Westphalian state. It is a concerted effort to restrain the sovereignty of the state and to curb nationalism whose violent excesses have spread terror, devastation and destruction across Europe. Hence, part of European identity is a deliberate attempt at governance beyond nationalism and state-centrism. Ironically, in an effort to move beyond nationalism the EU has attempted to fashion a European identity using the very tools of nationalism. The anthem, citizenship, the flag and a sense of common 'European' history are examples of this. And it does not stop there. In many ways the provisions of the Maastricht Treaty, including the provision of a CFSP can be included here. The EU has engaged in some of the classic gimmicks of state- and nation-building. It should have come as no surprise then that the EU failed to reach a coherent foreign policy position on the Iraq war. Rather than representing a deepening dichotomy between 'old' and 'new' Europe, it indicates the continuous struggle between the forces of state sovereignty and nationalism on the one side and those aligned against nationalism and territorial sovereignty on the other.<sup>8</sup> This clash between supranationalism and sovereignty/nationalism has characterised and shaped the European integration process since its inception in the aftermath of World War Two. CFSP has never been more than an ambition, an ambition not shared by all member-states with equal enthusiasm. Neither is the CFSP failure over Iraq anything new. The EU has demonstrated divergent foreign policy preferences before, for instance in the case of the former Yugoslavia. CFSP is an area where national interests are still very strong. EU countries (whether actual member-states, 2004 entrants or applicants) that supported the coalition against Iraq did so for reasons of national interest. So did the countries that opposed the war. In Germany, the anti-war stance was an important election issue for the Schröder government and France went against the US, as it has done historically, aiming to preserve a strong and independent French position in the Middle East. That does not, however, impede the existence of the EU as existing member-states, new entrants and applicant countries see their future within and not outside the EU.

Nonetheless, Donald Rumsfeld's assertions about the present division of Europe and the failure of the EU to reach a CFSP epitomize a foreign policy disappointment that is indicative of an identity crisis. The repeated inability to reach coherent CFSP positions reveals the capability-expectations gap of the EU and highlights the realities of state-power, national interests and sovereignty that still dominate the EU. Perhaps the way forward for the EU is not to take on more state-like qualities and symbols of statehood. Despite the still prevailing wisdom in international relations, actorness and influence need not necessarily equate with military power. In a speech regarding the future of Europe at the University of Vienna, Jürgen Habermas (2006) emphasised the need for institutional reform including the need for an EU foreign minister and a directly elected EU president.<sup>9</sup> Whether this is indeed the right way

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<sup>8</sup> It is also indicative for the conceptual stranglehold the nation-state still holds as the highest form of political organisation.

<sup>9</sup> See also Levy, Pensky and Torpey (2005) and Habermas and Derrida (2005).



forward is highly debatable. This and similar identity-building initiatives emanating from Brussels may be hindering rather than supporting European integration.

The conflict between so-called 'old' and 'new' Europe is also indicative of something else. With the end of the Cold War, the 'common other' Western Europe had united against has fallen away. The majority of the new entrants who have been admitted into the charmed circle have belonged to the Eastern bloc and do not necessarily share the same view of international relations as the older member-states. Very much like the newly founded states of ASEAN in 1967, it is conceivable that none of them are too eager to restrict their newly found sovereignty.

More importantly though, there is the influence of the US to consider. Throughout the 1990s there has been a growing body of literature on the implications of long-term macro-political change on the relationship between the EU and Washington. Robert Kagan (2003) points to the incommensurable differences between American and European ideas with regard to the political and economic structure of the global level. American hegemony and Washington's increasingly unilateral stance in the so-called 'war on terror' are redefining the relations between the EU and the US. The ideational differences between the EU and Washington seem to be facilitating further regionalism in the EU. This time, however, the US is providing the 'common other' and filling the vacuum left by the USSR.<sup>10</sup> This, however, is not necessarily a view shared equally by member-states of the EU, leading to an internal identity crisis as manifested in the dispute over the 2003 Iraq invasion.

### **ASEAN – No Regional Identity?**

As we have seen, collective identities are often related to places, institutions, symbols, ethnicity, socio-cultural aspects, historical legacies, common experiences, shared values and norms, linguistic similarities or shared belief systems and religions. This indicates the extreme complexity of any deliberate identity-building process. This complexity is bound to increase with the level of political, economic and social interaction on which a 'we-feeling' can be created and the number of actors who are supposed to be brought together by such a process. The EU seems to lack any 'natural' binding elements, which are often claimed to be necessary for the formation of a collective (national) identity. If anything, historical experience and religious beliefs have the potential to divide the member-states of the EU as well as unite them. This has been highlighted by the EU summit in Copenhagen in December 2002, the debate surrounding EU enlargement, the possible accession of Turkey and the future of the EU (Schmidt 2002; Thumann 2002).

The construction of an internally coherent regional consciousness looks even more difficult when it comes to ASEAN. The ASEAN 10 are extremely diverse in size, political system, culture, linguistics, ethnicity and religion. This diversity may be detrimental to the emergence of any sense of a common regional identity. As Michael Yahuda (2004) remarks:

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<sup>10</sup> Regarding the 'doubtful future of the Atlantic Alliance' see J. McCormick (2007, p. 169).

These divergences have combined to militate against the development of a regional consciousness comparable to that of the homogenous Europeans. Such regional consciousness that has emerged is of relatively recent origin and has been largely confined to the economic sphere, and then only in part. It has been articulated by elites within the worlds of business, academe and government (p. 13).

A couple of points need to be highlighted here. First, European homogeneity is much less widespread than assumed by this statement. While conventional analysis may still hold such a view, the comparison does not hold up under closer scrutiny. On the other hand, the European integration process has facilitated some form of normative cohesion. Second, while it is true that EU institutions have been engaged in a deliberate attempt to model a European consciousness along nationalist lines for quite some time, the effort has so far yielded very limited results. Contrary to the predictions of some commentators, nationalism is experiencing something of a renaissance even in this period of globalisation, and national identification is stronger than ever. The idea of a European identity has so far failed to generate widespread appeal. Civil society has become increasingly involved but European integration has been and still is largely an elite-driven project. The ratification problems following the Maastricht and Nice Treaties and the rejection of the Draft Constitution are but two indicators for the lack of grassroots support.

Whereas Europeans shared at least something like a common history and might have been united by the traumas of World War Two, the historical legacies in Southeast Asia, it is often argued, are hardly suited to providing an ideal foundation for an ASEAN identity. Although the Pacific War and the Japanese occupation affected most if not all of the current ASEAN member-states, it did so in different ways. The same is true for the regionally shared experience of colonialism. Different colonial powers established different colonial structures of governance, which were inherited by the newly founded states in the region. On the other hand similar things could be said about the EU: World War Two affected different countries in different ways and European history has been marked by discord rather than unity. It is, therefore, important not to overemphasise the historical differences within ASEAN. Furthermore, the very experience of foreign domination and colonialism is an experience shared throughout Southeast Asia (with the exception of Thailand) and has shaped the emergence of ASEAN regionalism. Homogeneity also entails a subjective dimension in that states categorise themselves as being alike with regard to the features that define a group (Wendt 1999, pp. 353-354).

More significant, perhaps, is the absence of mature and well-established nation-states possessing strong and self-assured national identities in the Southeast Asian region in contrast to Western Europe. The fact that the ruling regimes in the region were pre-dominantly of an authoritarian or semi-authoritarian nature and engaged in a process of state-building seems to be yet another hurdle in the way of creating a common regional identity. The formation of national identities was essential if the young states wanted to survive. Nationalism proved a useful tool for weak regimes trying to gain some form of domestic legitimacy. Since this entailed explicit differentiation from others (including neighbouring countries), it also had the potential to be counterproductive to regional identity formation efforts. Some of these points

have been mentioned earlier in this volume. However, it is worth raising them again since they have created a very different set of pre-conditions for the ASEAN identity construction process when compared to the EU. Sovereignty and national identities were not well established and were therefore even more vigorously promoted and guarded. While this has the potential to stand in the way of region-building, it also provides a common feature that defines ASEAN as a group, as a region. ASEAN regionalism was designed to enhance the independence of its members:

Far from seeking to integrate the region by merging sovereignty and unifying the operation of their economies, the national leaders sought to strengthen their hard won and vulnerable separate systems of government. They sought to reduce the challenges to their domestic rule by containing intra-regional disputes through the recognition of the junction between the stability of the region and that of the domestic order of member states (Yahuda 2004, p. 8).

This explains some of the idiosyncrasies of ASEAN regionalism. ASEAN elites have studiously and explicitly refrained from following the European model of pooling sovereignty. Its members have managed to agree on a number of norms and principles of conduct that define the so-called 'ASEAN way'. These norms have largely provided the basis for collective action at the international level.

Like Europe, ASEAN as a region is changing. The EU, confined to Western Europe during the Cold War, has extended itself into Central and Eastern Europe following the demise of the Communist regimes there. Subsequently, the EU has become synonymous with Europe rather than Western Europe, indicating the dynamism of regional concepts. A similar process can be observed in Southeast Asia with the ASEAN Plus Three process.<sup>11</sup> Unlike, the EU, however, it is less the case of ASEAN expanding, and more the manifestation of the emergence of a new region altogether: East Asia (instead of Southeast Asia). The following sections will argue that ASEAN has emerged as a distinct political region in the international arena. The discourse on Southeast Asia and on ASEAN during the Cold War and in the post-Cold War world is a good indicator of this. Not only does this discourse highlight the emergence of ASEAN as a regional entity, it also actively facilitated this process. Despite its rather low level of institutionalisation compared to the EU, its institutionalisation is nonetheless a marker for the existence of a Southeast Asian region since, as stated above, institution-building presupposes some form of consensus on what constitutes a region in the first place.

### *The Regional Identity of ASEAN*

The conceptualisation of Southeast Asia as a region has a relatively brief history. The term Southeast Asia rose to prominence during the Pacific War and Japan's occupation of the area. Christopher Hemmer and Peter Katzenstein observe that the private correspondence between Theodore Roosevelt and Winston Churchill reflects the gradual emergence of this regional designation:

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<sup>11</sup> The East Asia Summit process deserves to be mentioned in this context as well.

Churchill wrote in June 1943 that it was time for the Allies to think more about ‘the South East Asia (or Japan) front’, and he recommended the creation of a new command for that region. Later, Churchill reiterated this call, but now denoted the envisioned entity as ‘a new command for East Asia.’ ... Churchill accepted Roosevelt’s worries about offending China and agreed that ‘perhaps it would be desirable to give the new command the title of “South-East Asia” instead of “East Asia”’ (Hemmer and Katzenstein 2002, p. 591).

After World War Two, in particular after the ‘loss of China’ following the Communist victory there in 1949, the Truman administration focused on Southeast Asia at the intersection of its policy towards China, Japan, Great Britain and France (Hemmer and Katzenstein 2002, p. 592). The beginnings of Southeast Asia as a region emerged as a geopolitical construct shaped by the perception of the greater powers of the time.

Like the EU, ASEAN was built on an already existing regional concept, though it did enhance regional coherence. This coherence was demonstrated for the first time in ASEAN’s response to the Cambodian crisis. As Chapter 3 indicated, Vietnam violated the principles of non-use of force and non-intervention when it invaded Cambodia on 25 December 1978. It also threatened the security of Thailand, which was beginning to look to Beijing for help (Antolik 1990, p. 14). For ASEAN, the principles of non-intervention and the non-use of military force have regional application and are not restricted to the members of the Association. The TAC, for instance, explicitly speaks about ‘co-operation in furtherance of the cause of peace, harmony and stability in the region’ (ASEAN 1976b). Not only did Vietnam’s refusal to sign the TAC denote an artificial division of what was seen as a geopolitically coherent region, Vietnam acted also in direct contradiction to the most fundamental principles of the emerging ASEAN consciousness when it intervened in Cambodia: non-intervention. ASEAN’s response was to adopt a collective stance against Vietnam and it achieved just that for almost a decade. When its security and its core beliefs were threatened, ASEAN demonstrated that it was able to act relatively coherently. In November 1979, ASEAN successfully lobbied in the UN General Assembly against Vietnam and the Vietnamese-installed regime in Phnom Pen. The outcome, resolution 34/22, called for the ‘immediate withdrawal of all foreign forces from Kampuchea and calls for all States to refrain from all acts or threats of aggression and all forms of interference in the internal affairs of states in Southeast Asia’ (Antolik 1990, p. 188). ASEAN, therefore, managed to evoke a sense of regional coherence and unity in its response to the 1978 invasion. It displayed a common resolve in upholding its two core principles in restoring sovereignty to Cambodia (Sharpe 2003, p. 239). In rallying international support ASEAN was more effective than any of its member-states acting unitarily could possibly have been.

The Cambodia issue raised the profile of the Association at the international level. China, the USSR and the US, increasingly regarded ASEAN as an institutional expression of Southeast Asia. It can be justifiably argued that ASEAN’s success in rallying support against Vietnam was to a large extent dependent on external factors such as Chinese and US support and an especially belligerent Vietnamese foreign policy. However, what needs underlining here is the fact that outside powers such as the US and China were supporting ASEAN, thus implicitly recognising it as a

distinct regional entity. The coherent and concerted ASEAN campaign regarding the Cambodia issue thus fostered the regional identity of ASEAN and its international recognition as a group-actor.

The at times difficult relations between individual ASEAN member-states and China are iterated several times throughout this volume. Although ASEAN members traditionally have had different attitudes and perceptions regarding China, the territorial claims of Beijing in the South China Sea facilitated the formulation of a coherent external position on the issue (ASEAN 1992a). The Manila Declaration accentuates the motivation of ASEAN in engaging China in a cooperative relationship with ASEAN as a group. The display of cohesion and collective unity persuaded Beijing to discuss the subject of the South China Sea within the ARF framework. In December 1997, the heads of states of the ASEAN members and Jiang Zemin, then president of the PRC, held their first ever summit and issued a statement in which they announced their decision to foster good neighbourliness and to establish and enhance bilateral and multilateral cooperation and trust between China and ASEAN (ASEAN 1997). With regard to ASEAN's recognition as a collective actor, paragraph one of this statement is particularly interesting:

The Heads of State/Government of the member states of ASEAN and the President of the People's Republic of China expressed satisfaction with the rapidly *developing relations between ASEAN and China as well as between individual ASEAN member states and China*. They agreed that the consolidation of these relations served the fundamental interests of their respective peoples as well as the peace, stability and prosperity of the Asia-Pacific region (ASEAN 1997, emphasis added).

Outside recognition was also provided by the interregional exchanges between ASEAN and the EU.<sup>12</sup> ASEAN has been a longstanding dialogue partner of the EU. Until the 1970s, Southeast Asia's contacts with Western Europe were limited to bilateral contacts, usually with the former colonial powers or trading links (Dreis-Lampen 1998, p. 110). However, the foundation of the EC and ASEAN added a new dimension to the region-to-region contacts (Forster 1999, p. 743). The first meeting between the representatives of the EC member-states, the European Commission and the ASEAN ambassadors to the EC took place in 1977 (European Commission 1977). The first full ministerial meeting between both groups followed in November 1978 (European Commission 1978). Two years later a cooperation agreement was signed between both regions. Its preamble is interesting since it talks about 'the emergence of ASEAN as a viable and cohesive grouping' (ASEAN 1980). This indicates that ASEAN has been recognised as a single unit comprising a group of predominantly small and medium-sized states by the EC.

The ASEAN-EC links provided the foundation for the political dialogue between the two regions, entailing regular ministerial meetings, participation in the Post Ministerial Conferences (PMC) that take place immediately after ASEAN's annual Ministerial Meetings (MM), and the ARF. The relationship has been beneficial for both sides providing an important stepping-stone in their respective regional identity-construction processes and helped both regions develop and enhance a distinctive

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12 On the relations between ASEAN and the EU see also E. Palmujoki (2001).

actorness and status as international group actors (Rüland 2001, p. 16). In a 2001 communication paper 'Europe and Asia: A Strategic Framework for Enhanced Partnerships' the European Commission identified ASEAN as a key economic and political partner of the EU (European Commission 2001).

In the 1990s, the ARF and the ASEM process took over many of the original functions of the ASEAN-EC dialogue. In many respects, ASEM reflects the different objectives the EU and ASEAN had regarding their existing links. Following the 1990 Malaysian proposal to form an East Asian Economic Group, a summit meeting between Asian and European leaders was suggested in 1994 (Holloway et al. 1991, pp. 52-56). The idea originated from the Singaporean Prime Minister, Goh Chok Tong, who wanted to develop a triangular relationship in order to balance the influence of the US in the region (Shin and Segal 1997). While the link across the Pacific appeared to be strong through APEC, ties between Europe and Asia had not been developed to its full potential (ASEM). In 1996, the first ever ASEM summit was held in Bangkok, bringing together the heads of state and government of ASEAN Plus and the EU member-states as well as representatives of the European Commission (Thiel 2000, p. 79).

From a constructivist point of view, the importance of these initiatives lies in their contribution to regional identity-building efforts. Although states participate in an individual capacity in ASEM, in practice they frequently act along regional lines based on existing or incipient regional identities. ASEM has helped to construct the notion of an ASEAN region through a series of coordinating mechanisms and the fact that the ASEAN participants are dealing with a well-defined regional entity like the EU. Additionally, the acceptance and treatment of ASEAN member-states as a collective entity reinforced its identity.

[...] ASEM has indeed helped to construct the notion of an East Asian region with a set of common cultural values and a core of shared interests. This identity-building and the intensification of East Asian cooperation as described above are mutually reinforcing processes (Rüland 2001, p. 27).<sup>13</sup>

This may also explain the deliberate exclusion of states such as Australia and New Zealand from the ASEM process on the ground that they do not constitute 'Asian' countries. It relates to the insistence of ASEAN members on the particular features of East Asia in general and Southeast Asia in particular as a cultural entity. It also suits intra-regional domestic agendas.

### *The ASEAN Way and Regional Identity*

One of the most distinctive features of ASEAN's ideational and institutional structure is the so-called 'ASEAN way'. This framework of norms, practices and principles has been variously defined. According to Michael Haas, the ASEAN way is based on a common cultural perspective of international relations that emphasizes the importance of Asian forms of knowledge, consensus-based decision-making,

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13 See also Gilson (2002, p. 107), Camroux and Lechervy (1996), Haas (1997) and Hänggi (1999).



incrementalism and a strong preference for low-level institutionalisation (Haas 1989, pp. 2-5). Amitav Acharya defines it as the ‘term favoured by the ASEAN leaders themselves to describe the process of intra-mural interaction and to distinguish it from other, especially Western, multilateral settings’ (2001, p. 63). It is indicative of a ‘*process* of regional interactions and cooperation based on discreteness, informality, consensus building and non-confrontational bargaining styles’ (Ibid., p. 64). Thus, the ASEAN way describes a range of procedures and methods of intra-regional cooperation that are distinctly different to the functioning of regionalism elsewhere, particularly with regard to European integration. It is a focal point for ASEAN leaders to distinguish ‘us’ versus ‘them’, thereby cementing a sense of community among themselves by clearly delineating the ASEAN region. The treatment of New Zealand, Australia, India or Pakistan, provide interesting examples of identity and exclusion, discussed in great detail by Julie Gilson (2002, p. 131) with particular reference to the ASEM process.

The ASEAN way, therefore, deliberately creates a community of belonging or a ‘we-feeling’ and is important for any discussion of ASEAN identity. What is remarkable, however, is that ASEAN’s normative structure is by no means unique to Southeast Asia.<sup>14</sup> It represents the basic normative foundation of the international system based on the related concepts of sovereignty and non-intervention. Therefore, it is not so much the very existence of these norms and principles as their relative impact on the relations between ASEAN member-states and their perceptions of and relations with each other, that is of significance. As in the case of the EU, it is the discursive and socialising content of these norms and principles that transform the so-called ASEAN way into a cornerstone of regional identity. At the centre of the ASEAN way is a cluster of three normative concepts: the principle of non-use of force in intra-mural conflicts, the principle of non-interference in the domestic affairs of another member country and the principle of regional autonomy. The second aspect of the ASEAN way defines the procedural norms of ASEAN and includes informality, consultation and consensus-based decision-making and low-level institutionalisation.

The principle of refraining from force in intra-regional disputes provides the basis for ASEAN’s normative framework and found its expression as early as the Bangkok Declaration. Article Two of the founding document of the Association states:

[... the aims and the purposes of the Association shall be:] To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter (ASEAN 1967).

The centrality of this norm is unsurprising given the historical context of the formative years of ASEAN regionalism. Thus, the norm of the non-use of force in intra-regional relations became a backbone of the ASEAN framework. The ASEAN members needed a relatively stable regional environment in order to consolidate their state-building efforts. The mutual assurance to refrain from the application of

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14 Ironically, even in this way ASEAN resembles the EU.



military force in intra-mural disputes was as much a confidence-building measure as anything else. This was later accentuated again in 1976 in the Treaty of Amity and Cooperation (TAC). The principle that membership matters is as true for ASEAN as it is for the EU. ASEAN members have not always been on the best of terms with each other. Yet, since its inception, no ASEAN member has used military force against another ASEAN state. There is sufficient ground here to assume that ASEAN's very existence is at least partly responsible for this, given the history of post-World War Two Southeast Asia prior to the inception of the Association in 1967.

The principle of regional autonomy can be traced back to Indonesia's policy of non-alignment. Again, the incorporation of this norm into the ASEAN framework has to be seen in the light of the historical circumstances of ASEAN's origin. However, the norm of regional autonomy as a cornerstone of the emerging ASEAN framework cannot be explained by colonial legacies and concerns about the value of military alliances alone. Although security guarantees from the US might have been helpful when faced by external threats, most of the direct challenges to the Southeast Asian regimes came from within (Acharya 2001, p. 53). Security alliances are not the best instruments to respond to domestic social upheavals. Indeed, external support for an authoritarian regime in times of internal instability has the potential to seriously undermine the international legitimacy of the government as the example of the Saigon establishment in South Vietnam emphasised all too clearly. The incorporation of the norm of regional self-reliance and autonomy from extra-regional interference into the ASEAN framework makes regionalism a means for small and medium-sized states to enhance their international bargaining power as well as providing international legitimacy to ASEAN governments (Acharya 2001, p. 52; Hettne 2002).

Closely related to the principle of the non-use of force in intra-mural conflicts is the norm of non-interference in the domestic affairs of another member-state. Like the aforementioned doctrines, non-interference is hardly unique to ASEAN. It is a cornerstone of the Westphalian state system and as such has found its way into the UN Charter. However, it is not so much the principle itself that provides the Association with a form of regional identity but rather its interpretation that differs substantially from the application of non-interference in Western Europe. As Amitav Acharya points out, ASEAN's norm of non-interference includes refraining from criticising the actions of member-state governments towards their populations and 'from making the domestic political situation and the political styles of governments a basis for membership in ASEAN [...]' (Acharya 2001, p. 58). Other aspects include a commitment to criticising states that have breached the non-interference principle; the denial of recognition, sanctuary or any other kind of support to any rebel group seeking to destabilise an ASEAN member-state; and to provide political and material support to member-states in their campaigns against subversive rebel groups (Acharya 2001, p. 58).

Something similar to the EU accession criteria is therefore unthinkable for ASEAN. The accession criteria explicitly include a domestic political dimension such as the stability of domestic institutions guaranteeing democracy, the rule of law, respect for human rights and the protection of minorities. This is very different to ASEAN practice and contrary to the key norm of non-interference in domestic

affairs. Vietnam, Laos and Cambodia were allowed to join despite their very different political systems. Similarly Myanmar's very poor human rights record seemed of little or no importance for its entry into the Association. It was assumed or hoped though that 'constructive engagement' would lead to improved human rights in Myanmar.

Like the ASEAN norms analysed so far, non-interference must be seen against the background of ASEAN's origins:

ASEAN's doctrine of non-interference was, in important part, an expression of a collective commitment to the survival of its non-communist regimes against the threat of communist subversion. This emphasis on internal stability was best illustrated in Indonesia's concepts of 'national resilience' and 'regional resilience', phrases that were to become rallying slogans for all ASEAN countries (Acharya 2001, p. 58).

This underlines the importance of the Association for the state-building processes in the region. Indeed, whereas regionalism in Europe in the form of the EU and its predecessors can be interpreted as a tool to strengthen the nation-state and enhance its capability to respond effectively to the challenges of a dynamic international environment, ASEAN regionalism was more focused on state-building. Its aim was to facilitate and support the development of sovereign and independent nation-states in Southeast Asia. Or to use the words of Koro Bessho: 'ASEAN's purpose is to strengthen state sovereignty' (1999, p. 41). The concept of non-interference in the affairs of another member-state was affirmed in the 1967 Bangkok Declaration stating that its signatories '[...] are determined to ensure stability and security from external interference in any form or manifestation in order to preserve their national identities' (ASEAN 1967). It was later re-emphasised in the preambles of the ZOPFAN Declaration and accentuated in the TAC, which explicitly lists the ASEAN principles in Article 2 (ASEAN 1971; ASEAN 1976b).

It has been argued by several scholars that strengthening state sovereignty has also been an aim of European integration. However, given the particular historical context of European integration, EU regionalism developed post-national features and moved beyond the traditional nation-state framework. Different ideas competed in shaping the EU project. While one school of thought wanted to create post-World War Two Europe in post-national terms, looking at ways to restrain sovereignty and the state, another side was focusing more on intergovernmental cooperation. The impact of these conflicting ideas has left its mark on the EU – most visible in its hybrid structure.

In contrast, the pre-ASEAN settings in the region can be characterised as pre-national in nature. It is this special situation of Southeast Asia's newly founded nation-states when compared to the established state structures in Western Europe which explains the repeated pronouncement of principles such as non-interference, regional autonomy and the non-use of force in the ASEAN context. ASEAN was created to prevent its members from becoming 'failed states'. Non-interference contributed explicitly and implicitly to the norm of regional autonomy.

What remains to be scrutinised is the second aspect, the *modus operandi*, of the ASEAN way. This includes a preference for informality and the related aversion to

highly institutionalised forms of cooperation, and for consensual decision-making. According to Alex J. Bellamy, ASEAN diplomacy makes much more use of informal, non-official bilateral relationships rather than grand summits and conferences: 'In a very practical sense, this has helped create regional policy networks comprised of officials and experts who seal their relationships on the golf course' (2004, p. 170). The ASEAN decision-making process is largely conceived as an extensive process of consultation and consensus, based on the traditional Javanese village practices of *musyawarah* (consultation) and *muafakat* (consensus). These prolonged negotiations carry an intrinsic socialising function (Ibid., p. 171). Officials and experts from different countries get to know each other personally, thus reducing the problems of misperception and misunderstanding and enhancing mutual confidence and trust as well as supporting a sense of identity.

Another characteristic feature of the so-called ASEAN way is the process of consensus-building. Consensus, often regarded as the basis of the ASEAN decision-making process, is not to be confused with unanimity (Kraft 2000, p. 460). It is a process leading to collective action and reflects ASEAN's concern 'to project an outward appearance of solidarity and cohesiveness' (Kurus 1994, p. 405). It is, therefore, directly related to the manifestation of ASEAN as an internally coherent actor in international relations. Bilson Kurus explains consensus as a process ensuring that 'each and every action taken in the name of ASEAN must either contribute to or be neutral, but not detract from, the perceived national interests of the individual ASEAN member state' (1994, p. 405). Thus, consensus-building emphasises the central role that national sovereignty is given within ASEAN. The principle of consensus emerged out of pure organisational necessity. Given the diversity and the different stages of nation-building among the member-states of the Association it is doubtful whether ASEAN would have been founded or survived without the consensus principle, which ultimately ensures that no country has to sacrifice what it believes to be its fundamental interests.

The need to form a coherent identity for ASEAN was explicitly expressed as early as 1976, in the ASEAN Concord, which stated the necessity to 'develop an awareness of regional identity and exert all efforts to create a strong ASEAN community' (ASEAN 1976a). By providing a normative framework and allowing for regional cohesion and external recognition, the ASEAN way plays a central role in the development of this regional identity. As in the European case, the internal side of this collective regional identity depends not so much on cultural, religious, linguistic or other similarities but is rather the result of a deliberate socialisation process from above.

While identity is sometimes thought of in terms of its traditional cultural roots, it may be argued that the concept of an ASEAN identity was to be derived substantially from its socialisation process. The ASEAN Way itself resulted not so much from preordained cultural sources, Javanese or otherwise, but from incremental socialisation. It emerged not only from the principles of interstate relations agreed to by the founders of ASEAN, but also from a subsequent long-term process of interaction and adjustment (Acharya 2001, p. 72).

In that respect, ASEAN is not so very different from the EU. Southeast Asian regionalism has resulted in the emergence of a discrete region.

*ASEAN Plus Three: The Emergence of an East Asian Region?*

All is not well in Southeast Asia. In recent years, ASEAN has appeared to be locked in a prolonged identity crisis. First, with the incorporation of the Indochinese countries, ASEAN included states that were not only much poorer economically than the original members but have also different political systems and administrative capabilities.<sup>15</sup> Not only do the member-states of ASEAN vary more widely than ever before in terms of size, population, culture, language, economic capacity and political systems, they also have different security interests (Yahuda 2004, p. 225). The emphasis on non-intervention has not helped in establishing a relative regional coherence nor has it been particularly helpful in managing the challenges of globalisation as painfully highlighted by the Asian financial crisis of 1997-98. Regional coherence has been further strained 'by controversies between the more democratic and the more authoritarian states of the merits of "flexible engagement" (a form of interventionism) and the difficulties of managing the enlarged grouping' (Ibid.).

Many of these issues have supported the development an East Asian notion of regionalism. The Asian financial crisis served as an indicator of the intricate web of interdependencies between Southeast Asia and the economies of Northeast Asia. Indeed, as outlined in the previous chapters, Japan, China and South Korea have long been economically engaged in Southeast Asia, facilitating enhanced economic regionalism within ASEAN. These interdependencies also exist in the security arena. Given the current pressures of globalisation, the ASEAN Plus Three process may be the best opportunity to date to develop an effective institutional forum addressing problems requiring collective and cooperative responses, providing the institutional foundation of East Asian regionalism. ASEAN, as an institutional expression of Southeast Asian regionalism plays a pivotal role in this process. It can look back at a relatively long history and, more importantly, has experience in bringing together economically and politically diverse states that have been hostile to each other. Its normative foundations and its emphasis on sovereignty are flexible enough to be accepted by China, Japan and South Korea. And, last but not least, given the mutual suspicion of China and Japan towards each other, ASEAN may well be accepted as a leader in the developing ASEAN Plus Three process, simply because it constitutes a compromise Japan and China can live with. Hence, just as Western European regionalism is slowly evolving into European regionalism, Southeast Asian regionalism appears slowly to be evolving into East Asian regionalism. However, while we are witnessing the enlargement of a region in Europe, in East Asia we are

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<sup>15</sup> Cambodia, Laos and Myanmar are classified as low income countries according to their relatively low GDP per capita. See Appendix Table A.1.

witnessing, via a coming together of Northeast Asia and Southeast Asia/ASEAN, the emergence of a new regional concept, East Asia.<sup>16</sup>

A certain degree of regional cohesion was displayed at the ASEM meeting in Bangkok in 1996 where the EU implicitly recognised ASEAN Plus Three as a counterpart in the talks. Indeed, the ASEM process catalysed the development of ASEAN Plus Three into a regional institutionalised cooperative framework. The participation of the ASEAN 10, Japan, China and South Korea within ASEM, implied that those countries were beginning to cooperate much more closely to coordinate their position vis-à-vis the Europeans. Richard Stubbs remarks in this context that holding ASEM meetings ‘meant that representatives of ASEM’s Asian members would need both to get together every so often to coordinate their positions on the various issues to be put on the agenda and participate regularly together in various ASEM ministerial meetings’ (Stubbs 2002, p. 442).

ASEAN Plus Three’s embryonic institutional structure has already been touched upon in the previous chapter. Their heads of government meetings take place following ASEAN summits. Their finance ministers, economic ministers and deputies from senior ministries also meet regularly. On another level:

meetings have taken place among such groups as the APT [ASEAN Plus Three] Young Leaders, the APT labour ministers, the e-APT Working Group, APT patent office chiefs, and members of the ASEAN committee on science and technology and their Northeast Asian counterparts. ... an East Asian Vision Group (EAVG) was set up at the second informal APT summit in Hanoi in December 1998. Comprising 26 civilian experts, the EAVG reports to an East Asian Study Group (EASG) of senior officials. The EASG is tasked with assessing the EAVG’s recommendations and presenting to the APT leaders a report in concrete measures that it might be possible to take for increased East Asian regional cooperation as well as the merits and implications of convening a formal East Asian summit (Stubbs 2002, pp. 443-444).

This institutionalisation of ASEAN Plus Three is significant inasmuch as it provides the basis for regional cohesion and the recognition of East Asia as a discrete region and coherent actor at the global level. How about the internal side of East Asian identity? While there is much that divides Southeast Asia and even more that divides East Asia, Richard Stubbs (2002, p. 444) argues that common historical experiences may well serve as a unifying factor in the identity construction process of ASEAN Plus Three. European domination, Japanese expansionism and Japan’s regional design for an East Asia Co-Prosperty Sphere, the demise of colonialism and the rise of Asian nationalism have provided East Asia with a set of common experiences. Alas, it is these experiences that more easily divide the region rather than unify it. However, one should not ignore the fact that commonly shared experiences in Western Europe, the legacies of World War Two and the devastating consequences of virulent nationalisms, are also more divisive rather than unifying. Thus, it is not so much the experience that is important but its interpretation and the lessons derived from it. The experience of conflict between two states can be instrumental

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16 Barry Buzan (2003) has observed the merging of the Southeast Asian and the Northeast Asian regional security complexes.

in enhancing existing divisions if applied in a nationalistic discourse. An alternative discourse, however, may use the very same historical events to subdue nationalism by highlighting its inherent dangers and to enhance mutual cooperation.

Stubbs (2002, p. 444) further points to cultural traits that are commonly found throughout East Asia. This includes elements found in the so-called ‘Asian values’ debate such as an emphasis on family, community, social harmony and duty, the acceptance of hierarchy and a respect for authority. There is not enough room here to offer a detailed critique on so-called ‘Asian values’. As with ‘European values’, it is questionable how unique these traits are to East Asia.

We have seen that shared historical experiences and shared political values, norms, principles and socialisation processes have been helpful in the EU identity-building process. The same might be true for an East Asian identity. Several trends have converged towards the formation of what Yoichi Funabashi (1993) coined an ‘Asian consciousness and identity’. Common historical experiences have already been mentioned. Maybe one should add the Asian financial crisis to the list. Takashi Terada writes:

As a shared experience among the potential members of the ASEAN+3 forums, the Asian financial crisis made regional countries more strongly aware of their interdependence and that they were part of the same region, helped to demarcate the region’s boundaries and fostered an East Asian regional identity as well as a perception that greater East Asian monetary cooperation was necessary (Terada 2006, p. 227).

The hostility of the US towards the EAEC proposal and Japan’s AMF plan, the inadequacy of the IMF during the financial crisis and America’s insistence on the IMF helped to create an ‘us’ versus ‘them’ feeling, thereby unwittingly contributing to the entrenchment of a collective regional identity. It was generally felt that Washington’s hegemonic position in the global political economy required a cooperative approach in the region. Other centrifugal forces include the development of regionalism in Europe and North America. Kim Dae Jung, South Korea’s president, stated that the ASEAN Plus Three process would allow East Asia’s economies to appear as a regionally coherent bloc in international negotiations with the EU and NAFTA: ‘Why should Asia, alone among the “three poles” of the global economy, not have its own grouping?’ (cited in Asiaweek 1999).

Shared political norms and principles and their application and socialisation are also worth mentioning. The ASEAN way and its emphasis on the primacy of sovereignty, the non-use of force to resolve intra-mural conflicts, consensus-based decision-making processes and low-level institutionalisation provide the normative backbone for ASEAN Plus Three being acceptable to the ASEAN 10 as well as Japan, South Korea and sovereignty-obsessed China. Thus, certain common historical experiences, and a shared political normative culture expressed by the ASEAN way offer the internal basis for the developing East Asian regional identity. Stubbs (2002) mentions also a particular form of East Asian capitalism that ‘has emerged out of the recent historical experiences and common cultural and institutional influences that is quite distinct from either European or North American forms of capitalism’ (p. 445). This version of capitalism is based on regional business networks – both Chinese



and Japanese – and is characterised by strong state-links. All in all it refers to the developmental state-led model of capitalism that has been discussed in one of the earlier chapters of this volume. What is important here is that this model contradicts the ruling neoliberal orthodoxy. Its persistence can be regarded as a backlash against neoliberal globalisation.

The picture that emerges from these elaborations is that of an emerging East Asian region that is increasingly well-delineated in terms of boundaries and external and internal cohesiveness. Perhaps it is also important to remind the sceptical reader that this region and its identity are still at a rather early, embryonic stage. There are many obstacles along the road to regionalism. While transboundary problems associated with globalisation have created interdependencies in the economic, political, security and even the environmental areas, other forces may well be detrimental to the development of East Asian regionalism. Especially bleak in this context would be a deterioration of the relations between China and Japan. Both countries are currently engaged in a difficult and long-term political and economic transformation and adaptation process, which may result in enhanced national assertiveness in both countries and a reconfiguration of strategic policies. Chinese nationalism has long fuelled lingering anti-Japanese feelings. Nationalism is no stranger in Japan either. Both Beijing and Tokyo regard each other with mutual suspicion. Feelings of regional economic and strategic rivalry are deep-seated and will not easily go away. However, as mentioned earlier, East Asian regionalism may have a stabilising impact on Sino-Japanese relations as European integration stabilised Franco-German relations.

## **Conclusion**

This chapter has demonstrated that regionalism in Western Europe and in Southeast Asia has resulted in the formation of discrete regions. It is sometimes difficult to delineate and distinguish regions from the national level and the wider international political economy. While ASEAN is nowhere as coherent or established as the EU, we have demonstrated that there is sufficient ground to consider ASEAN as a discrete region along the same lines as we think about the EU.

All too often comparative analyses involving the EU and ASEAN tend to focus exclusively on institutional structures, and arrive at the conclusion that both are very different from each other. Well, they are. That is not in dispute. However, such a conclusion is extremely unsatisfactory as it merely states the obvious and does not really explain the reasons for these differences. This can only be achieved by placing the development of regionalism within an appropriate historical context. Second, the classification of formal/institutionalised versus informal regionalism does not offer much insight either. Such arguments merely seem to be Euro-centrism in disguise. ASEAN is often regarded as inefficient as an organisation when compared to the EU. Such analysis, however, tends among other things to overlook EU's own structural problems.

Both ASEAN and the EU have emerged as regions at the international level and have established their own distinct repertoire of norms. It is important to reflect a little on the role of the related principles of sovereignty and non-intervention



within the normative structures of both regions. Indeed, the EU and ASEAN are almost at opposite ends of the spectrum, with European integration having been driven by the urge to restrain sovereignty and nationalism, while ASEAN's aim has been to augment sovereignty. In the EU, the resulting conflict between supporters of supranational integration and the defenders of sovereignty championing a more intergovernmental approach has resulted in its peculiar hybrid structure. ASEAN, on the other hand, was set up to protect and ensure the sovereignty of the newly independent states in Southeast Asia. Thus, to some extent, it is possible to argue that the EU incorporates a certain cosmopolitan perspective, seeking to overcome state-centrism and to achieve a post-Westphalian state, whereas ASEAN (and ASEAN Plus Three) remains firmly on a communitarian footing, committed to the principles of the Westphalian nation-state system. In both cases, regionalism has been a response to and shaped by complex and multiple challenges arising from global processes that have challenged the position of the nation-state. The most recent of these pressures include the acceleration of the globalisation process following the end of the Cold War, changing geo-strategic circumstances and a United States that is increasingly prepared to act unilaterally. These forces have resulted in a reconfiguration of both regions, triggering identity crises in both instances. The challenge for both regions now is to respond to these forces while maintaining internal coherence and stability. For ASEAN and the emerging ASEAN Plus Three framework it will entail revisiting its normative core, especially the sanctity of the norms of sovereignty and non-intervention. The interpretation of both norms has changed dramatically over recent years. There is an increasing recognition that states have a moral obligation to ensure that international standards are adhered to (Thomas 2004, p. 203). Indeed, in the post-Cold War world the communitarian and cosmopolitan norms have been increasingly at conflict with each other. Nowhere is this more apparent than in the changing definition of security away from its territorial dimension towards the human security paradigm. This has important implications for human rights issues and humanitarian interventions. For ASEAN this means that it has to consider the ASEAN way. The concept of 'flexible engagement', as put forward by Surin Pitsuwan, was a step in this direction. However, even this limited proposal was rejected by the majority of ASEAN members and replaced by 'enhanced interaction' (Haacke 2006, p. 151).

# Conclusion

This volume has addressed several issues. First, theory does not evolve in an empirical vacuum; it needs to be located in its historical context. The study of regionalism is no exception to this rule. History must inform theorisation of regionalism. As this volume has demonstrated, contemporary regionalism in the two cases studied here, the EU and ASEAN, is as much a continuation of first-wave regionalism (and continues to be influenced, at least to a certain extent, by the *raison d'être* for its inception) as a response to the new dynamics arising out of the globalisation process and geopolitical change.

Second, the volume has argued that the current debate in theorising regionalism is characterised by a new divide between advances made within the context of European studies, and what is called new regionalism theory located in international relations and international political economy scholarship. Not only is this divide artificial, it is also misleading and counterproductive. It is time for both 'disciplines' to engage with each other and to learn from each other. Chapter 2 made the case for a theoretical framework allowing for detailed comparison of the development of different historical narratives of regionalism. Essential to this framework are constructivist approaches emphasising the importance of ideational factors and the centrality of the historical, political and social construction of regional space. Constructivism also offers a potential point of convergence between new regionalism scholarship and European studies. The building block of multilevel governance and network approaches analyses policy- and decision-making and governance structures at the international, the national and sub-national level of political, economic and social interaction. While constructivism provides the explanatory element and emphasises the importance of ideational factors, the multilevel governance approaches provide a descriptive account of how these factors are applied as interests at various levels of global and regional interaction. It is here that European studies can make a potentially valuable contribution to new regionalism scholarship. Regionalism and regions represent a layer of global governance in an increasingly multilayered system of international governance, sitting on the intersection between the nation-state and the global level. Therefore regionalism and regional processes are intrinsically linked to the structure of the international system and the international political economy. Understanding the linkages between regionalism, international order and globalisation is imperative for gaining a comprehensive understanding of regional projects such as the EU and ASEAN. While often ignored by European studies, the new regionalism literature explicitly draws out these connections. The current international system, characterised by the forces of globalisation, invites not only a re-definition of national space but also of regional space, making it important to understand how regional space is delineated. The framework, introduced in Chapter 2 culminates in mapping the concept region for comparative purposes. Such a framework helps us to conceptualise regions as part of an emerging multilayered

framework of global governance. It allows us to regard regionalism as a historical socio-political process driven by influences located at various levels of analysis. Most crucially, the described framework bridges the divide between advances in new regionalism scholarship and European studies and offers the possibility for comparative analysis between different instances of regionalism.

Comparative analysis is essential for successful theorising and to gain a comprehensive understanding of the phenomenon of regionalism. Since the late 1980s, regional projects seem to have prospered throughout the world. Thus, we cannot possibly hope to comprehend regionalism by simply concentrating on one individual example. Only a careful historically informed comparison can offer some answers here and thereby provide an insight into the background conditions and the dynamics that underpin regionalism. Comparative analysis also helps us to learn much more about a particular instance of regionalism. Holding up the European integration process against the experiences of other regionalisms enables us to acquire a much better understanding and appreciation of its history and the political and socio-economic dynamics involved in the European process. It highlights in particular the importance of the external geopolitical environment on regionalism. While this should be almost self-evident, the emphasis on the role a hegemonic US has had on the evolution of regionalism is hardly covered in the literature.<sup>1</sup> Thus, one of the main goals of this volume has been to compare and to contrast the development of regionalism in the EU and ASEAN from a historical perspective.

This comparison has highlighted that regionalism does not follow a single linear trajectory. It comes in different forms and versions responding to different needs and concerns. A standard theme in the academic literature is to highlight European integration as the most advanced form of regionalism. This argument only holds if we assume that institutionalisation is the Holy Grail of regionalism. However, the book has highlighted that achieving regional cooperation is an extremely difficult process under the conditions of international anarchy. In the diverse means adopted to overcome the many constraints inhibiting successful cooperation, there simply can be no single model of regionalism, and, hence, no single yardstick for judging the efficacy and relative adequacy of regional institutions (Acharya 2006, p. 313). The comparison in Chapters 3 and 4 has demonstrated that regionalism is a multidimensional process, taking place simultaneously at the individual, the domestic and the international level of analysis. The personal preferences, leadership qualities, convictions, and private agendas of individual decision-makers have been important explanatory factors in the story of European regionalism as well as in the case of ASEAN. The same is true for the characteristics, economic and political structures and historical experiences of the participating states in both regional projects. The connection between regionalism and the structural level has also been highlighted several times. The beginnings of both European integration and ASEAN's foundation are intrinsically linked with the Cold War and the US policy of containment.

The comparison has also highlighted that both regionalisms have their origins within security interdependencies. At the bottom is the age-old issue of the security

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<sup>1</sup> For good examples outlining the role of the US see Beeson (2005, 2007), Katzenstein (1997) and Hemmer and Katzenstein (2002).

dilemma arising out of international anarchy. European integration has identified sovereignty as the root cause of the problem. We have seen that supranational integration theory works on the premise that sovereignty and nationalism ought to be constrained, if not abolished altogether. However, achieving this is no mean feat. Many competing ideas have converged in the process of European integration and the outcome is the current hybrid EU – neither supranational nor a typical intergovernmental organisation. Rather, it contains elements of both. The multilateralism inherent in European integration is indicative of a concentrated and determined effort to transcend the sovereignty-based nation-state system, to overcome the problem of international anarchy (at least at the regional level) and to move beyond Westphalia. Robert Kagan (2003) has taken up this point and contrasted the seemingly divergent worldviews and strategic cultures of Europe and America. While Europe has managed to enter a Kantian ‘post-historical’ world, Americans still regard international relations as a ‘state of nature’, following a Hobbesian perspective. Whatever the merits and flaws of Kagan’s argument, it entails a conviction that Europe has moved into a post-Westphalian age.

The circumstances surrounding the foundation of ASEAN could not have been more different. As in the case with European integration, questions regarding the consequences of the security dilemma triggered a regional response. A very diverse and mutually suspicious set of states began to cooperate to protect their newly found independence. Here, sovereignty was not to be reigned in; regional cooperation aimed to consolidate and to strengthen sovereignty. Thus, contrary to European integration, ASEAN established an unshaken commitment to the principles of sovereignty and non-intervention as the very basis for regional cooperation and at the core of its identity as a region. Thus, we can conclude that cultural, political, economic and historical idiosyncrasies triggered two different regional responses to a problem inherent in international relations. The solution to the security dilemma in both cases has been enhanced cooperation; the difference regards the form this cooperation has taken.

Geopolitical and regional security concerns rather than economic imperatives provided the impetus for regionalism in the EU and in ASEAN. Chapter 2 has highlighted that European integration cannot be fully understood in isolation from US geopolitical strategies and the evolving superpower struggle. The influence of the US has also been observed in the case of Southeast Asian regionalism. However, as stated above, the application of a bi-lateral strategic approach instead of multilateralism was favoured, contributing to the emergence of a very different form of regionalism here.

With geopolitical conditions being altered substantially in the post-Cold War world, the role of the US is changing too. And while it may be too early to see how the EU and ASEAN will respond to hegemonic pressures, some trends suggest that the US is increasingly becoming the ‘other’. Not only does this point to the salience of identity issues in the contemporary period of regionalism, it also underlines, once again, the major influence the US has had and continues to have on the development of regionalism in Europe and in East Asia. It also emphasises that regionalism is a multidimensional process informed by political, strategic, social and economic factors. It is not merely a response to economic pressures and, certainly, does not

follow a functional logic. This should not lead us to the conclusion that regionalism was and is simply driven by exogenous factors such as US hegemony and, with reference to contemporary regionalism, the economic imperatives arising out of the globalisation process. It simply means that regionalism cannot be fully understood in isolation from the wider international level. Throughout this volume the importance of regional actors has been demonstrated in directly and indirectly determining the form and shape of regionalism, even in inhibiting regional cooperation. Yet it is also imperative to comprehend that these actors perceive themselves as part of a wider international system and are influenced by geo-strategic and geo-economic circumstances.

As a discipline, international relations traditionally focuses on three levels of analyses: the individual level (an aggregate of individual decision-makers), the national level (the nation-state) and wider international/global/structural/systemic level. Our comparison has demonstrated that the analysis of regionalism as a multidimensional process cannot be restricted to any of these levels. What is more, regionalism has created an additional level of analysis: the region. Yet, the very concept 'region' remains somewhat ill defined in the literature. Chapter 5 has gone some way to facilitate the identification of discrete regions.

The links between the national and the global level and the region are complex and multifaceted. With globalisation, a multitude of interrelated transboundary activities are reconfiguring established orthodoxies in international relations. It creates pressures that are best accommodated at the regional level. Milner (1997, p. 79), for instance, argues that globalisation generates rising demands for regional economic arrangements and states are willing to supply them (though globalisation does not only have economic but also political and social aspects). And while regional configurations might be a means to accommodate pressures, they could equally be interpreted as a reaction or response to the challenges posed by globalisation.

The globalisation process has helped to foster the creation of dense networks of direct transnational connections between subnational authorities in different countries without going through official national channels and an increase in international cooperation in the form of international organizations and regimes, increasingly undermining the identification of economic, political and social activities with the nation-state. Public and private actors are reorienting themselves at the regional level, which itself is emerging as part of a multilayered structure of international/global governance. The increase of regional governance arrangements alongside national and global regulatory mechanisms means that governance has become increasingly decentralised and fragmented.

Such multilayered governance is not a new phenomenon. Already in the 1970s Hedley Bull (1977) was speculating about the emergence of several overlapping and interrelated layers of governance. Globalization is fostering the dispersion of centralised national governance in several ways. First, the growth of supraterritorial space has clearly highlighted the limitations of sovereign governance. Regional and international institutions and agencies have moved in to fill the gap in effective governance. Second, globalization has resulted in the increase of problems that need to be addressed cooperatively, where regionally oriented agencies may have a comparative advantage over their national counterparts. Examples include

transborder environmental issues or transborder communications. And, third, the growth in global communication and information technologies and the structure of global and international organizations and global finance has provided new infrastructures that enable public and private actors to bypass the nation-state and its authorities. The result is the spread of regional and international regulatory bodies that have acquired relative autonomy from the state. Especially in the case of the EU, those regional authorities often operate on their own initiative without being subordinate to the state.

This is not to say, however, that states and state agencies have been rendered redundant. Nation-states and their governments have simply started searching for more cooperative means to address some of the difficulties arising from globalisation. Furthermore, regionalism and globalisation are also complementary to each other: technologies related to globalisation also enable the coordination of large-scale regional processes, and, in many cases, regional configurations have been an effective mechanism for administering global norms such as notions of universal human rights, trade rules or technical standards.

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# Appendix

**Table A.1 2007 Selected Macroeconomic Key Indicators: EU**

EU Member-states	Gross domestic product, current prices (Billions US dollars)	Gross domestic product per capita, current prices (US dollars)	Gross domestic product based on purchasing-power-parity (PPP) per capita GDP (Current international dollar)	Population (Millions Persons)	
High Income Countries	<b>Austria</b>	348.659	42,126.27	37,535.80	8.277
	<b>Belgium</b>	423.541	39,798.18	35,692.86	10.642
	<b>Cyprus</b>	19.948	26,088.83	31,052.70	0.765
	<b>Czech Republic</b>	160.448	15,661.64	24,679.45	10.245
	<b>Denmark</b>	302.56	55,603.40	38,072.23	5.441
	<b>Estonia</b>	19.573	14,584.73	20,114.80	1.342
	<b>Finland</b>	225.434	42,877.80	36,324.83	5.258
	<b>France</b>	2,401.44	37,899.48	31,872.90	63.363
	<b>Germany</b>	3,080.55	37,476.31	32,178.86	82.2
	<b>Greece</b>	341.826	30,603.41	27,359.63	11.17
	<b>Hungary</b>	125.024	12,433.23	20,700.53	10.056
	<b>Ireland</b>	250.237	58,168.29	46,786.07	4.302
	<b>Italy</b>	1,993.72	34,120.26	31,694.22	58.432
	<b>Latvia</b>	24.127	10,555.44	17,364.25	2.286
	<b>Lithuania</b>	35.37	10,004.64	16,862.77	3.535
	<b>Luxembourg</b>	45.751	98,300.85	84,507.48	0.465
	<b>Malta</b>	6.195	15,461.00	21,061.08	0.401
	<b>Netherlands</b>	720.94	43,386.25	36,240.07	16.617
	<b>Poland</b>	364.834	9,593.77	15,894.37	38.028
	<b>Portugal</b>	211.718	20,029.07	23,464.34	10.571
	<b>Slovak Republic</b>	69.279	12,802.35	19,171.88	5.411
<b>Slovenia</b>	41.125	20,465.12	25,265.84	2.01	
<b>Spain</b>	1,359.11	30,289.43	28,445.45	44.871	
<b>Sweden</b>	423.649	46,400.38	35,729.44	9.13	
<b>United Kingdom</b>	2,660.66	43,735.17	36,568.12	60.836	
Upper Middle Income Countries	<b>Bulgaria</b>	35.781	4,703.97	10,677.01	7.606
	<b>Romania</b>	157.647	7,310.63	10,661.10	21.564
	EU 27	15,849.15	EU Average 30,388.14	EU Average 29,480.67	EU 27 494.824

**Table A.1 2007 Selected Macroeconomic Key Indicators: ASEAN**

ASEAN Member-states	Gross domestic product, current prices (Billions US dollars)	Gross domestic product per capita, current prices (US dollars)	Gross domestic product based on purchasing-power-parity (PPP) per capita GDP (Current international dollar)	Population (Millions Persons)	
High Income Countries	<b>Brunei</b>	12.032	31,247.64	25,972.76	0.385
	<b>Darussalam</b>				
	<b>Singapore</b>	146.09	32,506.20	34,435.36	4.494
Upper Middle Income Countries	<b>Malaysia</b>	160.563	5,981.97	12,581.98	26.841
	<b>Thailand</b>	219.436	3,303.81	9,637.59	66.419
Lower Middle Income Countries	<b>Indonesia</b>	407.521	1,811.68	4,615.76	224.941
	<b>Philippines</b>	133.319	1,502.95	5,604.23	88.705
	<b>Vietnam</b>	68.298	798.258	3,643.76	85.559
Low Income Countries	<b>Cambodia</b>	7.961	555.236	3,385.79	14.339
	<b>Laos</b>	3.998	644.768	2,449.15	6.201
	<b>Myanmar</b>	13.713	237.911	2,279.44	57.641
	ASEAN	ASEAN	ASEAN	ASEAN	
	<b>1,172.931</b>	<b>7,859.04</b>	<b>10,460.58</b>	<b>575.525</b>	

Source: IMF *World Economic Outlook Database*, April 2007 Edition, <<http://www.imf.org>>.

The division of the economies into income groups is based on World Bank classification using GDP per capita. The groups are: *low income countries*, US \$ 775 or less in 2000; *lower middle income countries*, US \$ 776-2995 in 2000; *upper middle income countries*, US \$ 2996-9265 in 2000; *high income countries* US \$ 9266 or more in 2000 (IMF 2003).

**Table A.2 Regionalism in Western Europe: Stages of Enlargement**

First-Wave Regionalism Enlargements				Second-Wave Regionalism Enlargements		
1957	1973	1981	1986	1995	2004	2007
Founding Members	First Enlargement	Second Enlargement	Third Enlargement	Fourth Enlargement	Fifth Enlargement	Sixth Enlargement
France, Germany, Italy, Belgium, Netherlands, Luxembourg	Denmark, Ireland, United Kingdom	Greece	Spain, Portugal	Austria, Finland, Sweden	Czech Republic, Poland, Hungary, Slovakia, Slovenia, Lithuania, Estonia, Latvia, Malta, Cyprus	Bulgaria, Romania

**Table A.3 Regionalism in Southeast Asia: Stages of Enlargement**

First-Wave Regionalism Enlargements		Second-Wave Regionalism Enlargements		
1967	1984	1995	1997	1999
Founding Members	First Enlargement	Second Enlargement	Third Enlargement	Fourth Enlargement
Indonesia, Malaysia, Thailand, Singapore, Philippines	Brunei Darussalam	Vietnam	Laos, Myanmar	Cambodia

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