THE CONSTRUCTION OF INTERNATIONAL REGIMES IN EAST ASIA:
COERCION, CONSENSUS AND COLLECTIVE GOODS

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Abstract

This paper employs theories of hegemony to explore the way the regional economic regime was reconstituted in the aftermath of the East Asian financial crisis of 1997. An important distinction is made here between realist and Gramscian notions of hegemony in the construction of international orders. I argue that while these perspectives are predicated upon very different assumptions about the way the world works, they both offer important insights about the development of the contemporary international political economy in East Asia. In the final section of the chapter I examine recent events in the region in more detail and consider their implications for the future of international relations more generally.

It has become commonplace to observe that we live in an increasingly interconnected, not to say global era. While it is necessary to treat undifferentiated notions of ‘globalisation’ with some caution, international economic interaction in particular has clearly been accelerating. In such circumstances, the external environment within which international commerce occurs has become an increasingly important influence on both the activities of private economic actors and the more general domestic affairs of nations. The conduct of economic activity, both internationally and domestically is increasingly guided by specific regimes, or influential rules and norms that help shape private sector and state behaviour in line with particular goals and objectives. While such regimes might seem a clear example of an international collective good in that they are intended to reduce ‘transaction costs’ by providing a stable framework within which international commerce can occur, I shall suggest that their construction is necessarily a deeply political exercise, which inevitably helps to entrench a specific normative vision of the way such activities should occur.

For this reason the crisis that began in East Asia in 1997 was not simply a problem of short-term crisis management, but a more enduring challenge to the durability and – perhaps more significantly in the longer term - the legitimacy of state-led models of economic development. Profound national or systemic crises are moments when existing orders are subjected to intense scrutiny and opportunities exist for fundamental change (Gourevitch 1986). The crisis had the effect of focusing attention on both the supposed shortcomings of Asian forms of capitalism and on the overarching international system of which they were a part. Consequently, while much effort was expended on trying to rectify the immediate difficulties of individual economies and to generate ‘appropriate’ longer-term domestic responses to the crisis, it is important to recognise that this was to
be achieved by linking such efforts to a wider international framework. Reform in East Asia has been closely associated with and driven by external agencies, authorities and actors intent on encouraging the domestic adoption of a wider, internationally influential agenda of neoliberal regulatory reform.

The greatest historical significance of the crisis, therefore, may be that it marked a concerted attempt to construct or impose a market-centred regime within East Asia, at both the domestic and regional levels. If successful, such reforms would effectively snuff-out what has hitherto been a viable and – especially from the perspective of local political elites - attractive alternative model of economic organisation. Seen in this light, therefore, the construction and content of the overarching framework within which future international economic relations are conducted becomes an issue of the first importance. The sort of international regime that emerges in the aftermath of the crisis will profoundly influence the course of regional economic development and political relations at both the intra- and inter-regional levels. It is an opportune moment, therefore, to look at the way such a regime may be constructed and the principles it may embody.

The principal intention of this chapter is to examine the theory and practice of regime formation and to consider the role of specific regimes as potential mechanisms for the provision of collective goods. I begin by examining regime theory and linking it to notions of collective goods. An important distinction is made here between realist and Gramscian notions of hegemony in the construction of international orders. I argue that while these perspectives are predicated upon very different assumptions about the way the world works, they both offer important insights about the development of the contemporary international political economy in East Asia. In the final section of the chapter I examine recent events in the region in more detail and consider their implications for the future of international relations more generally.

**Regime Theory and the Construction of International Economic Orders**

The international economic system in the post-war period can be characterised broadly as an ‘open’, liberal, and increasingly global order. Even those countries like Japan, which have often employed mercantilist strategies that privilege national economic development, have been able to take advantage of the collective good of an international economic order, replete with rules, dispute resolution mechanisms, and transnational regulatory authorities intended to reduce transaction costs and generally maintain economic stability. In short, the international political economy has developed a number of features – especially the existence of behaviour-shaping rules and norms – which may be described as constituting an international regime. Although the definition – not to say the operation - of regimes is contentious, the various theoretical perspectives that attempt to make sense of international economic co-operation are especially relevant for two principal reasons: first, at a moment when a new international economic order is being actively constructed in East Asia, regime theory can help us understand contemporary events. Second, such an analysis is an important test of the utility of the various theoretical perspectives themselves, yielding surprising results and a potentially important synthesis of perspectives.
Some definitional clarification

Before embarking on such an exploration, however, it is important to try and clarify a number of the key concepts that will be employed in subsequent discussion. In this regard, deciding quite what a regime actually is and how it is distinguished from other abstract conceptualisation like institutions or organisations is an initial difficulty. The most celebrated and frequently cited definition of regimes was developed by Stephen Krasner (1983: 2) who suggested that regimes are ‘sets of implicit or explicit principles, norms, rules, and decision making procedures around which actors’ expectations converge in a given area of international relations’. A number of points are worth noting about this formulation at the outset: in this conception, regimes are not simply confined to rule-based systems and dependent on the application or threat of sanctions for their success. There is also an important element of socialisation or learning implicit in this definition. In other words, inter-state behaviour may not be dependent solely on the application of overt ‘structural’ power,¹ but may also be a function of more subtle ideational processes in which particular norms or social practices that are primarily associated with the most powerful nation of a specific era are adopted by nominally independent actors (Ikenberry and Kupchan 1990).

Although a number of writers use the terms ‘regime’ and ‘institution’ more or less interchangeably there are a number of – albeit somewhat Jesuitical – distinctions that may be made between them. One of the most useful ways of distinguishing between and employing these two terms is by recognising that the rules, values and practices of an enduring regime, be it the international trading system or the emerging regimes for managing global climate change, may be institutionalised. At its broadest, therefore, a regime is what Oran Young (1994: 26) calls ‘a governance system intended to deal with a …limited set of issues or a single issue area’, while an institution is ‘a set of rules or conventions (both formal and informal) that define a social practice, assign roles to individual participants in the practice, and guide interactions amongst the occupants of those roles’. Put differently, a regime is the overarching framework that guides or informs activity in a particular issue area, whereas institutions are an expression or condensation of this impulse at the level of specific political, economic and social practice.² Finally, organisations may be distinguished from both regimes and institutions because of their essentially material nature, the existence of specific personnel, budgets and legal standing (Young 1994: 26).

With this conceptual ground-clearing accomplished, it is now possible to consider the way regimes have been treated within a number of highly influential schools of thought. While there are some major disagreements between these broadly conceived positions, each has important insights. Indeed, as the international political economy continues to change and evolve, a number of these perspectives may be given renewed life and relevance. This is especially clear in the case of realist models of international relations.
Realist and liberal theories of hegemonic stability

Unlike the majority of the contributions to this volume, the primary focus of analysis here is not the nation state or the domestic arena, but the international system within which individual states are embedded. Even to describe this external environment as a ‘system’, however, suggests an initial assumption about the character of this sphere that is at odds with the dominant tradition of realist international scholarship. Realist understandings of inter-state relations are predicated upon the assumption that such relations are essentially anarchic. Inter-national relations are an endless struggle for survival in which sovereign states attempt to maintain their own integrity and seek to advance their own interests in competition with rival states. Importantly, states are, according to realists, more interested in relative than absolute gains. In other words, states would rather forego gains that they might derive from co-operative actions if rivals are likely to receive a greater advantage (Grieco 1988).

Given such an essentially pessimistic view of the world the prospects for international co-operation might seem remote. If states are fundamentally antagonistic, potentially hostile, and inevitably suspicious, how are they to overcome the collective action problems and provide the sort of predictable, rule-based economic environment that seems essential in an era of greater economic integration? For realists, the crucial factor that allows the creation of an enduring regime within which to manage international interactions is power. The leading or ‘hegemonic’ power of a particular era is able to use its position to impose a specific international order from which it expects to be the principal beneficiary (Gilpin 1987). At moments of great crisis, especially after an international war that consolidates the position of a new hegemonic power, the rising hegemon is presented with especially propitious circumstances in which to shape the new order (Ikenberry 2001). I shall explore the implications of this position in more detail in the second section which considers the specific East Asian situation, but let me signal the argument in advance: the passing of the Cold War and the economic problems experienced by East Asia presented the United States with an historic opportunity in which to re-shape elements of the international system.

Before considering the specifics of the realist position and its implications for regime creation, it is important and instructive to contrast it with what is alternatively known as the ‘liberal’, ‘liberal-institutionalist’ or – most confusingly of all – the ‘neoliberal’ position. While the liberal model shares a number of key assumptions with realism, there are also major differences between these perspectives, particularly regarding the operation of regimes. Liberals, like realists, consider states to be the key actors in the international system, and make similar assumptions about their sovereign, unitary status and their inherent rationality. Where liberals depart from realists is in their optimism about the possibilities for co-operative inter-state behaviour, particularly in overcoming cases of ‘market failure’. Put differently - and despite a strong normative commitment to the operation and encouragement of market processes - liberals recognise that there are occasions when markets cannot provide key public goods and that it is ultimately incumbent upon states to co-operate and ensure their provision (Keohane 1995). Like realists, liberals consider that an hegemonic power can play a critical role in co-
ordinating or guiding the actions of states, but unlike realists, liberals see hegemons as essentially benign (Little 1997).

To understand why liberals might take such a view of the actions of powerful states, it is necessary to briefly retrace the origins and development of the ‘hegemonic stability thesis’ that assumed such a prominent position in international relations theory during the 1970s and ‘80s. The most influential initial formulation of the hegemonic stability thesis, albeit not in precisely those terms, was developed by Charles Kindleberger. In Kindleberger’s seminal analysis of the Great Depression he argued that economic collapse had occurred during the 1930s because no state was willing or able to play the role of systemic stabiliser. Kindleberger (1973: 28) argued that ‘the international economic and monetary system needs leadership, a country which is prepared, consciously or unconsciously, under some system of rules that it has internalised, to set standards of conduct for other countries; and to seek to get other to follow them.’ Without a powerful nation prepared to act as a stabiliser and underpin, or if necessary impose, a specific international order replete with essential public goods like a stable currency regime, counter-cyclical lending and open markets, then the international system was always at risk of collapsing into beggar-thy-neighbour insularity and protectionism. The success of Pax Britannica in the nineteenth century and Pax Americana in the late twentieth century, when seen in this light, was a consequence of the emergence of two nations that had the capacity and the preparedness to act as a systemic stabiliser.

This schema has been subjected to some powerful and persuasive critiques. The most obvious potential failing of the hegemonic stability thesis is its inability to account for the continuing existence of an open international economic order at a time when the US’s status as a hegemonic power is commonly taken to have been significantly diminished (see, for example, Kennedy (1988). Two points merit consideration in response to this criticism. First, Snidal (1985) has persuasively argued that international co-operation is not only possible in the absence of a dominant power, but may actually be encouraged as ‘secondary’ powers actively co-operate to provide collective goods. Second, as Susan Strange (1987) pointed out more than a decade ago, and as recent events in East Asia seem to confirm, it is debatable just how diminished the US actually is. In other words, not only does the US still seem able to exert a preponderant influence over international affairs, but the continuance of a broadly liberal international economic system may not be solely dependant on the existence of an hegemonic power that is prepared to underwrite the common good. This opens up the possibility that the US may be able to exploit its highly favorable position to pursue relatively narrow, ‘national interests’ without jeopardizing the entire international system.

These issues will be explored in more detail in the specific context of East Asia. Before this, however, it is important to consider a very different perspective on the notion of hegemony which, while not generally concerned with regime construction and maintenance per se, nevertheless, provides an invaluable adjunct to this discussion.

Gramscian conceptions of hegemony
One of the most enduring criticisms of both liberal and (especially) realist conceptions of the international system and the sorts or regimes that emerge to govern it is that it is overwhelmingly state-centric. Because states are seen as the central actors in determining the shape of the international system less attention is paid to other actors and the complex historical interaction between economic and political forces that increasingly transcend national boundaries. Gramscian conceptions of hegemony, by contrast, provide a more broadly based account of the sorts of economic and political developments that characterize and help to constitute the contemporary international order. Importantly, they also offer a way of conceptualizing the often ambiguous status of the leading hegemonic power in an era when the autonomy of the most powerful nation is often constrained, and in which the very articulation of ‘the national interest’ is increasingly problematized by processes of globalization and the concomitant blurring of political boundaries and economic identities (Beeson 2000a).

Although scholars utilizing a Gramscian derived theoretical framework have shown little enthusiasm for or interest in the concept of regimes, nevertheless it offers some important insights that can help us to understand their creation and persistence (Gale 1998). The Gramscian conception of hegemony pays far more attention to the broader, historically specific, socially embedded political and economic bases of particular ‘world orders’. In this conception, most influentially and completely formulated by Robert Cox (1987: 7), hegemony is more than the dominance of a single world power. It means the dominance of a particular kind where the dominant state creates an order based ideologically on a broad measure of consent, functioning according to general principles that in fact ensure the continuing supremacy of the leading state or states and the leading social classes but at the same time offer some measure or prospect of satisfaction to the less powerful. In such an order, production in particular countries becomes connected through the mechanisms of the world economy and linked into world systems of production... An incipient world society grows up around the interstate system, and states themselves become internationalised in that their mechanisms and policies become adjusted to the rhythm of the world order.

In this formulation, the international rise to prominence of market-centered neoliberal ideas and practices can be understood as something more than simply an expression of the will of the dominant power of an era. Rather, the sources and expression of social power are more complex, diffuse and increasingly transnationalized, making them simultaneously more and less powerful. On the one hand, as the sovereignty and autonomy of the state has been steadily undermined by the challenges from ‘above’ and ‘below’ which have encouraged a leakage of state authority to a range of trans- and sub-national actors, the capacity of even the most powerful states to shape domestic, let alone international outcomes has diminished (Strange 1996). On the other hand, the Gramscian perspective reminds us that processes of social learning, institutional embedding and a general consolidation of the constellation of social and political practices associated with what Gill (1995) calls a ‘market civilization’, simultaneously ‘naturalize’ the existent order and make alternatives much more difficult to realize. In other words, despite the apparent decline in the position of even the most powerful states, hegemony or the maintenance of a wider, historically specific geo-political order is not dependent on the existence of a single preponderant power to underpin it. In Agnew and Corbridge’s
pithy formulation, ‘there is always hegemony, but there are not always hegemons’.

Despite the general disinterest in, or repudiation of, the regime concept by critical theorists, Gale (1998: 275) perceptively points out that regimes may be conceived of as ‘instances of institutionalized hegemony’. Particular regimes are an expression of complex processes of political contestation, social learning and changes in the overall environment that generate specific governance strategies and instrumentalities. This does not mean, it should be emphasized, that the student of regimes is implicitly advocating or approving specific regimes as functional or necessary responses to particular collective action dilemmas. On the contrary – and despite regime theory’s highly US-centric antecedents – taking regimes seriously not only provides important insights into the maintenance of particular world orders, but may even provide the critical tools with which to challenge the existent order.

Regime theory: an overview

Gramscian theory alerts us to the necessity of developing a more broadly based conceptual framework that encompasses both state and non-state actors, as well as the less tangible aspects of ideational interaction that are implicated in the development of the specific rationalities associated with a particular world order. In this regard, the conscious or unconscious reconfiguration of what Cox (1987: 25) calls the dominant ‘interpretative structures of thought and mental rules for making decisions’ is central to the post-crisis developmental trajectory in East Asia, where a very different political rationality to that of the Anglo-American economic orthodoxy has predominated hitherto (Beeson and Jayasuriya 1998). However, even while we remain cognizant of the larger, world-historical backdrop within which the crisis and its management has unfolded, it is still necessary to try and map the precise way the new post-crisis international economic regime has developed.

In order to try and understand the way in which a new post-crisis international regime is emerging, it is useful to distinguish between different levels of analysis (Buzan 1995). At the broadest level there is a generalized impulse toward some form of co-operation as a consequence of the increased international economic integration associated with processes of globalization. As Cerny (1995) points out, nation states are simply incapable of supplying the sorts of collective goods that are associated with transnationalized economic processes, dependant as they are on the maintenance of a predictable, regulated international commercial framework that transcends state boundaries and competencies. In this new environment where states are no longer necessarily the most influential agents of change in the international system, and in which authority over agenda setting, rule-making, norm promotion and regulation are increasingly shared with non-state actors, the entire basis of collective action is fundamentally altered (Mayer et al 1993). In such circumstances, resolving collective action dilemmas involves a complex dialectic between states (and their concomitant domestic political forces), the international sphere (which includes both transnationally organized or externally-oriented private economic actors), and an increasingly influential layer of non-state or inter-governmental
organizations that occupy a pivotal place in the emergent, multi-layered structures of international governance (Held et al 1999). Put differently, regime formation and maintenance is dependent on an evolving, multi-level interplay between national and transnational forces, state and non-state actors and an open-ended debate about what the most appropriate forms of economic governance in an era of globalization might be.

The important point to emphasize here is that while there may be identifiable systemic ‘needs’ that flow from an open international economic order, there is no inevitability about the precise form the resolution of this collective action dilemma will take. Although the highly influential brand of liberal regime theory promulgated by the likes of Robert Keohane (1984) is shot through with the assumptions of a particular form of ‘western’ rationality that has its genesis in public choice theory, even orthodox variants of regime theory remind us that this is not necessarily the result of any inherent rationality or teleology. Oran Young (1983), for example, usefully distinguishes between regimes that are self-generating, negotiated or imposed. The latter two categories suggest that not only are the precise contours of any regime unpredictable in advance, non-teleological, and thus the subject of contestation, but that they might be unwillingly embraced by some of the participants. Simply put, in some circumstance weaker states – or private sector actors, for that matter – may have little choice other than to accept the over-arching logic of the dominant regime with all its associated rules and norms, rather than risk either being excluded form a perceived benefit of regime membership, or subject to punitive sanctions. This is an especially important consideration in an era of intensifying economic competition, for as Hollingsworth and Boyer (1997: 38) note, ‘powerful countries can create regimes that favor their firms and sectors and that encourage competitor nations to alter their productive systems in the image of those of the hegemonic country’. [Emphasis added].

This is clearly a consideration of central importance in attempting to understand the way the US attempted to influence the management of the East Asian economic crisis. As we shall see, the US and key inter-governmental agencies like the International Monetary Fund (IMF) hoped to reconfigure East Asian economic and political practices in keeping with the overarching logic of the post-war liberal international order. An examination of the circumstances in which US hegemony consolidated reveals a complex picture in which the US’s ability to exploit its dominance has been constrained by the strategic imperatives of the Cold War or, more recently, by the changing and contradictory nature of hegemonic power in the contemporary era. The key question is whether the US will be able to take advantage of the changed circumstances in East Asia to consolidate a regime that more closely reflects US economic and political goals.

**Economic Regimes in Post-Crisis East Asia**

Although the immediate trauma of the crisis has abated, its impact continues to be felt in the construction of a post-crisis regulatory regime. It is already possible to identify some of the most important factors which have attempted to shape this new environment. Indeed, identifying the key issues and players during and in the wake of the crisis is not a difficult challenge, for there has been a co-ordinated and self-conscious attempt to impose or ensure adherence to a distinctive neoliberal, market-centered economic order.
in the region. To appreciate the significance of this development it is necessary to place these events in an appropriate historical context.

*East Asia and the post-war international order*

Of late, discussion of ‘the international order’ and its constitutive institutions has tended to focus overwhelmingly on economic regimes. This is hardly surprising. The conventional wisdom – amongst all but the most die-hard realists, at least (see, for example, Mearsheimer (1990)) – is that there has been a major shift in the relative importance of ‘low’ as opposed to ‘high’ politics. In other words, there has been a secular shift from geo-politics to geo-economics in the priorities of individual nation-states (Luttwak 1990). Although this remains a powerful argument – especially following the Cold War’s end – it is also important to remember that things were not always so: it was precisely the former privileging of broader strategic concerns that permitted the existence of, and in many cases actively encouraged, nationally-based economic regimes that bore little resemblance to the sorts of neoliberal orthodoxy that are currently being encouraged in the region. The diminution of this strategic imperative has allowed the US to change its own calculus of national advantage and attempt to create a transnational regime in East Asia designed to further its own interests, especially economic ones.

During the Cold War the US was intent on developing an international system that was at once dynamic economically and secure strategically. Without the highly contingent strategic imperative the Cold War fostered, and the concomitant perceived need to keep client states in the ‘Western’ camp, it is safe to assume that US hegemony might have taken a very different, and possibly less ‘benign’ form. Indeed, it is important to remember that under ‘normal’ circumstances there are powerful incentives for hegemonic states to exploit their position economically (Conybeare 1987). However, the preoccupation with grand strategy and the perceived necessity of wedding client states to the capitalist camp meant that the US was prepared to overlook a range of political and economic practices that it might have found unpalatable in other, less ideologically charged circumstances. As a consequence, frequently undemocratic, authoritarian political leaderships, and highly mercantilist economic practices that were often associated with unaccountable political elites were tolerated, if not actively encouraged. This permissive environment evaporated in the face of the US’s own more aggressive and unilateral approach to economic issues (Bhagwati and Patrick 1990).

Consequently, at the center of the reform packages that emerged in the wake of the crisis, particularly from organizations like the US-dominated IMF (Pauly 1997), was a concerted attempt to systematically reconfigure the economic structures and political relationships that are synonymous with the so-called ‘developmental state’. Although the central characteristics of this model are by now comparatively well known,\(^5\) they merit brief repetition as they have been the subject of so much criticism.

The developmental state was pioneered by Japan with the intention of accelerating the process of industrialization and ‘catching-up’ with the established industrialized countries. Crucially, this goal was to be achieved by relying predominantly on the efforts
of state planners, rather than market forces as occurred – theoretically, at least – in countries like the US. By employing a range of trade and industry policies that were designed to encourage domestic economic actors, a number of East Asian governments attempted to develop a national presence in a range of industries that were considered to be prerequisites for an advanced industrial economy. A couple of aspects of the developmental state model were especially important and have been the target of much regulatory reform in the wake of the crisis. First, the East Asian model was generally dependent on very close, collaborative relationships between government – or more accurately in most cases, elements of the bureaucracy – and business. This capacity of ‘the state’ to effectively direct the course of economic development by communicating with, and if necessary coercing local business, has been taken to be a key element of the economic rise to prominence of East Asia, and central to what had until recently, at least, been the region’s relative success when compared with the Anglo-American economies (see, for example, Weiss 1998).

The other aspect of the developmental model that emerged in Northeast Asia that flouted western economic orthodoxy, was the provision of so-called ‘directed credit’, in which East Asia’s extremely high domestic savings were channeled to targeted industries deemed worthy of support by political elites. There are a number of reasons why this approach to the provision of credit is significant in the context of the crisis. First, and the source of the most criticism from outside the region, was the suspicion that such preferential relationships inevitably encouraged corruption and non-transparent economic practices (Lane et al 1999). In this perspective, close relations between business and government inevitably led to ‘crony capitalism’ and reckless, economically unsustainable investment patterns. It is not necessary to accept the logic of this argument to acknowledge its importance in legitimating the highly interventionist role adopted by the IMF in systematically attempting to restructure domestic economies across East Asia. A second perspective on the question of credit provision sheds a less benign light on such reformist pressures: even the World Bank (1993: 288) has acknowledged that the use of directed credit was an important and successful element of the developmental experience which conferred significant competitive advantages on a number of East Asian economies. It needs to be stressed, therefore, that the crisis offered the opportunity to restrict, if not abolish, what has been a key element of the rise and competitive position of a number of East Asian states by establishing a regime that actively discourages such practices (Gills 2000).

Theorising the new economic order in East Asia

It is worth emphasizing just what has changed between pre-and post crisis Asia. In this regard, it is in some ways misleading to speak of a ‘new’ economic order, for East Asia has always been part of the overarching global system that was established at Bretton Woods. Indeed, it was precisely the existence of this international order and the existence of open markets – especially in North America – that allowed the East Asian states to develop in the way and at the speed they did. The highly successful policies of export-oriented industrialization that distinguished East Asia from Latin America (Gereffi and Wyman 1990), for example, would simply not have been possible without
the international institutional infrastructure that characterized the Bretton Woods regime. What is different is that the US, with the active support of a number of key intergovernmental organizations like the IMF, has been able to pursue policies designed to ensure much closer compliance with the spirit and practice of that liberal economic regime. Put simply, the US has had a – possibly unique - opportunity to encourage or insist upon the adoption of the sorts of economic practices of which it approves.

To put this in the language of collective goods theory, the US - freed from the strategic and ideological constraints that characterized the Cold War period - is able to spearhead a process designed to resolve the ‘free rider’ problem in East Asia. No longer will the nations of East Asia be able to take advantage of the comparatively open markets of North America without a reciprocal opening of their domestic economies. Nor will they be able to direct capital to privileged economic actors at ‘unfair’ or non-market determined prices. On the contrary, the envisaged economic regime in East Asia is designed to ensure compliance with a wider international agenda of neoliberal reform in which the market, rather than the state will be the ultimate determinant of competitive advantage. What is of greatest significance here is not whether such reforms are intrinsically more ‘efficient’ than the state-led model that has prevailed in East Asia hitherto. The most important question for the purposes of this chapter is how well existent theories of international relations and regimes help us to understand the emergent economic order East Asia – whatever its underlying logic may be.

In this regard, the state-centric focus of realist theory has a number of weaknesses but some surprising strengths. Clearly the realist perspective is strikingly deficient in its ability to account for the often highly complex and contradictory domestic sources of state behavior (Milner 1997), or the increasingly important transnational relationships between key political and economic actors that help to shape national and intergovernmental policies (Held et al 1999; Mann 1997). This is an especially important consideration in the context of inter-state contestation in post-crisis Asia. Not only are there multiple influences on the construction of US policy toward Asia making the idea of a single national interest or position problematic, but as Risse-Kappen (1995: 6) points out, transnational forces may have a profound impact on the integrity of states, especially where – as in East Asia – the state has customarily assumed a dominant role in national affairs:

…the more the state dominates the domestic structure, the more difficult it should be for transnational actors to penetrate the social and political systems of the ‘target’ country. Once they overcome this hurdle in the state-dominated systems, though, their policy impact might be profound…

It is precisely this situation in which a number of the currently or formerly authoritarian governments of East Asia found themselves. Not only was the legitimacy of the governments in countries like Thailand and South Korea seriously undermined by the dramatic decline in their economic positions, but the comprehensive nature of the reform packages that were pressed upon them by organizations like the IMF were designed to systematically transform existent patterns of state-business relations (Beeson 1999). While realist theory may have little to say about the way such domestic struggles are
realized within the context of a global political economy that is simultaneously undermining state authority and dissolving national economic borders, it does remind us of the potential importance of residual hegemonic power. The crisis presented the most powerful country in the world with the opportunity of forcefully imposing an economic regime centered on market-mechanisms on the vulnerable countries of the region (Bello 1998).

This blatant use of economic and political leverage in the context of post-crisis regime construction provides a particular challenge to much liberal theory. Clearly, the idea that East Asia’s emergent economic order is the product of an inherently rational learning process in pursuit of some technically optimal, positive-sum end point looks increasingly implausible. Indeed, the inability of the principal organization charged with encouraging such a process of collaborative, market centered reform – the Asia Pacific Economic Cooperation (APEC) forum – is testimony to the shortcomings of much liberal theory (Beeson 1999). Certainly liberal theory has been able to account more effectively for some of the domestic and transnational influences on state policy, but it is invariably imbued with a number of normative and theoretical assumptions, especially about the US and its role in the world, that undermine both its credibility and its capacity to explain contemporary events, particularly in an Asian context (Johnson and Keehn 1994).

Overall, the neo-Gramscian theoretical framework potentially provides one of the most comprehensive and sophisticated accounts of regime formation and maintenance - despite a general lack of interest in regimes amongst scholars working within the area. On the one hand this perspective has the strengths of the realist perspective, as it continues to take the notion of state power in pursuit of national goals seriously (Carfuny 1990). On the other, the Gramscian perspective links this to, and provides a more plausible account of, the ideological or normative dimensions of transnational economic governance and restructuring; one which helps us to understand how neoliberalism may become the constitutionalized template for future economic development (Gill 1992). Indeed, the Gramscian-derived perspective marks a significant advance on the dominant liberal model as this latter perspective generally continues to place regime change in a voluntarist, rational choice framework that pays insufficient attention to long-term structural change.

The apparent dominance of the neoliberal model notwithstanding, a number of scholars have suggested that its influence is on the decline as the ‘Washington consensus’ unravels and resistance to market-centered reform gathers strength in the region (Jayasuriya and Rosser 1999). While there is clearly something in this, it is revealing that the country in East Asia that has been at the forefront of attempts to resist the rising tide of neoliberal reform – Malaysia – has ‘voluntarily’ abandoned its experiment with capital controls, despite continuing, widely-held reservations about the stability and impact of the international financial system (see Beeson 2000b). Significantly, even in Malaysia domestic political alliances and economic orientations have been altered by the crisis, making further economic reforms more likely despite reservations about their efficacy (Stubbs 2000). Indeed, it is noteworthy and revealing that although there was intense debate about the durability of the ‘international financial architecture’ in the immediate
aftermath of the crisis, and clear evidence of its role in precipitating the crisis in the first place (Winters 2000), little of substance was done. Given a recent region-wide recovery it is even less likely that significant reform of the international financial system will be enacted.

This situation is suggestive of both the difficulty of supplanting an entrenched economic regime that is supported by powerful transnational interests, and – paradoxically - of the limits of US hegemony. Even if elements of the US’s policymaking elite wished to re-regulate the international financial system in the interests of long-term global stability, they would clearly face a difficult challenge. Not only are there ‘technical’ issues which are increasingly regulated and determined by private sector experts, but there are interests both within key agencies like the US Treasury department and amongst the controllers of mobile financial capital who would vigorously oppose any move to wind back the autonomy of the financial sector.9 In other words, in the absence of a crisis which had an unambiguously negative impact on US interests – especially at the domestic level – it is difficult to see the US seriously pursuing reform. Without US support, a major transformation of the international economic system is unlikely if not impossible. US hegemony may be constrained, but it remains the defining element of the existing order, and an essential component of any possible alternative.

Concluding Remarks

Underlying changes in the organization of economic activity, particularly the transnationalization of productive processes and the growing power, mobility and political influence of financial capital mean that new patterns of political-economic relations are emerging both within and across national borders. In such an environment, where structural changes in the international economy open up new opportunities for domestically-based actors to access global markets, we need to recognize that even countries with little historical enthusiasm for neoliberalism, like Japan or Korea, were experiencing significant transformations of domestic relations and a diminution of state capacities even before the crisis (Leyshon 1994, Woo-Cumings 1997). In other words, even without the intervention of the US and the IMF it is conceivable that there would have been increasing domestic pressure for further economic liberalisation. The principal significance of external intervention in the crisis, therefore, has been to consolidate a process that was already in train.

The ultimate measure of the durability of this new economic regime will be the extent to which neoliberal norms and practices – which are already embedded in the wider international economic system - become part of the internal institutional architecture and domestic social practices of the region. However, even if market mechanisms increasingly become the dominant determinants of economic outcomes and a critical part of the resolution of transnational collective action dilemmas in the region, this may only prove a transitory phase. For one of the key contradictions or shortcomings of the market mechanism is that ‘if not contained [it] will erode all traditional institutional arrangements … [and] bring about its own destruction’ (Boyer and Hollingsworth 1997:
In other words, the imposition of a new market-, rather than state-centered economic regime in East Asia may unleash precisely the sorts of social ‘double-movement’ that Polanyi (1957) identified as such a central component of the erosion of laissez faire capitalism in nineteenth century Britain - at a time when it was experiencing a similar, fundamental economic and social transformation.

The resolution of East Asia’s collective goods dilemmas will, therefore, ultimately be dependent upon the actions of East Asians themselves. The generation of political elites that oversaw the spectacular transformation of the region under the auspices of authoritarian rule may be swept aside as the full impact of the changes being unleashed by a combination of structural transformation and external intervention take hold. However, it cannot be assumed that this will lead to either the consolidation of neoliberalism or liberal democracy, for that matter. As a number of the other contributions to this volume have made clear, the states of East Asia face a range of problems that may not be resolvable via market forces nor ameliorated by democratic expression. In such circumstances the creation and maintenance of a trans-regional economic order may be shaped by a more complex array of factors than most existent theoretical models would have us believe.

Endnotes

1 Susan Strange’s (1994: 24-32) influential formulation suggests that there are four elements to ‘structural’ power, involving the capacity to exercise control over the spheres of security, knowledge, finance and production.
2 For a more detailed discussion of institutional theory and practice and its relevance in East Asia, see (Beeson forthcoming).
3 In what follows I shall reserve the term ‘neoliberal’ for that brand of economic policy that is associated with the so-called ‘Washington consensus’ that advocates small government and privatization, trade and financial liberalisation, and a general privileging of market mechanisms as the most appropriate and efficient determinants of economic outcomes.
4 For one of the most influential accounts in this regard, see Buchanan and Tullock (1965).
5 On the development state, see Chalmers Johnson’s (1982) seminal work. On its adoption elsewhere, see Wade (1990). For a contemporary evaluation in the wake of the crisis, see Woo-Cumings (1999).
6 In this context it is important to distinguish between the states of Northeast Asia where credit provision – for a long time at least – appeared to more closely reflect the ideals of enlightened state planning, and Southeast Asia, where the role of the state was a good deal more predatory (see, Beeson and Robison 1999).
7 Of course, world systems theorists would argue that East Asia has been locked into and shaped by capitalist expansion for a good deal longer than that. See Arrighi (1998).
8 The free rider problem is, of course, a major obstacle to the provision of collective goods, particularly for larger groups of actors. The seminal discussion is provided by Mancur Olson (1965).
9 On the increasing power of the private sector in regulatory issues, see Underhill (1995).
Bibliography


