

The Politics of Regionalism

APEC and the EU in Comparative Perspective

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The Politics of Regionalism: APEC and the EU in Comparative Perspective*

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Abstract:

The paper is a comparative analysis of APEC and the EU which looks at the particular sorts of economic orders these institutions are helping to create. The paper argues that the two regions display some noteworthy differences that result from different approaches to the problem of economic governance. We suggest that these different approaches flow from different 'political rationalities', that are themselves a function of the very different liberal and illiberal polities in Europe and East Asia. Although states are involved in the construction of markets in both regions, the much closer relationship between government and business, and the absence of a significant institutional infrastructure outside of the state in East Asia means that the regional economic order being created there is likely to be very different from Europe, and the site of great political contestation between APEC's East Asian and 'Anglo-American' members.

Introduction

The contemporary global political economy is characterized by some striking puzzles and contradictions. While it has become *de rigueur* to frame discussions of inter-state relations within the overall context of a 'globalised' world economy, there has been a simultaneous renewal of interest in regions, both at a theoretical and a policymaking level. However, the theoretical literature on regionalism is heavily dependent on the case studies of the European Union (EU), which remains the most completely realized institutional exemplar of a regional grouping. Yet,

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what is equally noteworthy about emerging patterns of regionalisation is that the EU model is but one of a range of possible models of political and economic integration, and one that may not be replicated where markedly different political and economic conditions prevail. Clearly, the East Asian model of regionalism as evidenced in the formation of the Asia Pacific Economic Cooperation (APEC) forum differs considerably from the EU model. The APEC forum faces a very different challenge to the EU, and must attempt to accommodate the often competing interests of nations that have little in common to unite them by way of culture, political practice, or economic organisation. Our research problem, therefore, is to examine the nature of the differences between 'European' and 'Asian' regionalism with a view to contributing to the development of a comparative regionalism.

These pronounced variations in patterns of regional integration have not gone unnoticed in the literature on international relations. Higgott (1995: 379), for example, notes that the approach to regionalism that is emerging in the Asia Pacific is 'less institutionalized than in Europe'. This, he suggests, represents a deliberate choice based on East Asian patterns of close collaboration between the public and private sectors, and a greater facility of government to interact with, and assist business than is the case in many parts of Western Europe. Haggard (1997)—echoing a familiar realist or interest based analysis within the international political economy literature—explains the divergent patterns of regional institutionalization in terms of the degree of symmetry between the preferences and bargaining power of members. While the type or extent of institutionalization is no doubt an important source of variation in regional forms, nevertheless, the emphasis on institutionalization as the dominant explanation of the diversity of regional forms betrays the influence of the EU model of regional governance on theorising in this growing literature. Implicit in this uni-modal evolutionary process is the notion that institutionalization of the EU variety is the institutional end point at the regional level. In contrast, the argument proposed in this paper is that institutionalization masks deep seated differences in patterns of regional governance; the extent of institutionalization is a manifestation—not an explanation—of these differences. Our argument is that regional dynamics are embedded in broader political and economic contexts and that these are likely to produce different trajectories of regionalism in 'Asia' and 'Europe'.

One way in which institutions *are* important, however, is the extent of what Amin and Thrift (1994:14) call 'institutional thickness'. This concept refers to both the number, variety and interconnectedness of institutions that exist within an nation or region, and to the 'social atmosphere' that pervades them. Importantly, institutional thickness directs attention to process rather than simply structure, and is suggestive of commonalties of practices and values that underpin the

pursuit of national or regional purposes. We shall argue that the EU has been able to govern 'at a distance' partly because this reflected a normative preference for the more untrammelled operation of market mechanisms, but also because this process was facilitated by the existence of a rich infrastructure of non-state institutions at the trans- and sub-national level which in turn reflects the dominance of liberal norms and practices. In East Asia, by contrast, not only is this institutional infrastructure of non-state policy communities and non-governmental agencies less developed, but at the same time there is much less enthusiasm for undirected market activities *per se*. Furthermore, the nexus between the private and public sectors in East Asia means that not only is the creation of markets regarded as a highly politicised process directly connected to individual governments, but any diminution of this contingent relationship is also seen as posing a direct threat to the existent political order and its associated distributional coalitions.

This paper will attempt to illuminate these processes of institutionalization and draw attention to the influence of the markedly different influences and circumstances that have helped to shape both the EU and APEC. We suggest that the development of these two organisations has been informed by distinctive 'political rationalities', leading to different agendas, norms, and practices within the two bodies. Although the prevailing political rationalities are the subject of contestation—especially, but not exclusively within APEC—there are sufficient emerging commonalities of approach within both organizations to make such a broad brush distinction meaningful. In what follows, we shall demonstrate how distinctive political rationalities have provided templates for institutional development in the EU and APEC and—equally importantly—informed highly distinctive approaches to the problems of economic governance in Europe and the East Asian region in particular. We shall argue that our approach allows us to not only suggest why different approaches prevail within regions, but why competing political rationalities are likely to prove contentious within a *trans*-regional institution like APEC.

In the first part of the paper we develop a theoretical framework within which to situate the subsequent discussion of the EU and APEC. In the concluding section we attempt to draw out the theoretical implications of our analysis and consider what they may tell us about future regional institutionalization in Europe and the Asia-Pacific.

Political Rationalities

Given the greater political and economic interaction between individual nation states in the contemporary era, the development of trans-national institutional structures external to the state with which to manage such relationships is perhaps unsurprising. Indeed, an influential strand of predominantly North American scholarship suggests that increased international cooperation is both functionally necessary and highly rational (Keohane 1984). There is, however, an implicit, normative teleology and Eurocentrism in this view which obscures important regional variations in the development of transnational or multilateral institutions. While one key characteristic of such institutions is, as Ruggie (1992: 567) points out, their ability to coordinate policy making across nations 'on the basis of certain principles of ordering relations amongst those states', it is important to emphasise at the outset that there is no inevitability about precisely which principles will underpin any transnational body. On the contrary, the overarching rules, principles and approaches to political and economic governance that any putative international institution embodies will be the product of contestation and reflect contingent political realities. A useful way of thinking about both the specificity of national political practice *and* the construction of an overarching transnational regime is to consider them as reflective of, and contributing to, distinctive political rationalities.

The notion of a political rationality stems from the work of Michel Foucault and has been developed by Nikolas Rose and Peter Miller in particular. In what follows, we shall endeavour to extend this notion and build on its strengths. To this end, we examine the highly distinctive political rationalities that operate within and across separate international institutions, and suggest how such rationalities influence their subsequent development. What we are interested in is the way in which particular ideas or understandings of governmental processes come to determine institutional forms and practices in general and approaches to the management of economic activity in particular. In short, different approaches to the economy as an object of governance that prevail in East Asia and Europe are informed by fundamentally different political rationalities.

Rose and Miller (1992) suggest that there are three major components of political rationalities. First, political rationalities have a 'moral' form which defines both 'the fitting powers and duties for authorities'. Rose and Miller consider that such a formulation could be applied to a range of authorities—spiritual, military, pedagogic and familial—but it is principally *political* authority which with we are concerned. The moral component of a political rationality helps determine the principles upon which governmental authority is exercised, and the aims and objects to which it

is directed. In short, it determines the principles upon which power is exercised and the legitimacy of authority. The second component of political rationality is its 'epistemological' character, or the predominant understanding of the objects to be governed. One of the key debates highlighted, but not confined to the Asia Pacific, centers on questions about the most appropriate and effective forms of capitalist organisation. This is not something restricted simply to the moral aspect of a political rationality, but also concerns the way the objects of governance are understood. While this is frequently presented as a 'technical' debate about the relative efficiency of competing forms of economic organization it is, as we shall see, deeply bound up with questions of political legitimacy and authority, and the economy itself as an object of governance. Hence, the third characteristic of a political rationality—its rhetorical or discursive aspect—is especially critical, as it provides 'a kind of apparatus for rendering reality thinkable in such a way that it is amenable to political deliberations' (Rose & Miller: 1992: 179).

The objective of our study is to explore the implications of applying a political rationality approach to the dynamics of regional economic cooperation. Theories of political rationality cast a sharp analytical light on the way in which the regional economy or the market is constituted. The differences between the liberal and cameralist constitution of the economy can be understood (using classification presented by Rose & Miller (1992) in terms of differences in moral purpose, epistemology and discourse:

- i) *Moral purpose.* Within a liberal framework the market is identified with the freedom and rationality of the individual, whereas within a cameralist framework the market is identified with the goals and objectives of state security;
- ii) *Epistemology.* Within a liberal political rationality the *individual* and his or her interest is the object of regulation. Therefore, for a market to be constituted individual interests must be given juridical or constitutional form, whereas within a cameralist framework it is the well being and welfare of the *general population* that is object of regulation; in other words, the market is an instrument serving the welfare of the 'population'.
- iii) *Discourse.* Within a liberal framework arguments for regional markets are generally framed in terms of liberalising and 'freeing up' economic processes, whereas within a cameralist framework arguments for regional markets are often framed in terms of their ability to contribute to *national* development and to provide security.

The great advantage of the notion of political rationality as a heuristic model for the understanding of patterns of regional integration lies in its recognition of the implicit normative principles, codes, and assumptions that often underpin highly technical programs of economic governance. While there are clearly significant differences within broadly defined regions to the

problems of political and economic management, we are suggesting that the political rationality approach provides a useful way of conceptualising important commonalities that distinguish the Western European and East Asian regions, and which can help us to understand the processes of trans-national institutionalization that are occurring within them.

As Rose (1988) observes, before an economy can be managed it is necessary to conceptualise it as a set of processes and social relationships that are amenable to management. The political rationality approach may help us to understand why different discourses and techniques of economic management emerge by examining the:

political, institutional and conceptual conditions which give rise to the formulation of different notions of the economy, the ways in which different groupings come to hold specific economic beliefs, and the consequences of the economic exigencies which have been adopted in economic activity and policy (Rose 1988: 181–2).

Hitherto, the usage of political rationalities as a theoretical tool has been limited to ‘Western’ liberal-democratic forms of government and the specific political practices that they engender. Rose (1992; 1993) in particular, has focused on ‘advanced liberal’ forms of rule in which individual ‘self-government’ and ‘government at a distance’ on the part of states have been major features of analytical concern. Valuable as such investigations are, they remain highly Eurocentric and reflect a specific historical experience which will not necessarily be replicated elsewhere. By extending the usage of political rationalities and attempting to identify other, non-Western exemplars, we may facilitate comparative analysis and simultaneously provide a more nuanced account of the European experience. Identifying the constitutive forces that form a distinctive political rationality allows us to both distinguish one from another and—equally importantly—isolate those aspects which are most subject to contestation. Our own understanding of the concept of the political rationality approach, and the principal conceptual tool underpinning the subsequent analysis is as follows: a political rationality refers to *an approach to the problem of economic and political governance, informed by contingent political forces and economic practices, which reflects and constitutes norms, directs state purposes, and constitutes objects of regulation, and shapes ‘regulatory’ infrastructure.*

The argument of this paper, and indeed the strength of the political rationality perspective, is that while economic integration may often be couched in neo-liberal terms its method of application, its instruments, its normative assumptions, and its mode of governance, may differ considerably between regions. Indeed the crux of our argument is that mundane or highly technical aspects of economic liberalisation serve to conceal variable assumptions about the mode and distribution

of political power (or more generally sovereignty), and the manner in which the market or the 'economy' is constituted. From this vantage point, the effects of economic liberalisation need to be identified in the modes and structures of regional economic regulation rather than in its approximation to a technically optimum economic end point. In fact, our argument is more specific: the economic orthodoxy of neo-liberal programs is embedded in distinctive forms of political rationality, and therefore the methods and modes of economic regulation, even within a broadly deregulationist agenda, will differ from one region to another.

In broad terms, we categorise European regional integration as informed by a *liberal* political rationality. Central to liberal modes of political rationality is the de-centering of sovereignty; power is exercised not directly but through the invention of new forms and techniques of indirect regulation. The essence of a liberal political rationality is its capacity to direct at a distance. Liberalism, therefore, requires a repudiation of *raison d'état* as rationality of rule in which a sovereign exercises power across a given territorial space. Therefore the emergence of liberal forms of rule have led to the fashioning of new objects, tasks, and instruments of governance, all of which reflect a shift from sovereign to forms of power that are directed at shaping the self regulation of behavior. One way of understanding liberal notions of rule is to see its emergence as an accommodation between the competing political logic of sovereignty and the market.¹ In other words, the growth of markets and the emergence of an initially highly problematic notion of private interests needed to be reconciled with the exercise of sovereignty. As Burchell points out, 'the objective of a liberal art of government becomes that of securing the conditions for the optimal and, as far as possible, autonomous functioning of economic processes within society or, as Foucault puts it, of enframing natural process in mechanisms of *security*' (Burchell et al. 1991: 139).

Of course, liberalism was the mode of political rule that remained confined to the arena of domestic social and political life, within the field of external or extra state relations; the political logic of security or sovereignty remained the dominant form of rule. Our argument suggests that *European integration is an attempt to extend these liberal modes of political rationality to the regional level*. In effect, regional programs such as the SEM seek to accommodate both the logic of security and economic liberty by the invention of indirect forms of economic regulation at the regional level. Central to this liberal process is the constitution of European regional economic space as an independent and autonomous arena of economic activity.

In contrast, in East Asia, market economies have been subordinate to the requirements and demands of the political logic of sovereignty or security. In many East Asian economies 'market

making' and 'state making' have been closely linked. Therefore, market processes have not been seen as autonomous or 'natural' processes but instruments for the consolidation of state power. In this context, Asian models of capitalism are characterized by the subsumption of markets to the political logic of security. The economy in this model is a specific but not an autonomous sphere or a form of rationality: it is an instrument that contributes to the strength of the state. Consequently, in much of East Asian capitalism markets are embedded within *non-liberal* forms of political rationality.

The European Union and Liberal Political Rationality

The essence of the argument in this part of the paper is that the European Union (EU) is embedded within a liberal political rationality. In particular, the liberal understanding of political reason has shaped the specific contours and organisational direction of the European Union as it has moved towards greater economic integration of product and financial markets. Programmes of economic integration are not sets of abstract economic principles to be applied in a political vacuum; they need to be cast into specific shapes and forms by political rationality. Our argument is that this particular cast in the case of the EU is liberal, and more specifically, strongly influenced by the social market variant of liberalism. This influence is manifested in the following: first, in the move towards a single European market, which was strongly influenced by the social market or *ordo-liberal* tradition of German capitalism; second, in the pivotal role played by the principle of harmonisation and the consequent growth of regulation through policy networks which in turn is best understood within the framework of a liberal social market mode of rationality where associational governance has an important role. In brief, the argument is that one of the distinctive features of the single market economic programme has been the development of a political infrastructure of regulation through policy networks which presuppose a set of liberal assumptions about political rule.

There can be little doubt that the single market program is designed along explicitly pro-competitive lines. Documents on the single market produced by the European Commission (EC) are full of the rhetoric of obstacles, impediments, and barriers to trade; the dominant theme in these documents is one of sweeping away the obstacles (or deregulation) to a more competitive Pan European economy. An especially influential source of these arguments has been strategic growth theory (Thompson 1992) in which the notion of sweeping away non-tariff barriers to trade will bring about reduction of transaction costs, thereby enabling European firms to reap the benefits of economies of scale as well as the resultant trade advantages. Furthermore, the single

market was driven by the fact that 'the expansion of the market will increase beneficial competitive pressures, eliminating the least efficient firms, dynamising the others and leading to a virtuous growth of research and development expenditure, investment, new product innovation and output' (Thompson 1992: 141). Likewise, money and finance were seen as essential to the constitution and stability of this European market, particularly by the control of European money supply and inflation. Just as competitive pressure formed the underlying logic for the single market's institutional framework, an analogous foundational role was played by anti-inflation objectives in the constitutions of Europe-wide systems of monetary management (the EMU and the European Central Bank).

Of course, the impetus for economic integration came from a rapidly changing global economy which provided a set of incentives for both firms and states to pursue a more vigorous path of economic integration and cooperation. Foremost amongst these international pressures was the realisation that Europe was losing its technological and competitive edge to Japan and the US (Standholtz & Zysman & 1990). European policy makers assumed that the greater economies of scale produced by the single market would move some way towards rectifying Europe's competitive disadvantage vis a vis the US and Japan. Moreover, there was a belief amongst European policy makers that the single market would allow Europe more leverage for bargaining in international trade negotiations. These international political economy factors were clearly of great importance in propelling the move towards a European single market. Any comparative analysis of APEC and the EU has to concede the importance of these 'market conditions' in explaining the dynamics of regional economic co-operation. However, these factors impact differentially—globalisation theories notwithstanding—on the two regions: the move towards the single market in the EU was driven by the perceived need to develop a competitive advantage whereas regional economic co-operation within APEC—or, to be more precise, APEC's East Asian members—was driven by the perceived need to maintain a competitive advantage. Nevertheless, these international market factors only provide an understanding of the initial conditions of economic co-operation; they are not sufficient to explain the shape and form of this co-operation.

The hard economic logic of European co-operation may have had a distinct de-regulatory resonance but its application was strongly influenced by the German social market tradition. This social market tradition stems from a group of jurists and economists who came to be known collectively as the *ordo-liberalen* who played an intellectually influential role in the construction of the post war German economic state.² For these theorists, the market is not a natural or spontaneous entity but a socially constructed economic form. Market structures are connected to

the rest of society through complex juridical tissues. Therefore, the implication to be drawn is that it is incumbent on the government to strengthen these interconnected tissues in order to organise both society and the market. From this perspective, the markets need to be provided with a social and juridical infrastructure. Indeed, whereas 'for the eighteenth century the formalism of law was a recipe for minimal intervention (*laissez-faire*, in its more passive sense), the *ordoliberalen* envisage an extensive juridical interventionism with a vocation to further the game of enterprise-form throughout the social fabric as its generalised principle of functioning' (Gordon 1991, 42). This implicit recognition of the potentially corrosive influence of the 'social body' on the economic market clearly differentiates this social market liberalism from Anglo-Saxon variants. Of course the extent to which the social market tradition has influenced the actual development of the post war German economy have been the subject of much debate (Dumke 1990). However, it is clear that a range of institutional mechanisms has been developed to facilitate the construction of a social political infrastructure for the German economy. Of primary importance in this regard has been the deployment of a number of labour market programs by the West German state. As Thompson points out, this has 'resulted in a remarkably resilient package of labour market measures which have been particularly conducive to relatively successful industrial relations and wage restraint. These have also resulted active labour market policies, particularly in terms of training, something envied in much of the rest of Europe' (Thompson 1992: 135). One striking theme of German labour market policy has been its indirect management of trade unions and employers associations and the state through associational networks.

There has been a hesitancy on the part of successive German governments to directly manage, intervene, or regulate, this social infrastructure; rather, they have relied on the development of far reaching associational networks to manage social institutions that regulate the German economy. This associational governance or management often takes the form of publicly mandated associations bargaining over a range of economic and social issues, and often the outcomes of these negotiations are given legally binding status. Indeed, associations are frequently delegated quasi public functions and often have clear juridical standing within public law. For example, these 'publicly mandated associations often encourage product specialisation by promoting high quality standards; similarly, employer and trade union associations prevent low wage competition by negotiating industry wide wage standards which are legally binding. Perhaps, the most important element of the German model of associational management is the system of dual training which is provided and managed by firms, labour, and the state, with the aim of enabling the constant development of a high technical skill base in manufacturing industry. As Streeck points out, the 'joint governance of labour markets by employers associations and centralised industrial unions is so firmly established that by the 1980s Germany had become the

only major economy in which the “post war settlement” between capital and labour remained intact’ (Streeck 1997: 243). The associational management of the political and economic infrastructure of the German market has been one of the distinctive elements of the social market tradition.

From this analysis it is possible to identify two major elements of the German social market tradition: first, the deep interconnection between the institutional mechanism of social regulation and the effective functioning of the market economy; and second, the social infrastructure managed through a form of associational governance. These two liberal presuppositions (though of a social market variety) have deeply influenced the shape and form of European integration. It is abundantly clear that the move towards the European single market has been heavily influenced by the notion that economic integration must proceed parallel to the development of a social Europe. For example, the social charter of the EU is not to be considered in isolation from the single market, but as part and parcel of the single process of European integration. In other words, the development of social Europe is seen as complementary to the development of ‘economic’ Europe. Therefore, while the economic analysis of the Commission takes a strongly liberal economic perceptive on the virtues of economic competition, this is often accompanied by appeals for social solidarity and cohesion. In effect, market programmes are often qualified by a ‘neo-corporatist desire for social cohesion, order and solidarity. And this latter position is not one that just pertains to the European “social”, it pervades the Commission’s general pronouncements about the economy as much as about social policy, broadly conceived’ (Thompson 1992: 141). Market programs, therefore, are not just a set of abstract principles about the benefits of deregulation or the benefits of economic competition, but are framed within a more general background of political rationality. In the context of the EU, the model of a social market has been an important influence on the final shape and form of European integration.

Associational Regulation

A vital principle of the community’s move towards a single market has been the notion of harmonisation; the economic logic of harmonisation implies that there should be a common regulatory minimum within the European community. In conjunction with this economic logic a parallel *political logic* of harmonisation has seen the emergence of an associational and regulatory mode of economic governance; these modes of economic management are central to the deregulatory economic agenda of the EU and form a key element in the armoury of liberal governmentality. Therefore, the economic and political logic of harmonisation leads to both a particular constitution of a ‘European economic space’ (Barry 1993)³ as well as a distinctive mode of network or associational regulation of this economic space. Of course, following the

landmark European Court of Justice decision in 'Cassis de Dijon' there was a move away from traditional models of harmonisation towards the principle of 'national mutual recognition'. In effect—and the Single market programme was the end product of this process—there was a determined attempt to build a common market on the basis of mutual recognition premised on the acceptance by states of a set of common core principles. This entailed more than simple implementation of package of deregulation because it required a fairly extensive economic and political program of economic convergence.

Economists have defined in detail the standards and criteria required for the convergence of European economic structures. Wallace (1997) points out that 'there are both theoretical and empirical studies of the degree and character of integration in factor markets, complemented by work on inequality both regionally and at the level of the individual or household' (1997, 221). Indeed the Maastrich fiscal and monetary criteria for entry into the Economic Monetary Union (EMU) neatly serve to illustrate the importance played by notions of harmonisation and standardisation in the construction of European economic space. Similarly, debate over enlargement of the EU has been on the extent to which new entrants are capable of converging with European economic policy objectives and market structures. The importance of these technical specifications of 'European economic markets' is then to constitute this 'Europe wide space' as an autonomous and independent entity (Barry 1993). But—and this point is vital for our thesis—the economic logic of harmonisation and mutual recognition is itself a product of the application of liberal mode of political rationality; behind the technical complexity of the European market institutions lie an equally sophisticated political rationality.

It is possible to construe the policies of harmonisation and mutual recognition as a part of a broader deregulatory agenda led by the European Commission. In effect this would be to argue that the commission used the instrument of mutual recognition as a way of prising open national markets. However, this would be a misreading of the political consequences of the EU harmonisation model. Our contention is that the logic of the harmonisation model had been to create a distinctive European mode of regulation through transnational policy networks. It follows that particular patterns of economic order are unsustainable without the development of a parallel political infrastructure.

Joerges (1996) argues persuasively against a interpretation of the single market programme and the case law of Article 30 and 36 (the free trade and respect for regulatory autonomy of individual states) as evidence of jurisprudence of deregulation. Rather, he suggests that we need to acknowledge the effort of the European legal system to accommodate two incompatible

objectives and to find a set of rules that allow for regulatory pluralism within the context of the framework of single market objectives. He argues that the court has established that 'it seems logical to infer from this ECJ's (European Court of Justice) case law that no member state can defend its own low regulatory standards against a higher level of protection realised in a higher European standard' (Joerges 1996: 21–2). Therefore, the process of deregulation needs to be accompanied by an equally complex process of regulation. However the important point to be noted is the extent to which interests within the European economy have been constitutionalised through the actions of the ECJ thereby enabling the juridical regulation of the European wide economy.

In fact, the effect of the single market programme has been to create a regulatory state within the EU. Caporaso (1996)⁴ points out that in terms of the traditional tax and spend function the EU spends about 1.3 per cent of the combined GDP of its member states and accounts for about 4 per cent of government spending. These figures are hardly evidence of the appetite of a grasping leviathan. Yet, there can be little doubt that the EU is a major and powerful supranational actor. The answer to this conundrum is found in the emergence of the EU as a specific type of regulatory state. The function of a regulatory state is to attempt to regulate and monitor the externalities within the single market created by regulatory pluralism. As Caporaso points out, the 'regulatory state is (in this case) essentially an international and arguably supranational state specialising in the control and management of international externalities' (1996, 39). Caporaso's point is that the development of the EU suggests the emergence of a specific type of a trans national regulatory state distinct from the traditional national state. For our purposes, the important point to note is that this impressive growth of the regulatory state is an inevitable outcome of the single market program. It is clear that the single market led to the reconfiguration of state power in the form of the regulatory state.

Market deregulation, it appears, needs to be accompanied by the development of an effective system of regulation. Harmonisation or national recognition is not sufficient in itself to create free trade because important primary powers such as health and safety remain the prerogative of member states. For example, free trade in food may lead to the adoption by member states of the lowest regulatory safety minimum rather than one that provides the most effective standards of risk immunisation for European citizens. Myriad other examples can be found; for instance, free trade in pharmaceuticals require uniformity in medical standards. In other words, the single market programme revealed the existence of regulatory gaps that demanded, with a degree of constitutional reinforcement by the ECJ, intervention by the EU (Majone 1996).

This argument would suggest that implementation of the EU directives necessitates the extensive regulation and monitoring of the market. For example, Kreher discussing the role of agencies in the EU, notes that their establishment is an 'instrument of coordinated and supervised monitoring and execution which flows from, and is a direct consequence of, the earlier political decision construct a European edifice primarily regulated by community legislation' Kreher (1997: 241). Of course, the development of European agencies is just one institutional form of the complex regulatory web within the EU; other institutional structures have taken the form of regulation through committees. However, whatever form this regulation takes it is distinguished by deep and complex vertical and horizontal linkages between private and public actors. A common feature of the regulatory state in the EU seems to be the development of these collaborative linkages between key state and non state actors in the EU. In brief, the regulatory state in the EU has taken the form of governance thorough associational networks or policy networks.

Before discussing policy networks, it needs to be made clear that this is not the only mode of governing the EU regulatory state. One alternative would have been to develop a set of political agencies with extensive authority to direct member states; this alternative would have entailed the development of a supranational option. However, the supranational option confronts a whole series of problems, foremost amongst which is the limited capacity both in personnel resources and constitutional competence of the EU to undertake traditional 'state' type regulatory functions. Moreover, the post-Maastricht climate has not proved propitious for the EU to undertake any extensive enlargement of its regulatory functions (Dehousse 1997).

Policy Networks

In the absence of a supranational option, the regulatory state in the EU has been controlled, in part, through a system of policy networks. A useful concept to understand the nature and dynamics of this regulation through policy networks is the concept of interlocking politics initially used to analyse the distinctive features of German federal politics (see Lehmbruch 1989). Interlocking politics refers to the vertical and horizontal linkages between state and non-state actors, that increasingly characterise policy making in many complex polities. The crucial point about these networks is the participation of a range of state and non-state actors. Studies of the EU demonstrate that governance or regulation through policy networks is increasingly the preferred form of regulation. Indeed as Risse-Kappen notes, governance through policy networks is particularly pronounced in those areas or issues regulated by EU policies. He goes on to note that 'the more a particular policy sector has been integrated and the more decisions in the area are governed by majority rule, the more likely it is that the policy-making process is characterized

by transnational and transgovernmental coalitions among private, subnational, and supranational actors rather than intergovernmental bargaining.' (Risse-Kappen 1996: 66).

Of particular importance is the so called 'comitology web' which brings together various groups of national experts and officials in various sectors such as for example, foodstuffs, drugs, health, and safety which are central to the regulation of the single market. (For survey of these committees see Joerges & Neyer 1997). One feature of this governance through networks is the highly technical nature of the work of these committees. Revealingly, in *both* the EU and APEC the language used by these technical committees is similar. In the EU, however, the existence of a rich infrastructure of policy communities outside the state means that an institutional framework to implement reform exists, without directly threatening the authority of the state. In the EU non-state regulation is possible because there is consensus on the definition of a given problem and the possible range of responses to the perceived problem. Dehousse (1997: 254) points out that this 'implies, among other things, that their actions are based on comparable data, that there is convergence in experts' ideas about the issue, and that they resort to similar procedures'. As we shall argue below what makes the regulation a highly technical process possible is the operation of liberal political rationality.

Even committees, however, have to operate with a hard political infrastructure and in the EU context the operation of European agencies provides this. A significant part of the function of European agencies is to establish and support pan-European policy networks.⁵ In fact, Dehousse points out that far from being a threat to national policy regulators, European agencies are the heart of networks which bring together various state and non-state actors. In a sense, the operations of European agencies and policy networks are the European response to the need to have greater uniformity in the implementation of community policies without the concomitant political centralisation that this would normally entail. As Wessels points out, the evolution of the EU 'is not leading to a traditional division of competences which is known in classical constitutions as "dual federalism", but instead we are confronted with a messy and ambiguous vertical division of labour between national and EU levels, and with a highly differentiated "mixture" of public instruments located originally on several levels' (Wessels 1997: 279). Concepts such as interlocking politics and fusion all point to the complex combination of state and non-state actors that increasingly characterises the European polity.

Our basic contention is that these modes of governance by policy networks need to be understood in terms of the operation of a liberal political rationality. In part, the regulation of the European economy and polity through networks is analogous to the role of associations in the governance

of the German social market. However, at a deeper level, policy networks reflect the importance of 'direction at a distance' so central to liberal notion of political reason. A liberal view of government requires the separation of state and society manifested in the dichotomies between public and private and state and civil society. Rose and Miller (1992), building on the work of Foucault, identify the operation of regulatory (or governmental) action at a distance as an enduring feature of liberalism. In other words, liberal political reason is not identified with the rationality of the ruler who in turn identifies with the state, but with the freedom and rationality of members of the political community. In this respect, 'an essential and original feature of liberalism as a principle of governmental reason is that it pegs the rationality of government, of the exercise of political power, to the freedom and interested rationality of the governed themselves' (Burchell 1991: 139).

The operation of policy networks is only possible within this framework of liberal political reason. First, policy networks, because they include both state and non-state actors, operate at a distance from political authorities. In effect, public authorities harness the energies of the public and private sector in the regulation of the single market. Consequently, the regulation of conduct—economic or otherwise—remains the responsibility and interests of actors outside of the state. Second, central to the operation of liberal political reason in the context of the EU is the notion of the economy (and society to a lesser extent) as a natural entity which in turn presupposes the application of technical expertise to understand these autonomous processes. Policy networks operate to provide these forms of technical expertise and thereby serve to constitute the European economy or the single market as an independent and autonomous entity. This is an important point that has been given added impetus by recent case law of the ECJ which might seem to suggest an attempt to provide a firmer legal basis for the network structures of the EU. For example, ECJ has held that in evaluating the potential 'risk' of national regulation, due regard needs to be paid to relevant scientific expertise and particularly the findings of international experts and the expert committee of the EU. Moreover, ECJ case law suggests that in carrying out these regulatory tasks committees are asked to respect the rights of individual (see Joerges & Neyer 1997; Joerges 1996). In fact, recent jurisprudence of the ECJ has moved towards the constitutionalisation of a form of reflexive regulation which is consistent with the liberal effort to ground political rule—or in this case even the rule of technical experts—in the freedom and rationality (or interests) of European citizens. Teubner's (1983) notion of regulated autonomy where the state facilitates the development of self regulating systems based on the representation of group or collective private interests is particularly apposite in the study of the European regulatory state. In a nutshell, reflexive regulation of the European economy through policy networks presupposes the operation of liberal political reason.

One of the strengths of the political rationality approach to the study of regional economic and political process, therefore, is that it enables us to recognise the fact that markets are embedded in deeper forms of political rationality. The implication of this argument is that the constitution of the European market as an autonomous natural entity is a product of the operation of a liberal political process. For example our analysis reveals that the single market programme and the associated deregulation of the European market runs in parallel with the establishment of an elaborate and sophisticated political infrastructure of economic regulation. In effect, without the construction of regulatory frameworks and the technical expertise embedded in policy networks, an autonomous and independent market in Europe would not be possible. Markets are embedded in a broader political logic.

APEC and Illiberal Political Rationality

What is most striking about the 'APEC region', especially in comparison with the EU, is its heterogeneity. Although the differences between APEC's members are dramatically revealed in the contrasts between, say, Japan and Papua New Guinea, or Canada and Indonesia, what is especially interesting here are the differing *and competing* political rationalities that APEC embraces. On the one hand the Anglo-American nations – the US, Canada, Australia and New Zealand – embrace a form of liberalism that is broadly similar to that of the EU. On the other, however, it is possible to identify a very different political rationality which, while having its roots in a distinctly East Asian tradition of state-led development, is reminiscent of eighteenth century German cameralism (Tribe 1984). Clearly, there are important differences in contemporary East Asia, but this broad brush distinction serves to highlight fundamentally differing governmental rationales. Unlike its European and Anglo-American counterparts, the East Asian approach to governance is predicated upon highly interventionist strategies, which not only consider such activities legitimate, but which generate and reflect different, structurally embedded relations between state, business and the wider society of which they are a part. In an Asian context, the economy is generally a fundamental component in a comprehensive and all-encompassing conception of state security. APEC, therefore, must attempt to accommodate both an Anglo-American form of neo-liberalism that is closely aligned to the European model, *and* an Asian form of cameralism.

The story of APEC's development and rapid rise to prominence has by now been often enough told to need little repetition here (Funabashi 1996; Beeson 1995). What is worth re-emphasising, however, is that although increased economic interaction within East Asia and (especially) across

the Pacific to North America made the development of some sort of regional forum with which to manage such relationships more likely, the precise form taken by any putative trans-regional organisation was unpredictable. Indeed, we shall argue that APEC represents a key site of contestation between 'Asian' and 'Western' governments keen on implementing their own, potentially incommensurate visions for APEC. In short, APEC is the location of an unfolding struggle to define a new transnational political rationality which will shape both the further institutionalization of APEC itself, as well as the norms and practices that underpin regional patterns of economic governance.

Indeed, it is worth re-emphasising that regions themselves are contested concepts, and while the EU might appear a more 'natural' institutional reflection of Europe than does the APEC of the Asia Pacific, regions remain social constructions and liable to redefinition (Dirlik 1992). One of APEC's principal difficulties, and something that sets it apart from the EU, is the lack of congruence between its membership and any obvious underpinning commonalities of social, political or economic form amongst its members. Consequently, deciding quite what form APEC should take, determining the extent of its institutional consolidation and its authority over members have become crucial issues, especially in an East Asian region which has little history of prior transnational institutionalization. As Peter Katzenstein argues, this sort of international institutional development has been inhibited in East and Southeast Asia where there is a lack of the sense of 'community' that propelled European integration. More specifically, the foreign policy of the United States during the Cold War, which imposed bilateral, rather than multilateral relations throughout the region, when combined with distinctive state structures and practices in Asia meant that international institution building in the region was inherently more problematic (Katzenstein 1997).

An important consequence of the APEC region's historical development, therefore, is an absence of 'institutional thickness'. Unlike the EU, the APEC region does not have a vast number of institutions, agencies, and authorities that are either independent of or only loosely connected to individual states, at either the transnational *or* the national level. Neither has economic development inevitably led to an expansion of civil society (Rodan 1997), or to a concomitant deepening of non-state institutions. Consequently, the state is more directly involved in establishing structures of governance. Policy networks in the APEC region are, as we shall see, less developed, especially at the national level. This relative lack of trans-regional institutional deepening is reflective of and helps account for the absence of an overarching, region-wide system of governance. Not only is there no common, region-wide political rationality, but there is less capacity for one to be transmitted or institutionally embedded.

To understand why, it is necessary to look beyond APEC itself and consider the historical milieu from which it emerged. While something like APEC may have seemed appealing from a security perspective to prospective East Asian members, this was a much less compelling cause of regional integration than it had been in Europe. Although the desire to keep the US strategically engaged in the region—especially given an increasingly powerful China—was clearly an incentive for more formal regional cooperation, APEC's principal attraction in East Asia was economic. Above all, the political calculus that underpinned East Asian support for APEC was predicated primarily on a desire to ensure continued access to North American markets which had been a crucial part of regional economic development. The possible failure of the Uruguay Round of international trade negotiations added urgency to this perspective. From its inception, therefore, APEC's political boundaries have been a good deal more porous and flexible than were Europe's. APEC's highly disparate membership, the inherent artificiality of the 'Asia-Pacific region', and the somewhat arbitrary nature of its constituent membership, meant that it has none of the 'natural' commonalities of culture, or more importantly, political-economic imperatives or practices that the EU enjoyed.

National Obstacles to Transnational Integration

APEC's Asian members are distinguished by a number of qualities that make transnational economic and especially political integration problematic. Not only do the political systems of East Asia display some noteworthy differences and deviations from the democratic ideal, but they are also often tightly bound up with the distinctive patterns of capitalist organisation that characterise the region. Indeed, some of the binary oppositions which are central to 'Western' political theory—private versus public, state versus civil society—have a good deal less relevance in an East Asian setting. Nor is this simply an academic nicety. On the contrary, the interaction—or in some instances, the fusion—of what may be broadly described as 'state' and 'capital' has been central to the trajectories of East Asian development, something that even the pro-market World Bank (1993: 6) has conceded. The intention here, however, is not to rehearse the somewhat stale debates about the merits of states or markets as optimal determinants of economic outcomes. Rather, what we wish to emphasise is that the 'developmental state' approach pioneered by Japan and emulated to various degrees by successive generations of industrialising countries in the region has left structurally embedded distributional coalitions in its wake that are constitutive of distinctive, and often illiberal national political rationalities (Appelbaum & Henderson 1992; Wade 1990; Johnson 1982).

Even in the case of Japan, which is the most 'developed' and superficially similar to the European states as far as democratic structures are concerned, striking differences remain in social and

political practices. As in Germany, the trajectory of Japanese economic expansion was profoundly shaped by its comparatively 'late' industrialisation (Gershenkron 1966). Japan's 'follower status' enhanced the role of the bureaucracy and reinforced the centrality of economic development as the principal goal of public policy (Calder 1988). Tabb (1995) argues that a unique 'cultural economy' has evolved in Japan, which is institutionalized in the distinctive corporate organisational structures, industrial relations practices and social values that characterise the Japanese political economy. Such normative preferences are, it is suggested (van Wolfren 1989: 308), reinforced by powerful political and economic actors acting collaboratively to create a 'negotiated reality' that is ultimately a significant determinant of public policy. This is not to deny that things are changing in Japan, nor to suggest that 'culture' is either immutable or the principal determinant of social practice. What we are suggesting is that 'the institutional condensation of specific political forces and economic practices will reflect and shape a distinctive national political rationality, one that may consider 'state intervention' both legitimate and uncontroversial. Indeed, the Japanese version of 'collective capitalism' (Lazonick 1991) means that 'the economy' is viewed as a central component of a broader series of collectively constructed and institutionalised social purposes, rather than simply as being composed of disconnected individuals. As such 'the market' is linked to a broader set of cultural, political and social objectives that make it difficult to constitute economic space as an independent arena of activity.

Somewhat surprisingly, given that it is not generally considered to be an effective force in international affairs, Japan is exerting an increasingly powerful influence, both directly through its economic links in Asia, and more subtly at the ideational level. Japan is not simply the dominant source of direct investment in the East Asian region, it also makes considerable contributions via its Official Development Assistance (Steven 1996). The coordinated utilisation of combined private and public finance has been central to the successful migration of Japanese companies into Asia. The most immediate manifestation of this process is the replication of Japan's integrated *keitretsu* production networks across the region. However, a more subtle effect of this expansion of Japanese capital has been the establishment of close political ties within host nations, cementing the prominent position of Japanese-style capitalism (Hatch and Yamamura 1996). Further reinforcing the influence of the Japanese model and its associated political relationships has been Japan's increasingly assertive position on the international stage. Japan's economic weight means that it is inevitably assuming a more prominent and influential position in key international agencies, like the International Monetary Fund and the World Bank, which effectively govern international commerce (Rapkin & Strand 1997). Simultaneously, Japan has

demonstrated a willingness to champion its own form of capitalism in preference to the neoliberal orthodoxy (Wade 1996).⁶

The Japanese pattern of state led development has been closely emulated in its former colonies, Taiwan and South Korea (Cumings 1984), the latter even replicating Japan's *keiretsu* networks in the *chaebols*. These institutionally embedded economic structures and the tight linkages that have developed between business and government have influenced the content of public policy and the overarching logic with which it has been shaped and legitimated. However, it is important to recognise that if the relationship between the public and private sectors is a good deal closer—not to say blurred—in countries like Japan, Taiwan and South Korea, then it is essentially meaningless in some of the third tier of developmental states. In Indonesia, for example, the Suharto family has exploited its political dominance to amass a vast fortune in which individual family members control a range of enterprises across the entire Indonesian economy, including property, banking, industry, telecoms, media and transport (Hiscock 1996). The distinction between the public and private sectors that underpins the European approach to governance is simply not applicable in an Indonesian context. Political control is maintained through a form of 'exclusionary corporatism' in which functionally determined interest groups are tightly bound into overarching state structures, which are reinforced by the state-sponsored ideology of 'Pancasila' and the dominant state-controlled political machine, Golkar (MacIntyre 1994).

In Malaysia, economic and political interests are similarly fused. The United Malays' National Organization (UMNO), which has dominated Malaysian politics since the race riots of the late 1960s, is deeply involved in domestic economic activity. Economic development in Malaysia has been driven by the desire to promote indigenous 'Bumiputra' capitalists, resulting in a form of 'bureaucratic capitalism' in which state policy has been systematically designed to favour the interests of a well-connected élite and a range of companies directly controlled by UMNO itself (Gomez 1994). The point to stress here is that economic development is not a politically neutral exercise in which the role of government is reduced to merely providing the minimal framework within which market forces can operate. On the contrary, in countries like Indonesia and Malaysia, government is not only directly involved in economic activity, but political élites are amongst the principal beneficiaries. The developmental state approach not only requires a different ideological underpinning and rationality of government, but it also leads to the institutionalization of distributional coalitions that directly benefit from a specific pattern of governmental rule. As we shall see, such considerations profoundly constrain and influence any putative transnational regime that seeks to accommodate them.

Labour assumes a somewhat contradictory position in East Asia's predominantly corporatist social structure. Whereas the EU's German-influenced labour market programs are predicated upon a notion of the population as essentially a source of potential competitive advantage to be encouraged into productive work practices and competencies, in many Asian countries labour management presents a more ambiguous challenge. Organised labour in particular is not the self-regulating adjunct to national—or increasingly regional—competitiveness presented in the German ideal. On the contrary, in many of the late industrialising countries of East Asia organised labour presents an active or latent challenge to the established order that must be accommodated or repressed (Beeson 1996). Within the APEC's rather imprecise borders there is consequently no common political space within which to allow the operation of universal market principles. Not only are the political accommodations arrived at by APEC's Asian members highly contingent, therefore, but they necessitate a transnational framework flexible enough to contain them.

Lest it be supposed that such deviations from a liberal approach to government are confined to those states that are more directly concerned with promoting economic development, where the task of nation-building remains a more pressing, incompletely realised project, it is worth considering the case of Singapore. The response of the ruling People's Action Party (PAP) to dramatic rises in Singaporean income levels has been to expand the size of the state itself, and to develop new forms of 'political co-optation' (Rodan 1996). In other words, economic development has not inevitably led to an expansion of political space and the development of liberal-democracy, but to a more pervasive form of authoritarian corporatism. The Singaporean state, therefore, represents a form of governance which is neither liberal, nor at-a-distance. On the contrary, it exemplifies an extension of the cameralist logic of a developmental political rationality, in which 'the dominant and intrusive role of state power in most aspects of East and Southeast Asian life channels political change to serve the managerial and technocratic ends of the state' (Bell and Jayasuriya 1995:15). A central challenge for any trans-regional institutional forum, therefore is to accommodate such fundamentally *illiberal* domestic political practices within its overarching framework.

APEC's Accommodating Architecture

If APEC were restricted to the nations of East Asia it might be expected to more easily reflect the integrated nature of political and economic practice in an encompassing regional political rationality. However, what distinguishes APEC and sets it apart from the EU in particular, is the collision of highly distinctive political and economic patterns of organisation, which in turn have generated divergent norms, values and approaches to government. Indeed, the East Asian

developmental and/or authoritarian states bear little resemblance to the idealised conception of the minimalist state and its concomitant self-regulating economic order that underpins the Anglo-American approach to government. In short, there is little replication of what Ruggie (1993: 172) calls the EU's 'multiperspectival polity', in which a number of viewpoints are constitutive of national and transnational identity.

In APEC, by contrast, the competing political rationalities of the region's Asian and Anglo-American members leads to some striking paradoxes. Central to the strategic calculations of APEC's Asian members has been a desire to extend the 'ASEAN way', or the principles of negotiated consensus and non-interference in domestic affairs that have been cornerstones of this important regional sub-group's approach to transnational institution building (Leifer 1996). Indeed, the blueprint for APEC development authored by the Eminent Persons Group (EPG) specifically rejects the possibility of following the European model. Instead it suggests APEC

will not be a community in the sense of the EC—characterized by acceptance of the transfer of sovereignty, deep integration and extensive institutionalization. It will be a community in the popular [sic] sense of a 'big family' of like-minded economies—committed to friendship, cooperation and the removal of barriers to economic exchange among members in the interest of all (EPG 1994: 5).

This permissive approach has been incorporated into APEC's reformist discourses via the 'flexibility principle', which effectively allows members to renege on their trade liberalisation commitments if it is deemed necessary. Not only are APEC agreements consequently voluntary and non-binding, even more significantly, they allow the continuation of the sorts of state activism at the domestic level that has characterized East Asian economic development. East Asian governments, in other words, support the development of a non-interventionist transnational institutional framework, precisely because this is most likely to permit the continuation of existing 'interventionist' patterns of economic and political organisation.

The position of the US exemplifies the very different approach of the Anglo-American nations. Somewhat paradoxically, the US is actively attempting to construct a legalistic, rules-based *international* regime, which imposes more binding commitments on APEC members, as a way of structuring individual *national* economies. In other words, US policy is almost a mirror image of the East Asian approach: government activism at the international level is driven by the desire to create a particular form of neoliberal market order in which the state is less directly involved in the 'national' economy.⁷ However, while the withdrawal or minimisation of state activity in domestic activity may have been rendered more feasible in the EU by the creation of the ESM, this is a more problematic exercise in APEC in general and East Asia in particular. As we have

seen, powerful domestic political forces are directly involved in economic activity across Asia, and are consequently deeply implicated in the construction of the specific economic orders that prevail within individual nations. The possible ceding of authority to APEC by individual nation states is therefore likely to be resisted in East Asia, especially where any transnational authority appeared capable of disrupting entrenched national distributional coalitions or threatening the essentially cameralist governmental rationality.

It is possible to cite a number of well known examples of political-economic fusions of interests which act as impediments to state level liberalisation in East Asia. Whether it be the privileged position of Japan's rice farmers, the Suharto's family's extensive business interests, the Philippines' influential oligarchs, or a range of other powerful impediments to reform, domestic liberalisation looks fraught with difficulty. These caveats, however, merely serve to introduce another noteworthy paradox. Despite the structurally embedded resistance to wholesale liberalisation and the concomitant reduction in the scope of state activity this implies, APEC's agenda of reform is imbued with the rhetoric and assumptions of a decidedly 'Western' variant of economic orthodoxy. APEC's reform agenda—indeed, APEC itself—owes much to the activities of various elite groups in government, business and academia (Woods 1993), who have provided both the ideas for, and a good deal of the impetus behind, an economic reform blueprint that bears the familiar hallmarks of the so-called 'Washington Consensus' of neoliberal reform (see Williamson 1994). APEC's 'action agenda', is replete with measures designed to encourage greater 'transparency' in economic activities, and make competition a greater determinant of economic outcomes.

While APEC's institutional precursors—the Pacific Basin Economic Council, the Pacific Economic Cooperation Council, and the Pacific Trade and Development Conference—were clearly important venues in which regional élites could use international networks to promote particular ideas and develop shared understandings, as we have seen, there is significant resistance to wholesale neoliberal reform. At one level, this may be ascribed to the low levels of transnational institutionalisation in East Asia. As Higgott notes:

these ideas are not yet institutionalized – neither in the sense that they are embedded in norms and principles, nor in the sense that there has developed in the Asia Pacific a set of operating procedures and administrative agencies capable of providing a strong transmission belt between ideas and policy process (Higgott 1994: 371).

At a more fundamental level, however, the way international market pressures are mediated is taking a highly contingent form that makes thoroughgoing reform or the easy transmission of new

ideas—especially where they have the potential to threaten the existing political and economic order—more difficult. In Malaysia, for example, Camroux (1994: 423) suggests that delegates to regional forums are essentially representatives of ‘Malaysia Incorporated’, rather than independent members of trans-regional policy networks. Similarly, in Singapore, participants in international and national policy institutes and forums are often little more than conduits for government propaganda (Jayasuriya 1994: 417). The point to make here is that the conceptual distinctions between government and economy, or state and civil society that underpin the liberal political rationality are often not applicable in East Asia. Not only is the institutional infrastructure of policy networks outside the state which facilitate liberal governance in the EU not well established in Asia, but the economy itself as an object of governance is conceived fundamentally differently. There is a more organic relationship between state, economy and population that feeds into and reflects a more encompassing notion of security. Consequently, East Asian states remain much more directly involved in economic activity generally and in determining the particular sort of market order that prevails within national boundaries.

Australia provides an important example of the Anglo-American political rationality that is at odds with the predominant East Asian pattern. Australia has much more enthusiastically embraced the neoliberal economic orthodoxy that is central to the approach of the US and which underpins the EU conception of governance. At one level the embrace of neoliberalism may be attributed to the influence of a powerful ‘epistemic community’ of policymakers, academics and commentators that shares broadly similar normative views and theoretical assumptions (Higgott 1992). At another level, however, it is precisely the existence of policy communities and institutional networks *outside* the state in Australia that has permitted the dissemination and ultimately, the application of a specific form of economic governance predicated upon the enhanced influence of market mechanisms (Coleman & Skogstad 1995).

There are, however, no shortage of organisations seeking to remedy the perceived international institutional deficit. The ‘Asia-Pacific region’ is distinguished by a number of competing and complimentary transnational fora,⁸ which serve to further highlight both the contested nature of the region itself, and the difficulty of definitively establishing an organisation with which to represent it. Indeed, in a region with little history of trans-national institutionalization, in which integration has occurred principally at the economic level, and which has been driven by the private sector (Ravenhill 1995), it becomes easier to understand the attraction of the East Asian Economic Caucus (EAEC). If there is any intrinsic disposition toward regional integration, it is between those countries that are distinguished by a similar ‘interventionist’ political rationality, an affinity which is being reinforced by the activities of Japanese-based transnational companies

and government assistance (Hatch & Yamamura 1996). In such a context, EAEC provides a more 'natural' expression of this tendency.

The lack of congruence or, as we are arguing, the competing political rationalities within the Asia Pacific region, help explain the ambiguous and contradictory discourse that accompanies APEC's reform agenda. The rather oxymoronic notion of 'open regionalism', which encourages unilateral liberalization and an extension of APEC's benefits to other nations on either a conditional *or* an unconditional basis, is designed to accommodate both the interests of the interventionist East Asians and the US; the latter preferring liberalization to occur on a reciprocal basis. There is more at stake here than arcane trade semantics, however. What the notion of open regionalism and associated inventions like 'concerted unilateralism' point to are fundamental differences about the way APEC should operate, which are themselves reflective of divergent governmental rationalities and conceptions of economic management. It is the desire to insulate such distinctive political practices and forms of economic organisation that accounts for APEC's voluntaristic and consensual approach. The political and economic space which APEC encompasses is not nearly as homogenous or self-contained as is the EU's. Consequently, there is even more reason to attempt to insulate domestic practices through national or even sub-regional political structures like EAEC, which offer a degree of possible solidarity or mutual support.

The potential importance of such factors was recently illustrated when the currencies of Southeast Asia came under sustained attack by international financial markets. Predictably, it was Malaysia's Mahathir that was at the forefront of articulating a response to this development. At one level Mahathir's comments could be read as simply an extension of the 'Asian values' debate which claims that there are distinctive Asian cultural qualities that are different, and often superior to the West, and which need to be protected (see Robison 1996). In this context, the destabilisation of Southeast Asia's financial order could be—and was by Mahathir—taken as an attack on Asian autonomy and the right to self-determination (Beeson 1997). What is significant for our purposes, however, is that at another level Mahathir's response is emblematic of a suspicion about market-enhancing neoliberal reforms which threaten to directly undermine a domestic economic order that is predicated on an illiberal political rationality.⁹

Finally, it is important to emphasise that the 'globalising' forces of which the financial markets are the archetypal exemplars are mediated in different ways within individual countries. This is not simply a phenomenon that is confined to gross factors like Japanese tardiness versus US enthusiasm about embracing the process of economic reform, significant though this is. While it has proved difficult for these countries to insulate themselves from a generalised pattern of

international economic restructuring, the historically close relationship between government and business throughout East Asia means that the adjustment process has been shaped by contingent national institutions. In short, the liberalisation process is being mediated principally *within* the state and manifest in a shifting balance of power between government officials and business groups (Jayasuriya 1995). More fundamentally, it is not generating either an inevitable expansion of political liberties or a necessary diminution of an illiberal political rationality.

When viewed through the theoretical framework provided by the political rationality approach, then, the contested nature of APEC's institutionalization becomes more comprehensible. Indeed, the origins of the competition between different forms of capitalism and their concomitant patterns of economic, political, and social organisation throughout the 'Asia Pacific region' is revealed through this methodology. Capitalist development and the constitution of regions are neither unilinear nor teleological. Moreover, there is no necessary relationship between markets and particular forms of political practice. In other words, an illiberal political rationality may endure, even in a globalised economic order.

Competing Political Rationalities: Theoretical Implications

A key contention of this paper is that an understanding of the dynamics of regional economic cooperation is informed and enriched by utilising the notion of political rationality in understanding the emergence and structure of regional institutions. Given that mainstream approaches to the study of regional cooperation—be they realist or liberal institutionalist—fail to appreciate the normative and ideological basis of regionalism, the notion of political rationality helps to clarify the context under which regional cooperation takes place. Indeed, much of the current debate over the respective virtues of realist as against institutionalist approaches to the study of regional cooperation fail to adequately recognise the fact that the concepts and tools of international relations are themselves the artifacts of specific understandings of state and society or models of political rationality. For example, the notion of policy networks or epistemic communities is rooted in a particular understanding of liberal political rule and we need to be careful in exporting these tools to settings which are broadly illiberal. In other words, the conventional tool kit of the analyst of regional cooperation may prove to be inadequate for the analysis of the comparative dynamics of regional cooperation.

A central proposition advanced in the paper has been that there are fundamental differences in the political rationalities of the EU and APEC. Importantly, it is argued that these differences are

manifest in a range of structural features such as levels of institutionalization and the role of non-state actors in the policy process. In general terms, the EU is influenced by a liberal political rationality whereas APEC is predicated on a non-liberal or cameralist form of political rationality. To fully understand the nature and character of these differences it may be useful to consider the role of territoriality in defining notions of sovereignty. Ruggie (1993) has perceptively noted that territoriality has become less salient in the constitution of sovereignty.¹⁰ However this—to use a rather cumbersome word—‘de-territorialisation’ is possible because political power is exercised through the harnessing of the energies of private actors. In other words, as Burchell et al. (1991) argue, security becomes synonymous with the freedom and rationality of individuals. In contrast, within cameralist forms of political rationality, security is identified with the government of a population within a given territorial area; in other words territoriality and sovereignty are synonymous (Jayasuriya 1994).

These notions of political rationality have important ramifications for the study of regional economic and political cooperation and much else besides. First, political rationalities have a significant impact on the way the economy or the market is constructed. These, in turn, shape the constitution of regional economic space. Although there is a burgeoning literature on the diversity of forms of capitalism in the world economy, the focus has been on differences in corporate structure, the texture of state society relations, and the nature and mode of state intervention. However, the contribution of the political rationalities approach outlined in this paper is to suggest that different forms of capitalism may also harbour incompatible normative presumptions about the purpose and ends of a market economy. Since political rationality determines the underlying normative structure of the market or economic processes, different political rationalities are likely to lead to variations in the articulation of the economy with other social and political structures.

The constitution of economic space in East Asia, therefore, is strongly shaped by cameralist forms of rationality. Central to cameralism is the provision of social order and the direction of policy towards the property and well being of the nation (Burchell 1996; Tribe 1984). As Burchell points out, this has a clear resonance with the Aristotelian theme of policy as ‘state house keeping’. However, it moves beyond the notion of economy as housekeeping to suggest that it involves ‘the application of certain definite governmental techniques to defined populations for specific purposes’ (Burchell 1996: 4). From a cameralist perspective, the economy is not an autonomous arena but an instrument to be used to further the prosperity of the population which in turn is seen to be vital to the provision of social order and security. In effect, the economy is subordinate to the state-defined ends of security and order. It is the embeddedness of the economy within the

matrix of these complex institutional interests which makes it difficult to constitute the economy as an arena independent of the state. In contrast to the idea of direction of distance, this notion of the economy renders it directly governable in the interests of security.

Policy networks are not unique to the European Union, and are becoming a more prominent part of APEC processes. However, the operation of these networks in East Asia and Europe is reflective of broader differences in political rationality. Policy networks differ in three main ways: first, in Western Europe policy networks operate relatively independently of member states of the EU, whereas in East Asia policy networks are closely aligned with the preferences of East Asian states; second, policy networks in East Asia operate in a tightly circumscribed ideological arena, whereas in Europe there is a relatively higher degree of ideological autonomy; finally policy networks in Europe often take on a direct role in policy implementation whereas in East Asia networks are excluded from the policy making process.

Overall, then, we are suggesting that the political rationality approach helps to account for some noteworthy paradoxes and anomalies at the level of inter-state behaviour, and allows us to identify important deficiencies in the contemporary theoretical literature. One of the principal benefits of an approach that focuses on distinctive political rationalities is that it avoids treating 'the state' as simply a cipher. Even some of the most sophisticated analyses of the international political economy have a tendency to reify or homogenise states, until they are reduced to little more than 'transmission belts' (Cox 1992). In this view, states are relatively powerless conduits through which external, predominantly economic forces pass, before inevitably reconstructing domestic economies along neo-liberal lines. Even within a sophisticated Gramscian-inspired analyses of this sort, the suggestion is that multilateral institutions will inevitably reflect the interests of powerful, generally undifferentiated, transnational élites, promoting a relatively seamless neo-liberal world order. While the growing influence of financial capital in particular has encouraged a form of 'regulatory arbitrage' (Cerny 1996), in which states introduce increasingly liberal regulatory frameworks to attract highly mobile capital, there are important differences in, and limitations to, this process. In Korea, for example, the liberalisation process was not only mediated principally within the boundaries of the state itself, but presented the *chaebols* with the possibility of actually increasing their influence over the financial sector (Bernard 1997).

The impact of globalisation, therefore, is not undifferentiated, but shaped by specific national contexts and their associated political rationalities. To put the matter somewhat differently and more provocatively, if there is an epochal international shift toward a market order of the sort

associated with neoliberalism, as some commentators have suggested (Gill 1995), then it is a neoliberal economic order that is realised in highly distinctive and contingent ways. While the policy documents and reformist agendas of both the EU and APEC may be replete with the technicist language and rationale of the professional economist, there are significant differences in the way such formulations are realised in the two organisations. Importantly, states in the EU have been complicit in the transfer of political authority from individual nations to specialist policy communities (Underhill 1997), reinforcing the move to government at-a-distance. In APEC, by contrast, the much closer relationship between the public and private sectors has meant that states, especially in East Asia, have been much more reluctant to cede control of national economic spaces to transnational or subnational authorities. Consequently, while there may be noteworthy similarities in the discourse of reform in both areas, APEC has *of necessity* needed to develop a more flexible and accommodating architecture, which does not demand legalistic compliance.

The point to emphasise is that where national political rationalities are conflictual, possibly even incommensurate, then the construction of any overarching, trans-national order must accommodate such realities. In East Asia, where the position of ruling élites is closely bound up with the existent economic structure, the possible constitution of markets beyond the state's influence as a self-regulating sphere, subject only to expert or technical management is remote. Not only does the dense network of institutional infrastructure that permits government at a distance in the EU not exist in East Asia, but *such a transformation represents a direct threat to extant patterns of political and economic power*.

Concluding Remarks

We have tried to show that the strength of the political rationality approach to the comparative study of the process of regional economic integration is that it allows us to focus on not only the different modes of market governance, but on the manner in which the economic processes are constituted both at the domestic and regional level. Ideological and normative state traditions shape the very ethical architecture of the market economy, its normative presuppositions, its purposes and ends, and above all, its degree of autonomy from other social and political structures. The construction of economic orders, be they national or trans-national is, therefore, not necessarily a linear process toward a European or Anglo-American end point, but a contested process profoundly shaped by political interests, entrenched traditions of economic governance, and existent institutional infrastructure. In other words, competing political rationalities are

deeply implicated in the construction, legitimization, and organization of distinctive patterns of economic activity.

Regions, or more specifically, the fora that give institutional expression to regional consolidation are, therefore, necessarily social constructions and consequently reflective of entrenched national interests. In East Asia, because economies are imbricated with state-defined ideological projects, it is not possible to constitute economic space that is autonomous of the constellation of state interests. This general conclusion leads to an interesting paradox: states in East Asia intervene and govern economies directly at the state level, while at the same time these very same states are vehemently opposed to imposition of any regulation at the regional level. Katzenstein (1997), aptly describes this state of affairs as a form of regionalism in markets, rather than through formal institutions. While this is an accurate description of the absence of trans-regional institutionalization in the East region, the underlying reason for the lack of such a regulatory framework is the failure to constitute an independent arena of economic space outside of the state. This failure, in turn, can be traced back to the dominance of cameralist forms of political rationality in much of East Asia.

By contrast, the political rationality perspective suggests that the European form of government at a distance is predicated upon very different assumptions and made possible by the existence of an extensive institutional infrastructure outside of the state. Central to this infrastructure is governance through policy networks that enables both the constitution and governance of interests at a regional or European level. Therefore the construction of an autonomous and independent market requires a parallel process that governs and directs the interests affected by this process of market building. Indeed, in the European context this has often taken the form of explicit juridical recognition of these non state interests. There is, therefore, a direct, if opaque link between a liberal political rationality and the constitution of an independent arena of economic space.

Political rationalities, then, are a reflection of the contingent political forces, institutional structures and discursive practices that inform policymaking and, ultimately, attitudes to international cooperation. Viewed in this light the distinctive patterns of European and East Asian political practice and their concomitant forms of institutional development become more comprehensible. International institution building and cooperation is neither teleological nor simply a technical exercise, but shaped by a range of national political and economic structures that both permit and constrain possible outcomes. Without the dense infrastructural framework of policy communities and non-state agencies that exist in the EU, a liberal political rationality

and government at a distance would be both less feasible and less attractive. The political rationality approach suggests that reproducing such mode of governance in the APEC region will not simply be a daunting technical problem, therefore, but will also face a more direct political challenge from political forces and economic actors whose position is dependent upon existing patterns of state authority.

Notes:

- ¹ Indeed, the works of Foucault (e.g., in Burchell et al. 1991), Pocock (1985), and Hirschman (1977), albeit from different perspectives, have noted that the growth of commerce posed a unique set of problems for traditional conceptions of sovereignty (Foucault) or republican citizenship (Pocock).
- ² For a survey of the social market tradition see Thompson (1992).
- ³ Barry's work is an impressive attempt to use the political rationality approach for the understanding of harmonization. He recognises—and he is the first to do so—the importance of the role played by 'direction at a distance' in the European region. However, our argument differs from his in that we emphasise the role played by non-state actors in the regulation of the market, and the importance of juridification of interests in the constitution of the market.
- ⁴ Caporaso's article is interesting in that it argues that the European Union is a distinctive form of a regulatory state. This argument has much in common with Cerny's (1996) recent identification of a shift from the 'welfare' to the 'competition' state. However, a problem with these arguments is that they fail to recognise the fact that these forms of state may be embedded in very different modes of political rationality.
- ⁵ Of course, this is not to deny the important role played by the European Commission in setting the agenda for these networks, but the point is that it does this by harnessing the energies of non-state actors. It acts at a distance.
- ⁶ Japan's willingness to challenge the neoliberal orthodoxy demonstrates that while an influential strand of 'neo-Gramscian' scholarship is right to draw attention to the influence of ideology on the construction of national public policy, the content of this ideational influence is not homogenous or uncontested.
- ⁷ It should be noted that the theoretical utility of a 'national' economy has been seriously undermined by the internationalisation of productive processes and financial flows. See Bryan (1995).
- ⁸ Amongst a host of emergent transnational institutions and trade agreements in the region are the Australia-New Zealand Closer Economic Relationship (CER), the Association of Southeast Asian Nations (ASEAN), the ASEAN Free Trade Area (AFTA), the ASEAN Regional Forum (ARF), and if the 'Asia-Pacific' is defined more expansively then the North American Free Trade Agreement (NAFTA) and the *Mercado Comun del Cono Sur* (MERCOSUR) may also be included.
- ⁹ It is also worth noting that during the recent economic turmoil in Southeast Asia, Japan was heavily involved in bailing out the most badly affected regional economy—Thailand—thereby reinforcing an EAEC based regional order (Ishizawa 1997).
- ¹⁰ Of course Ruggie (1993) argues that this displacement of sovereignty is characteristic of the post modernist state. This is somewhat doubtful as the whole point of a liberal political rationality is precisely this displacement of territoriality as a key element in the exercise of political power.

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