

RÉGULATION THEORY AND ASIA-PACIFIC REGIONALISM: DEMYSTIFYING THE FORMER TO EXPLORE THE LATTER

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Abstract

Over the last two decades, investigating the genesis of institutional outcomes within the International relations discipline has been dominated by the ascension of the Constructivist paradigm. Prevailing accounts therefore attribute much importance towards actors and their propensity to alter the cognitive psyche of states and statist actors to subsequently engender policy change. Consequently, scholarship has been rather tepid towards structural factors and their likely impact. Attempting to transcend prevailing accounts, this paper propounds a dialectic explanation of institutional change that probes how social features (actors, discourses, institutions) are able to stabilize the impediments plaguing an evolving material structure anchored at the regional locus. *Régulation* attains significance. Employing this framework, the paper then dissects the advent of the Asia Pacific Economic Cooperation Forum (APEC) to illustrate that institutional change at the regional level pivots on the ability of a socio-political ensemble to regulate an evolving mode of production and the ensuing coherence between both.

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List of Abbreviations

ABAC – APEC Business Advisory Council
APEC – Asia Pacific Cooperation Forum
APT – ASEAN Plus Three
ASEAN – Association of Southeast Asian Nations
CAP – Collective Action Plan
ETC – Economic and Technical Cooperation
EVSL - Early Voluntary Sectoral Liberalization
FDI – Foreign Direct Investment
IAP – Individual Action Plan
IMF – International Monetary Fund
IR – International Relations
MOR – Mode of Régulation
NIC – Newly Industrializing Countries
OPTAD – Organization for Pacific Trade and Development
PAFTAD – Pacific Trade and Development Conference
PBEC – Pacific Basin Economic Council
PECC – Pacific Economic Cooperation Council
ROA – Regime of Accumulation
ROK – Republic of Korea
TILF - Trade and Investment Liberalization
USSR – Union of Soviet Socialist Republics

Chapter 1 – Introduction

How are ideational agents and actors able to implant their ideas onto governmental elites and subsequently induce pertinent policy outcomes? This query has continued to thwart theorists ensconced in the International Relations discipline for decades. And it doubles up as an ongoing issue that deserves further scrutiny. Discerning ideational influence represents a herculean task. Yet, prevailing accounts¹ have delineated and lauded this veritable aspect without the requisite rigor undergirding the argument. Perhaps it would be accurate to posit that major strands of IR literature over the past two decades have succumbed to the primacy of social agency. This paper intends to address this particular abdication by integrating structural factors into the sphere of analysis and as such hopes to contribute to the literature by focusing on the critical impact of socio-economic structures in complementing the efforts and efficacy of social agents to engender policy change at the international level.

I endeavour to address this *problématique* within this research paper by: firstly delineating the Régulation framework to explore the advent of institutional change² that emphasizes how extant processes of production and capital accumulation are stabilized through a process called *Régulation*, and then secondly, by employing this framework to study how social agents enmesh with evolving material structures to produce institutional change in the Asia-Pacific regional enclave – and specifically the establishment of the Asia Pacific Economic Cooperation Forum (APEC). More concretely, this paper zeroes in on the establishment of the APEC: a seminal institutional accomplishment that occurred as the cold war drew its final breaths.

¹ Higgott (1994), Harris(1994), Katsumata (2003), Acharya (2004), Anthony (2005), Johnston (2008), etc.

² Institutional change in this regard refers to the creation of new institutions or the alteration of existing institutions (Aggarwal 1998:42)

For over two decades, advocates of Asia-Pacific regionalism worked assiduously to build the consensus requisite to create a regional organization that can defend and advance collective concerns. Initial Asia-Pacific regional advocacy was unravelling within an environment that underscored geopolitical hostility and economic mercantilism essentially stifling the space to engage constructively over issues of economic integration and openness. And the prevailing politico-economic paradigm served quite well in inducing economic growth and bolstering the legitimacy of regimes and their leaders at the helm. Hence the manifest neglect towards efforts and ideas that threatened to rock the boat.

In contrast, since the 1980s, the paradigm sustaining the inter-regional accord exhibited signs of discord. Exogenous shocks in the early 1980s triggered a regional downturn ushering in an extended period of malaise. And under duress with prevailing modes of accumulation and production imperilled, political elites proved to be more receptive towards ideas that could reinvigorate growth patterns and concomitantly bolster their domestic political credentials. Subsequently, efforts of a slew of agents and their ideas gained salience. The idea of enhanced economic integration in a rapidly regionalizing space divested of perennial geopolitical tensions curried favour with regional elites and was effectively channelled through the discourse being propagated by social agents ultimately engendering a platform capable of facilitating change. The ideational onslaught also proved to be in sync with and constituted via transforming material processes illuminating the credence and timeliness of ideas and the actors conveying them. And the ensuing product was the APEC.

Why the shift? The central difference owing to the disparity in length of the eventual outcome is the incongruence of the agenda and activism of these policy entrepreneurs with the prevailing institutional ensemble that managed the prevailing mode of production and mediated its

vagaries. Central to the advent of institutional change is coherence between production processes and their respective socio-political realm where the exigencies of the former are manifested. In contrast to other accounts, this paper underscores a process of *Régulation*. Instead of abdicating independent importance to social agents and their propensity to induce policy shifts through their ideas, *régulation* implies a complex process where the dominant mode of production (capitalist system) is regulated and regularized by a set of social features – institutions, actors, norms, values, discourses, etc. Through this process, material constraints impeding the accumulation process are discursively channelled to the social sphere where they are neutralized by a set of institutional forms and social agents. A concomitant union between the material and social spheres enables a capitalist mode of production to sustain itself. And the eventual triumph of social agents and their ideas in this regard is intricately connected to the discursive constitution of material interests and the efficacy of an emerging socio-political milieu to resolve them.

The paper's focus on the APEC is significant. The entity epitomized a new era that conditioned economic relations between intertwined regions by espousing a form of *Open Regionalism* that eschewed trade discrimination and welcomed regional collaboration. And the advent of an organization that intended to facilitate trade relations between both sides of the Pacific seemed timely given the dissipation of geopolitical imperatives prevalent in the cold war context. Yet, the study of the institution of the APEC has been largely undertaken with precedence being given towards social agency illuminating the propensity of ideational actors without giving adequate attention towards the structural currents that determine the efficacy of their activism.

In order to do so, this paper is organized as follows. The initial section will present differing perspectives on social agency and posit the utility of employing the *régulation* framework to comprehend institutional change. The second part will demystify in detail the *régulation* framework

placing the process of *régulation* at the forefront. The following section will then incisively dissect the genesis of the regional forum through a process tracing approach to illuminate how *régulation* eventually determined the advent of the institutional change being studied. After which, the next section will elucidate alternative theoretical explanations of the case at hand to reveal the utility of employing the *régulation* approach. The penultimate section will provide a succinct assessment of the APEC by employing a tripartite framework constitutive of three conditions that determine the success of regional projects before tapering off to the finale.

Chapter 2 - Varied Perspectives on Social Agency

The aforementioned *problematique* – of the primacy of social agency emanates from varied accounts within recent IR scholarship that accord much causal importance towards agents and their ability to independently induce policy change employing their ideas. Amitav Acharya notes that most accounts from this stream of literature are collectively tagged as the “second wave³” of scholarship on norm diffusion given its intention to explain how domestic political structures and agents generate normative change (Acharya 2004:240). Different schools of thought have conveyed their accounts on this premise.

Some rationalist theorists (although not exclusively⁴) organized their thoughts and ideas under the Epistemic Community baton (Haas⁵ 1992) – by highlighting the ability of transnational coalitions to influence state actions by clearly illuminating cause and effect linkages as well as advising on the costs and benefits that nation states stand to accrue by implementing a certain policy or from a failure to take action. And Haas depicts that they do so based on an “an authoritative claim to policy relevant knowledge within that domain or issue area (Haas 1992:3).” By doing so, they refrained from incorporating system level and unit level analyses in their work but still adhered to the cardinal principle that state’s preferences are fixed.

Social Constructivists differed fundamentally in this regard by espousing strongly that social reality is constructed and not exogenously given hence state’s preferences and interests are susceptible to change by social agents. The literature on socialization (Johnson 2008) claims that

³ Cortell and Davis coined this trend to emphasize domestic agency and processes and their ability to bring about policy shifts. Other theorists within this wave include Checkel (2001), Gurowitz (1999), Farrell (2001).

⁴ The jury is split as to assigning ontological foundations of the Epistemic community phenomena with some constructivists according that mutual understandings of a free trade paradigm between transnational policy elites essentially set the stage for the institution of the APEC (Higgott 1993). One of the fundamental flaws of constructivist and rationalist conjectures here pertains to the ability to understand regional integration exclusively through an economic lens whilst ignoring issues of securitization that were equally important in driving the genesis of regional institutions.

⁵ Haas’s account of Epistemic communities does not feature within the Second wave.

Track Two processes⁶ assist in cognitively altering the interests and identities of policy actors and thereby rendering corresponding outcomes. Jeffrey Checkel continues this thread by stating that processes of socialization are adept at transforming states and their actors leading them towards internalizing new identities and inculcating new norms (Checkel 2005:802). Amitav Acharya (2004) through his critical work advanced the cause of norm diffusion via localization by elucidating a process where track two actors essentially condition or *localize* global norms to make them more amenable for regional consent (Acharya 2004).

One commonality emerging from the literature is that despite their varied ontological foundations, these accounts focus on elaborating how agents are able to marshal their ideas and subsequently shape the agendas and actions of governments. Consequently, they hold a tepid attitude (at best) towards structural factors and their impact over eventual outcomes. And this piece seeks to question this oversight. However, this research effort does not completely negate the role played by agents and dispel the veracity of their ideas but it represents a plea to be more accommodating of structural factors within the sphere of analysis by being open towards examining how structures and agents interact within a given temporal space to facilitate policy change. Therefore, it seeks to understand the process through a structure-agency dialectic⁷ with the hope of discerning the dynamic and their impact over policy change.

The Régulation approach in this regard possesses a transcendental feature by comprehending institutional change vis-a-vis a capitalist backdrop. It signifies a process where material structures matter but at the same time giving requisite weight to social agents and discourses since it posits that

⁶ Track Two diplomacy as coined by Joseph Montville is unofficial and not structured; more often than not is informal, ad-hoc, and flexible and hence more conducive towards innovation. The underlying assumption governing the impetus behind Track Two processes was that conflict or cooperation could be resolved and advanced through a process of appeasement, by bringing foes or friends together on a common platform and holding a constructive deliberation to address salient issues (Kaye 2001:51).

⁷ A similar dialectic explanation is recently forwarded by Helen Nesadurai (2009) where she argues that recent outcomes within the ASEAN cannot be pigeonholed neatly under ideational (constructivist) or material (realist) explanations. Instead, she argues that recent outcomes display complexities that are the product of an interaction between ideational and material factors effectively conveying that the study of regional governance in Asia should borrow from various traditions and not suffer from theoretical rigidity (Nesadurai 2009).

the latter play a key role in stabilizing the former. Régulation theorists confidently assert that this holistic feature enables us to take stock of an array of factors that are critical in contributing to and consolidating a given mode of production. And the cardinal goal of consolidating a mode of production also rests on this process of securing an institutional compromise between prevailing structures, institutions and actors within a specific temporal space. As Jessop sums, “The reproduction of capitalist societies is neither a fateful necessity nor a wilful contingency (Jessop 1990:194).” Hence both matter. Instead of attempting to independently discern and chart the process through which agents influence governmental actors to engender outcomes, I employ the Régulation framework as an integrative tool to trace a process where structures interact with agents to produce institutional change.

Chapter 3 - Demystifying Régulation

In order to expand on the concept and process of Régulation, I cull together different strands of scholarship from the Régulation approach initially devised by the French Political Economy School in the early 1970s. Although the approach owes its origins to theorists from the *Ecole de Régulation*, the approach has branched out eliciting varied regional accounts. The Régulation school in itself represents a broad church composed of several strands: Parisian, Grenoblois, British, West German, SSA, Amsterdam School, etc (Jessop 1990:156). Although these different strands are distinct in certain operational terms, they do share a few important commonalities that drive their research agendas. The overarching paradigm derives its fundamental onus from Marxian political economy and hence aims to impart critical accounts delineating the political economy of capitalist systems (Jessop 1990, 1997, 2001). Secondly, it does not choose to fulfill the former in separation from social sphere. It perceives of the economic domain as being dynamically constituted and reconstituted by the societal realm. The approach views capitalist systems as intricately embedded to their social ambit and its constitutive features - institutions, networks, procedures, norms, practices, conventions, etc (Jessop 1990, 1997, 2001). Integrating both, it views these societal features or *institutional forms* as imperative in enabling the reproduction of capital to ensue. And by doing so, the approach posits that the social relations of production are the critical driving force underpinning the relative stability of capitalist systems. And I draw from this school of literature to gradually sketch the process of régulation – what is régulation, why does régulation occur, how it transpires – delineating the process of régulation, and what is the impact of régulation.

3.1 What is *Régulation*?

One of the early pioneers of the *régulation* school – Robert Boyer states that one of the critical obstacles hindering the applicability of the approach beyond European shores is a semantic difficulty – of incorrectly associating the French term “*régulation*” with its English counterpart “regulation” that is most often used to indicate the control of different sectors in economies (Boyer 2002:1). The approach suffered for literally being lost in translation. The French connotation conveys a different meaning: *régulation* in this regard entails *normalization* or *stabilization*. And the process of *régulation* as per Michel Aglietta involves, “the analysis of the way in which transformations of social relations create new economic and non-economic forms, organized in structures that reproduce a determining structure, the mode of production (Aglietta 2002).”

3.2 Why does *Régulation* occur?

Since capitalist realms are inherently socially embedded – they are also historically and discursively constituted. Capitalist systems are therefore conceptualized as realms fraught with conflict and antagonistic social relations consumed by prevailing conflicts and struggles (class, culture, ideology, function, power, geography, etc) that if left unchecked endanger extant processes of capital accumulation. And secondly, features that constitute a capitalist system and critical in the production process possess twin values - *Exchange* and *Use* as identified by Marx. While the former value pertains to the market mediated monetary value, the latter refers to the symbolic or material value to a human subject (Jessop 2001:311). There are many variations to this phenomenon. Let us take two examples – capital is both an abstract value in motion that can be further invested in productive channels and it exists as a stock at a given temporal or spatial location. Labour is also regarded in dual fashion – as an abstract unit that can be channelled as a factor of production and as a concrete individual endowed with a given set of traits, skills and knowledge (Jessop 2001:311). And

this inherent dichotomy needs to be reconciled in order for such conflictual tendencies to subside and a given mode of production to stabilize.

Hence social systems are urgently required to essentially iron out the differences and conflicts emanating from the economic domain. These social systems or *institutions*⁸ possess a stabilizing feature whereby they are able to curb and defer these conflictual features innate within capitalist systems by *stabilizing* and keeping them at bay. Jessop argues that these “social institutions” give a contingent material expression to the resulting conflicts by mediating and normalizing them (Jessop 1990:172). These institutional entities are in constant interaction with such conflicts working to stabilize their innate tendencies that are detrimental towards incurring material progress. However, these institutions are not able to neutralize these tendencies at every moment leaving the door open for a potential disconnect and instability. Eternal stability is unattainable and crises do strike periodically. Crises crystallize when certain conflict laden tendencies escape the clutches of *régulation* and the purview of their social guarantors leading towards intermittent periods of tumult (Jessop 2001:215). *Régulation* therefore represents an ambivalent process that is quite difficult to forecast or predict and this is reflective of the nature of capitalism in itself.

3.3 Delineating *Régulation* – Accumulation and *Régulation*

At this juncture, we need to further break down further the process of *régulation* into a form that is amenable for analysis and deployment. Capitalism according to *régulation* thinkers is constitutive of the Economic + Social or Accumulation + *Régulation*. Both merge to sustain the overarching capitalist structure enabling capital accumulation to take place. In *régulation* terms, this

⁸ Michel Aglietta one of the founding pioneers of the *Régulation* approach presents structural forms within a particular mode of *Régulation* as institutions that emerged from class struggles to confer cohesion over the process of accumulation (Aglietta 1979:18).

equation is understood as *Regimes of Accumulation*⁹ (ROA) + *Modes of Régulation*¹⁰ (MOR) (Jessop 1990:5).

The ROA represents a concept devised to operationalize the process of capitalist accumulation. Each ROA signifies a mode for the distribution and allocation of resources and the need to establish a balance between the conditions for production and the corresponding desire to uphold the demand for consumption. As Alain Noel interprets, the ROA represents an accord that links the individual decisions that producers make with the socially effective demand they must confront (Noel 1987:320). For example, the amount of capital that is required for a particular activity is determined by the consumption attitudes of the society that firm caters towards. Regimes are mentioned here as ideal types that differ based on their context, characteristics and constituents that constitute that realm. Such regimes could exist at the national level (American Fordism, German Flexi Fordism) or as a cog of an international division of labour (Jessop 2001:3). Underpinning a given regime and the balance between production and consumption are accumulation strategies that states institute to accrue material benefits. Formulating such a strategy incurs the participation of social agents who seek to devise the most appropriate formula to drive production and propel growth (Jessop 2001:49). And the strategy in itself is reflective of and constituted through the material realities of that given mode of production. Whilst doing so, regimes inevitably encounter the innate contradictions that capital imposes at a specific juncture and contradictions that can only be defused through a process of stabilization or *régulation*.

A neoclassical account would confidently posit that these regimes of accumulation would automatically and inevitably reach equilibrium since it postulates the existence of an independent economic realm extricated from socio-political arrangements. Régulation theorists fundamentally

⁹ Hereafter referred to as ROA.

¹⁰ Hereafter referred to as MOR.

disagree. These regimes do not attain equilibrium independently primarily owing to capitals innate conflict laden trait and instead are rather closely embedded to their respective social contexts or the 'set of institutional forms, networks, of explicit and implicit norms' (Lipietz 1987:20).'' Such social ensembles are referred to as *Modes of Régulation*. The unsettled quandaries that emanate from a particular accumulation regime (and capital's contradictory nature) are therefore manifested within the social strata in different capacities and emerge in need of *régulation* or stabilization. Within a given MOR, there exist five variant institutional forms or *objects of régulation* – monetary relation (nature of money), organization of wage relation (labour markets, wage settings), modes of competition (internal competition between firms), role of the state (forms of state intervention) and international regime (international agreements) (Jessop 2001:232). And these institutional forms represent objects that merit *régulation* in order to resolve conflicts emanating from the economic sphere that can then set the stage for accumulation to accrue.

At this juncture, it is important to mention two key points regarding these objects and modes of *régulation*. In order to contest functionalist critiques¹¹ levied at the *Régulation* approach, we need to specify the process by which these entities emerge and interact. MORs do not emerge in tandem with a particular ROA but are in essence historically contingent and evolve in an independent fashion stemming from the nature of conflicts afflicting the accumulation regime (Jessop 1990:186). In regards to the objects in a particular MOR – they exist within a given MOR independently but are also reconstituted following their activation within that particular mode. In other words, these objects do pre-exist as independent entities but are then transformed into definitive objects once they integrate into a specific MOR where they gain their moment or true identity critical in their relative utility to the production process (Jessop 1990:187). Under a given

¹¹ Critics who repeatedly use the functionalist argument to undermine the *Régulation* approach by assigning a MOR's emergence in relation to specific ROA or vice-versa (Jessop 1990:185).

MOR, one of these objects would trump the rest, implying that all forms do not carry equal weight within an institutional ensemble. And this dominant institutional form is also able to secure the compliance of its corollaries in turn securing an institutionalized compromise between the objects (Jessop 1990:183). Therefore, one can then infer that periods of economic prosperity would partly rest on the advent of a secure institutionalized compromise within a MOR and periods of turmoil would in turn entail the opposite where it would be difficult to strike a chord between these institutional forms. And at this pivotal stage, it is time to shed light on the process that facilitates a compromise between a particular ROA and a coherent MOR to attain fruition thereby eliminating all the major hurdles standing at the altar of capital accumulation.

3.4 Achieving Coherence: Spacio-Temporal Fix

Once a specific institutionalized compromise between the variant objects of *régulation* is achieved and a given MOR is secured, does that render the accumulation of capital to ensue? Not yet. A pivotal question that still lingers pertains to the union between the ROA and MOR that is critical in enabling the process of capital accumulation to resume and the dominant mode of production to consolidate. The major query that emerges is how does a MOR enable a ROA to reproduce itself? Securing a compromise between these two spheres entails the institution of a social fix at that temporal juncture or as Bob Jessop coins – *A Spatio-Temporal Fix* (Jessop 2001:317). These fixes essentially emerge when a given ROA and a concurrent MOR co-evolve and fuse to produce a certain structural coherence within their temporal space. And this fix is achieved by giving precedence towards the *régulation* of one of the institutional forms within a particular MOR as well as opting towards the formulation and implementation of specific accumulation strategies that aim to resolve conflicts plaguing a particular ROA. At this pivotal juncture – we are compelled to reinstate the issue of social agency and discourses as critical in devising and advocating a specific

strategy of accumulation that can reinvigorate the economic engines within that particular environment (Jessop 2001:49).

Agency recasts itself in the guise of a strategic deed in order to lend coherence and secure a compromise between an evolving regime of accumulation and the institutional apparatus gradually forming to resolve the constraints. An accumulation strategy enabling production processes to thrive within an accumulation regime subsequently coalesces with the dominant institutional form (that supersedes other objects of *régulation*) within that particular regulatory ensemble rendering a structural coherence between dual spheres: MOR and ROA thereby allaying salient conflicts plaguing a production regime. A structural coupling and co-evolution of an accumulation regime and institutional regime is therefore imperative. And this is reflected in Bob Jessop's summation, "Seen in integral or inclusive terms, specific forms of capitalism can be interpreted as an accumulation regime + mode of social regulation (Jessop 2001:5)." Therefore, if ROAs represent periods of sustained growth over a given period of time encapsulated by regular capital accumulation then MORs serve as the enablers by resolving the material conflicts that arise as capital imposes itself indiscriminately over the socio-political realm. The economic and extra-economic elements are thereby synchronized enabling accumulation to commence and eventually consolidate.

In the next section, I examine the institution of the APEC that transpired in the early 1990s after an array of false starts. The reason, I argue here hinges on the ability to *réguler* the conflict laden tendencies emanating from the production regime (ROA) by an institutional ensemble (MOR) as well as the ability to secure an institutionalized compromise between the twin realms to consolidate a given mode of production. Drawing on a range of secondary sources from the Asia-Pacific regional literature, I employ a process-tracing approach to illustrate how successful *régulation*

set the stage for an eventual synchronization between the economic and social realms and the advent of an inter-hemispheric regional organization: APEC.

Chapter 4 - Dissecting the Genesis of the APEC

Following World War II, the subsequent three decades proved to be a seminal era characterized by stunning growth trajectories within the yet to be designated Asia-Pacific region. The polarized geopolitical climate during the cold war characterized by distinctive ideological mantles structured relations between dual superpowers and their regional Asian counterparts. The principal source of difficulties afflicting nascent Asian economies were ideological clashes being waged on regional shores by rising powers impelling nations to seek refuge under either mantle to shield their territorial integrity and economic sovereignty (Leftwich 2008:12). The American security umbrella bequeathed a fertile environment fostering the growth of successful capitalist economies within the Asian region as well as acting as the market of last resort. For the East Asian states fortuitously placed on the American side of the equation, the alliance envisaged the prospect of defence protection, fiscal incentives in terms of aid and investments, and most importantly the largest market to target their exports (Beeson 2006:253).

Under this environment, attuned Asian economies¹² flourished without having to reciprocate in terms of opening up their borders for commerce. The American incubator sheltered a distinct model of Asian capitalism that revolved around leveraging the comparative advantages of domestic economies to create export oriented sectors that can compete in and service global markets (ADB 2008:29). East Asian economies were well endowed in terms of a sizeable well educated populace that could be mobilized with low wages and economic elites capitalized by adopting an agenda that deployed accumulating savings and investment to gradually build export oriented industries (Breslin 2004:108). Geostrategic constraints during the cold war era precluded Washington to impose or perhaps more forcefully call for the foundation of an economic philosophy along pristine liberal,

¹² These include the four Asian NICS – South Korea, Hong Kong, Singapore, Taiwan and a few ASEAN economies – Malaysia, Thailand, Indonesia and the Philippines.

free market ideals within the Asian realm. And this accommodating geopolitical space gradually gave way to Southeast Asia's distinctive state-led, mercantilist economic expeditions with a strong authoritarian fist at the helm (Glassman 2006:224).

It became evidently clear as times progressed that this particular accretion regime was being tested owing not only to regional but also global events that imperilled this tacit regional compact. Firstly, this asymmetrical trading arrangement engendered massive trade deficits for the United States and equally beguiling surpluses for the NICs. Asia's trade surplus rose from \$ 840 million in 1970 to an astonishing \$ 11 billion in 1980 (Guerrieri 1998:70). The gradual inculcation of such a lop-sided economic relationship incited much rancour in Washington that subsequently increased the calls for Asian economies to liberalize but commensurate responses were not forthcoming or promising (Ravenhill 2001:56). Secondly, cold war hostilities gradually defused. The USSR's belligerent behaviour within and beyond the region declined and along with it the notion that Moscow could unilaterally pose a security threat to the region as it had for decades. This geopolitical exigency became critical since one can confidently surmise that the Developmental State model itself hinged on the salience of the existential security threats that imperilled the territorial integrity of infant Asian nations justifying the regional security blanket imposed by Washington (Leftwich 2008:12). And the triggering event that eventually rocked the system and eventually undermined the prevailing inter-regional compact proved to be the economic crisis incited by the oil shocks in 1980 and the ensuing malaise deeply affecting nations ensconced in the Asia-Pacific neighbourhood.

Crisis inevitably struck and destabilized the prevailing accord. In hindsight, one can perhaps infer that chips were assembled in a certain order where an imminent crisis would have in all certainty rocked the status quo. And the second round of oil shocks precipitated this certainty. The dramatic hike in oil prices in 1979-80 drove commodity prices through the roof severely

complicating the process of culling requisite resources to keep Asian industrial engines running (Frieden 2006:365). Consequently, the NICs suffered current account difficulties stemming from the fiscal burden associated with importing commodities critical in the production process.

Simultaneous stagnation in the west served to depress the demand and price of exports traveling the other way and rising inflation served to exacerbate this vicious downturn by raising the prices of goods being imported (Frieden 2006:373). This vicious scenario arrested growth rates across Asia given the region's penchant to rely on export-oriented strategies and industries to propel growth. It is important to underscore that this economic slump continued to persist until the tail end of the decade and was equally shared by countries on both sides of the Pacific Rim (Ravenhill 2001:66).

The crisis also ushered in a resolute sense of reform to rectify the regional downturn. Domestic liberalization represented the tonic to remedy the deteriorating condition and it soon became a common strategy¹³ nations undertook across the region (Ravenhill 2001:67). The moment also served as a window where policy entrepreneurs that were pro-liberalization managed to forge domestic and transnational coalitions to get the message across. Across the Pacific, bureaucratic ministries in Canada, Australia and New Zealand reorganized to facilitate and execute liberalization. And in parts of the ASEAN, (Indonesia, Thailand and Malaysia) reform minded technocrats assumed the mantle of navigating the process of liberalization through their apparatuses in the midst of fierce opposition (Ravenhill 2001:66). Along with these bureaucratic mavericks, business and labour also joined the fray realizing the magnitude of reform despite the differences over the preferred course to take. Capital interests transmitted their concerns either vocally by elucidating the difficulties that import barriers possessed or by exercising their prerogative of exiting that national

¹³ The push towards liberalization broadly entailed (although unevenly across the rim) – governmental retrenchment and restructuring, reduction in tariff and non-tariff barriers, loosening capital controls and more flexible mechanisms of managing exchange rates (Ravenhill 2001:68).

boundary (Ravenhill 2001:69). Insular domestic groups and coalitions that had long served as thorns against liberalization were being relegated in favour of an agenda driven by a coalition more *regional* friendly in heart and mind.

One of the direct effects of this concurrent reformist barrage across the region is that it engendered a more propitious platform towards developing dormant intra-regional connections and augmenting latent inter-regional linkages. And as the 1980s progressed, the currents guiding the regional economic milieu began to shift and deepen rendering a regional production network coupled with a more balanced consumption constituency. Expanding intra-regional trade and FDI linkages within the Asian hemisphere boosted intra-regional relations. The institution of the Plaza Accord in 1985 generated a flood of investment flows from the more affluent to the growing economies in East Asia (Stubbs 2002:445). Northeast Asian investment (Japan, ROK, and Taiwan) into the ASEAN increased exponentially exceeding their investment levels over the preceding three decades. FDI flows towards the developing Asian economies increased from 9 percent in 1985 to 23 percent in 1994 (Urata 1998:92). In tandem, other factors also contributed. The strong revaluation of the Japanese Yen forced firms to relocate south where costs could be effectively controlled. Japan expediently dethroned the United States as the chief investor in Southeast Asia (Guerrieri 1998:73). The gradual integration of China (since the late 1970s) into the regional milieu also served as a major regionalizing boost by providing companies across the region a boon for shifting production. And within quick succession, the Chinese economy accounted for 20 percent of Asian trade and 70 percent of the region's FDI flowing in and at the same time providing a new market for the region's products and commodities (ADB 2008:30).

The advent of intricate investment patterns also generated spill-over effects, enabling hitherto established export sectors to create production networks capable of harnessing the

competency of each specific geographic base within that chain (Guerrieri 1998:74). Prevailing production advantages such as a well educated populace served to facilitate this intra-regional surge as it did for national economies thirty years prior. The major difference following the 1985 Plaza Accord was a greater impetus towards exporting within Asia complementing the markets already present abroad¹⁴. It also served to alter the export structure of the Asian region – from exporting commodities for quite an extended period, many Southeast Asian economies upgraded in becoming manufacturing producers that further signified the importance of and need to lock access to foreign markets (Ravenhill 2001:76). In sum, the period following the crisis induced liberalization at the national level and regionalization at the regional level.

Rapid regionalization within the Asian hemisphere also bolstered the Asia-Pacific connection since a majority of the exports being manufactured were still being despatched to foreign markets especially the United States. One major problem continued to persist – the negative terms of trade for the west. The trade deficit ballooned from \$ 11 billion in 1980 to a staggering \$ 70 billion in 1985 and subsequently \$92 billion in 1991 (Guerrieri 1998:70). The share of trade by nations within the Asia-Pacific neighbourhood substantially rose directly attributable to the rapid growth rates exhibited by Asian economies compared to other parts of the globe (Petri 1993:43). In other words, the Asian contingent appeared to be the most magnetic economic force on the planet. And this naturally elicited closer integration and induced competitive tensions. In order to wed themselves closer to the Asian cluster, economies such as Canada and United States exerted their Pacific credentials by establishing closer linkages. John Ravenhill notes that the share of North American exports headed eastward increased from 47 to 58 percent in a decade (Ravenhill 2001:73). The

¹⁴ In conversation with Prof Paul Evans in Vancouver, British Columbia.

Pacific Rim represented the pre-eminent economic force on the face of the earth by the late 1980s but not one immune from a set of quandaries on the cusp of manifestation.

The regionalization of capital and production gradually induced and encountered set of challenges that threatened the continuity of the booming economic constellation along the Pacific Rim. Firstly, the American political establishment that had stomachached this asymmetric trade relationship for decades began to display discord and manifested its response in protectionist terms (Ravenhill 2001:80). Congressional resistance led to a bout of retaliatory trade practices to break the perpetuating free riding tendency. As Raymond Vernon illustrates, ministries in Washington were in the process of filing 133 cases to further restrict exports sailing in from East Asia in 1988 alone (Vernon 1996:424). American trade unilateralism returned with a vengeance setting alarm bells ringing across the hemisphere.

Secondly, the late 1980s ushered in a major seismic event that instantly transformed international power structures and the nature of global diplomacy – collapse of the Soviet Union. One immediate certainty was a new era of international relations. And given the shift, Asian nations were bracing themselves of an imminent American exit from their neighbourhood (Ravenhill 2001:62). Such a prospect worried Asian economies now completely invested in an intensifying regional economic domain characterized by feverish intra and inter-regional linkages. Many ASEAN nations also feared an impending Sino-Japanese hegemonic race that could potentially hold adverse regional implications (Yamamoto 1998: 208). The potential of a power vacuum amidst an evolving geo-economic space churned out palpable anxieties pervading the regional landscape. An age of strategic uncertainty beckoned.

And finally, regionalization in other parts of the globe matured engendering competitive *regionalisms* or the political realization of regionalizing trends. Across the globe, the European Union set the benchmark through the re-launch of European integration revolving around the single market in the mid 1980s (Van Appledorn et al 2004). Washington and Ottawa embarked on a similar effort with negotiations surrounding a continental free trade accord uniting the three major economies. Regional fever emerged across the globe. It would be accurate to posit that fever surrounding regionalisms raised fears of trade diversion across the Asia-Pacific since emerging regional congregations would have effectively curtailed foreign market access to Asian economies severely denting their ability to keep export engines running. (Hurrell 1995:47).

Being intricately tied to the evolving capitalist structure, the socio-political realm became the centre where these major impediments were manifested and discursively channelled by social agents. As the new regional division of labour gradually gained shape captured by rising capital flows, trade linkages and production shifts across the region, the liberal economic discourse being propagated by policy entrepreneurs (within, outside and between the governmental realm) proved to not only fit but also augment shifting material realities unravelling across the region. And most importantly, their gospel also represented a remedy to counteract the conflicts afflicting the regionalizing production regime. Subsequently, efforts and ideas of variant policy actors having been admonished for decades gained a sudden appreciation.

For over two decades, entities such as the PAFTAD, PBEC, and PECC essentially carried the mantle of Trans-pacific regionalism (Ravenhill 2001:63). The Pacific Trade and Development Conference (PAFTAD) is unofficially regarded as the grandfather of Asia-Pacific policy networks. From its institution in 1968, it has possessed an overarching influence over the regional atmosphere incubating several major accomplishments in Asia-Pacific regionalism. To this day, PAFTAD

continues to function as an academic and not a policy network within the regional ambit working with other networks to shed light on salient regional issues. It also served as the direct progenitor of the Pacific Economic Cooperation Council (Morrison 2004:555). The Pacific Economic Cooperation Council (PECC) emanated from the joint Australian-Japanese sponsored Canberra conference in 1980, with the explicit onus of advancing intergovernmental collaboration in the Pacific Rim. It possesses a distinctive tripartite structure, merging the capacities and energies of actors from government, academia and the private sector. As Charles Morrison mentions, it has gradually evolved into the “region’s most influential Track Two policy network” (Morrison 2004:556). The Pacific Basin Economic Council’s (PBEC) genesis was quite similar to its counterpart PAFTAD in time - the late 1960s but differed in nature – created as a forum to enable business leaders to meet and share common views. Originally, its membership was confined to the developed economies of the Pacific Rim but this stipulation was altered as economic linkages expanded geographically. Following the institution of the APEC, it sought to augment its influence over the body by projecting itself as the ‘voice of business’ but was defeated in its effort by the internally established APEC Business Advisory Council (ABAC) (Morrison 2004:556).

Much credit has been bestowed on these ideational agents over the institution of the regional forum. It is widely regarded that the PAFTAD and its disciples clearly adhered to and advocated tenets of neoclassical economics that saluted the primacy and efficiency of self-regulating markets. In the 1970s and 1980s, the message being spread regionally also coalesced with the shift at the global politico-economic milieu where a widespread disenchantment over the Keynesian compact gradually gave way towards the ascendancy of neoliberal ideas and a resolute faith in the ability of markets to generate growth (Gamble 2001:128). John Ravenhill argues that the PAFTAD “became

an effective proselytizer of what became the pro-liberalization of the Washington Consensus (Ravenhill 2001:64)."

However, it is critically important to underscore that these ideational currents did not in totality represent monolithic agendas being transposed and channelled down through these variant policy agents at the regional level. Instead, these ideas were closely entangled with and reflective of the pervasive material constraints at the Asia-Pacific level. The aforementioned conflicts – of geostrategic nature seeped into the policy process being gradually democratized by the inclusion of policy networks and entrepreneurs. Hadi Soesastro affirms by identifying three different sources of the ideas governing Pacific regional collaboration - ideas that are concept-oriented or emanating from economic interdependencies, event-oriented or influenced by events unravelling at the international level and actor-oriented that is linked to the agency and their dispassionate advocacy of intellectual ideas (Harris 1994:386). These ideas represented the major systemic conflicts alluded to above confronting material structures therefore signifying a process indicative of a discursive constitution of material interests. Subsequently, these policy networks reconstituted their ideas through these material realities making them more amenable towards garnering regional attention and eventually consent.

Stuart Harris states that the PAFTAD represented a "forum where broad issues of economic interdependence and trade liberalization" were discussed along with "specific concerns of hegemonic fears" and "prevalent security constraints confronting the region" including "discussions that covered the question of hegemony by the United States and Japan or both (Harris 1994:387)." Conceptual issues emanating from closer interdependencies remained a central issue within PECC circles and it soon unveiled a set of explicit policy steps grounded on an overarching slogan that formed the locus of intellectual debate and policy activism (Morrison 2004:558). Intergovernmental

collaboration within the Pacific Rim centred on a concept known as *Open Regionalism*. This means that countries within a regional accord must not institute discriminatory trade and investment barriers against non-APEC economies (Bergsten 1994:21).

Given prevailing fears, this option appeared as the most pertinent means to single-handedly emancipate the production structure and ensure its continuity. The option also resonated as a solution that could tackle and allay pervasive concerns. Asian governments realized that a regional accord inclusive of Asia and the Pacific (United States most importantly) would not only bestow economic and technical advantages but also secure and sustain American presence within the region and reduce the prospects of a conflict taking place (Ravenhill 2001:62). Offensively speaking, a regional accord would also fortify increasing economic linkages within the region and defensively it would secure market access and privileges for nations within its purview and work towards reducing the implications borne out of the emergence of competitive regional blocs.

From the policy side, ideas were gradually being pieced together since the inception of the PECC in 1980. Persisting trepidation complicated the process of immediately garnering a regional agreement. As the linkages increased between regional economies, so did the salience of engendering a regional accord. And the solution was already hovering within the regional milieu being propagated by these policy networks. The PECC kept the regional idea afloat until the time arrived where governments were willing to commit on it (Morrison 2004:557). Australian Prime Minister Bob Hawke finally launched the nascent regional body in January 1989 after decades of efforts by academics, policy networks, bureaucrats and business leaders to create a regional grouping uniting the Asian and Pacific realms. Hadi Soesastro states that at its inception, the APEC was proclaimed as an “informal intergovernmental process” to promote economic cooperation in the Asia-Pacific region (Soesastro 2005:31). And this tag seems to have persisted till date. Asia-Pacific Economic

Cooperation (APEC) as of today “operates as a cooperative, multilateral economic and trade forum¹⁵.” Participation is voluntary within the regime and decisions are effectively non-binding (Harris 1994:384).

The founding members of the body included Australia, Canada, Japan, New Zealand, South Korea, United States and the six ASEAN nations – Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand (Higgott 1995:518). After a couple of years, in a move calculated to portray the body as a congregation of economies and not nations, China, Taiwan, and Hong Kong (“Three Chinas”) were subsequently included. Expansion continued as Mexico, Chile and Papua New Guinea were also roped in by 1994. And by 1998; Peru, Russia and Vietnam joined the fray (Ravenhill 2009:218). As of now, the forum is party to twenty-one member economies which account for approximately 40.5 percent¹ of the world's population, approximately 54.2 percent of world GDP and about 43.7 percent of world trade¹⁶.

The forum relies on a thin institutional structure or the APEC Secretariat stationed in Singapore from which it carries out its mandate. The body holds an annual summit that is hosted and coordinated by one of the 21 member economies, that also serves as the APEC chair (Gyngell 2007:6). The chair is also entrusted with the responsibility of presiding over the annual leaders meeting, ministerial meetings, senior officials meetings, ad-hoc working groups, the APEC Business Advisory Council and the APEC Study Centres Consortium¹⁷. The host also nominates an individual to fill the Executive Director position at the APEC Secretariat. Other APEC economies pitch in by providing considerable resources to facilitate the operation of the regional forum. Such assistance

¹⁵ Taken from http://www.apec.org/apec/about_apec.html

¹⁶ Extracted from APEC Region Trade and Investment 2008 at http://www.apec.org/apec/member_economies/key_economic_indicators.html

¹⁷ APEC's governance structure and modes of management can be found at http://www.apec.org/apec/about_apec/structure.html

includes the deputation of professional staff to Singapore, serving as host to meetings and financing to carry out projects¹⁸.

What does the APEC do? From a broad perspective, the forum is designed to operationalize the principle of *Open Regionalism* premised on an “open, comprehensive and non-discriminatory framework for trade and investment (Avila 1999:12).” This goal is set out in the 1994 Bogor declaration¹⁹ that is split into three different pillars – Trade and Investment Liberalization (TILF), Business Facilitation, and Economic and Technical Cooperation (ETC). These three pillars are concurrently pursued in the APEC but the choice over the emphasis of one over the other is taken by the country chair (Soesastro 2005:36). The modality for implementing investment and trade liberalization policies are IAPs (Individual Action Plans) and CAPs (Collective Action Plans) that also duplicates as mechanisms through which member economies report the progress being made (Soesastro 2005:47)²⁰. Supplementing these plans, the APEC also undertakes hundreds of projects in other sectoral areas that are closely tied to the priorities of member economies²¹.

The APEC’s regional ambit has also gradually expanded since inception. The forum has three official observers who participate and advise in APEC gatherings – ASEAN Secretariat, PECC and the Pacific Islands Forum Secretariat. In tandem, the body elicits insight from the private sector through annual meetings at the APEC Business Advisory Council (ABAC) that is composed of powerful corporate actors from the member economies²². And finally, economies incur the expertise and intellect of academics through various academic and research institutions encompassed under

¹⁸ Retrieved from http://www.apec.org/apec/about_apec/how_apec_operates.html

¹⁹ The Bogor declaration also espouses one larger ambitious goal – that free and open trade will be achieved by industrialised economies no later than 2010, and by developing economies no later than 2020 (Gyngell 2007). For more information, please see: http://www.apec.org/apec/leaders_declarations/1994.html

²⁰ For an overview of the APEC’s Action plans, please see: http://www.apec.org/apec/about_apec/how_apec_operates/action_plans_.html

²¹ For a more elaborate peek at the projects undertaken by the APEC, please see: <http://www.apec.org/apec/projects.html>

²² Retrieved from <https://www.abaconline.org/v4/content.php?ContentID=2521>

the APEC Study Centres Consortium²³. These centres are primarily responsible for undertaking policy relevant research with the interests of the transpacific region at heart. The forum currently stands as arguably the principal forum to deliberate on major economic issues within the Asia-Pacific landscape but one that has faced tenuous struggles since its inception owing to several developments that I address in the penultimate chapter.

²³ Retrieved from http://www.apec.org/apec_groups/other_apec_groups/apec_study_centers_consortium.html

Chapter 5 - Explaining the shift

The régulation of an evolving production regime that stretched itself along regional lines (since the 1980s) had three major effects over the Asia-Pacific milieu: (1) legitimized the discourse and activism of an array of policy actors advocating a liberal economic agenda; (2) provided the justification for an intergovernmental institution that could allay constraints complicating prevailing processes of production and capital accumulation; (3) the eventual institution of the APEC – constitutive of a pact of *Open Regionalism* between economies ensconced along the Pacific Rim. The incremental emergence of a rapidly regionalizing production structure over the Asia-Pacific enhanced the merits of a liberal economic agenda as well as the efficacy of the set of policy actors marshalling the discourse. It also served to amplify the desire to devise an institutional accord that would effectively work towards assuaging salient geo-strategic conflicts imposing itself on the regionalizing economic structure. And the APEC in itself represented a product of the union between a regionalizing production regime and an institutional compromise that adopted the mantle of managing and defusing salient conflicts afflicting the regionalizing economic structure. The production regime also largely cohered with the discourse being propagated by a slew of agents within the regional realm hence rendering a spacio-temporal fix critical to consolidate the extant mode of production.

The institution of the APEC can be effectively explained utilizing the Régulation framework. It is imminently clear that the onset of the oil crisis in the late 1970s rendered pursuing the status-quo untenable. Asian and Pacific economies subsequently liberalized incrementally. The reformist turn gradually ushered an incipient *regionalizing* production structure or an ROA linking not only the Asian economies more closely but also drew Pacific economies further into a rapidly expanding ambit. Shifting production structures and processes of accumulation proved to be a boon for a slew

of agents from the governmental and non-governmental spheres assiduously advocating an agenda of liberalization. Entities such as the PAFTAD, PECC and PBEC found an opening and capitalized as nations across the belt bought into the tenets being espoused by liberalism. And this congruence with the orbit of production also enhanced the efficacy of their activism and agenda.

However, the emerging accretion regime was not immune from an array of conflicts threatening the sustainability of the mode of production. These conflictual tendencies emanated from geo-strategic quandaries that surfaced from the vestiges of the deteriorating cold war context and the concerted embrace of liberalization across the regional belt. These tensions manifested themselves in various forms over the regional milieu – potential power vacuum at the regional level, rising protectionist tendencies from Washington, expanding intra-regional linkages within Asia, institution of competitive regional projects within the EU and North America. All of them possessed one commonality – they appeared to endanger the transforming regional production structure within the Asia-Pacific and its concomitant ability to confer material benefits to the economies subsumed under. And their resolution assumed paramount importance.

Given this scenario, it became clear that the Asia-Pacific production regime (or ROA) and the conflicts plaguing its sustenance could only be resolved through the institution of an international regime (institutional form within the MOR). The APEC or the prospect of an intergovernmental regime uniting Asia-Pacific economies under a common entity represented the answer here as the embodiment of an institutional form capable of neutralizing the geo-strategic quandaries pivoted on the rapidly regionalizing terrain. A regional accord would instantly eschew discriminatory practices from the Pacific and consolidate expanding intra-regional trade and capital flows. It would also duplicate as a bulwark against latent and existential security threats – sustaining American presence within the accord would be tantamount towards maintaining the American

hegemonic cloak that granted great solace to Asian nations during the cold war. And the advent of a regional body would also serve as a potent symbolic and strategic response to competing regional projects with foundations in Brussels, Ottawa and Washington. Unlike the preceding compromise that withheld the Asia-Pacific economic relationship that was essentially tacit in nature, APEC would also represent a more formalized accord constitutive of a regularized process of inter-hemispheric diplomacy. And above all, APEC under the auspices of an international regime would fortify regional linkages and secure growth trajectories across the region.

APEC grew to represent the product of this union from the mid 1980s/early 1990s – of an institutionalized compromise between a system of production that was rapidly regionalizing (ROA) over the Asia-Pacific and the emergence of an institutional ensemble (or international regime in MOR terms) that would effectively iron out the geo-strategic conflicts emanating from the regionalization of capital and production. The ROA gradually grew out of the concerted policies implemented by governments after a major crisis engendering a regional production regime that induced a set of impediments at the forefront. And the MOR incrementally fused under an institutional regime constitutive of variant institutional forms, actors, discourses to ascertain the most ideal way to resolve the hurdles afflicting the accretion regime. The subsequent coupling of an institutional regime with an accumulation regime set the stage for the APEC to rise.

Chapter 6 - Alternative Explanations

Let us now consider three alternate explanations to the advent of a regional accord in the Asia-Pacific milieu to assess their potential versus the Régulation approach. Realists would accord precedence towards systemic level or structural factors and focus on the subsequent constraints and opportunities bestowed by the systemic fora as determining the genesis of regional projects. Variables such as shifts in the distribution of power, geopolitical and geo-economic exigencies, relative presence and position of hegemonic nations would assume prime importance (Ravenhill 2001:13). One strand of realist thought would posit that the advent of APEC would represent a hegemonic outcome that ultimately hinges on Washington's regional stance. Following this specific line, the institution of the APEC should have been either an outcome stewarded by Washington or one driven by a clear intention to exclude Washington. The outcome and even the process reflected neither scenario exposing the shortcomings of the realist school and its innate inability to widen the analytic net. By maintaining focus at the systemic level and remaining inherently ahistorical – it could not discern the incremental arrival of a regionalizing production structure constitutive of deep economic linkages, could not effectively take stock of the prevailing impediments that confronted the process of consolidating that given production regime, and failed to shed light on a transnational intellectual and bureaucratic class of policy entrepreneurs emerging to placate the quandaries ushered by liberalization and regionalization.

Social Constructivists fundamentally differ in their conception of regional integration by situating themselves at a diametrically opposite position. Broadly covering²⁴, they desist from showering much attention towards material factors and instead focus on the social and sociological

²⁴ We need to keep in mind that constructivism in itself represents a broad church – with 'Thin' and 'Thick' constructivists that differ in their degree of importance accorded to ideas as the determinant of political outcomes. On the one hand, Thick constructivists would posit that ideas and discourses are independently capable of engendering change whereas thin constructivists would be more accommodative of interests and stress the dual importance of both ideas and interests in producing policy change (Van Appledorn et al 2004:30).

aspects whilst explicating policy change. Inter-subjectivity and the aspects that constitute intersubjective relations between actors – ideas, norms, values, practices, attain importance. A constructivist's view of regional collaboration is at the core cognitive and not behavioural since it tenders primacy towards inter-subjectivity that ultimately shapes the identities and interests of actors as well as states (Wendt 1992:390). In regards to the APEC, thick constructivists would assert that the eventual outcome would represent a product that is independently influenced and driven by tenets of a liberal economic discourse being propagated by a global and regional actors (Ravenhill 2001:16-18). The major critique with respect to the thick or liberal constructivist paradigm pertains to according independent causal influence to cognitive features (ideas, values, interactions, etc) elucidating their efficacy by divorcing them from the structural milieu within any social realm. By doing so, ideas are essentially reified prior to their manifestation. Ideas are omnipresent and important but they are also constituted discursively through variant structural forms that enhance their potential and applicability within any political space. In other words, there is a material dimension to social construction since only certain ideas attain fruition, in turn leading to outcomes.

And finally we tackle the Liberal Institutionalism (also sometimes alluded to as a neoliberal) explanation. These thinkers would underscore that regional integration would definitively represent a response to manage the inefficiencies and costs associated with rising economic interdependence between states. The latter scenario would subsequently impel governments to resort towards instituting a system that can manage and redress these inefficiencies that rise as relations expand. Robert Keohane, one of the pioneers of this approach states that whilst; “facing dilemmas of coordination and collaboration under conditions of interdependence, governments demand international institutions to enable them to achieve their interests through limited action” (Keohane 1993:274). Liberal Institutionalists also view the genesis of the APEC in this light – as a conscious

response to manage the growing inter-regional interdependence (Petri 1993:43). Closer scrutiny does reveal certain limitations infused within this explanation. Firstly, an institutionalist explanation is essentially functionalist in nature by certifying that formal institutional mechanisms emerge in response to gyrating economic currents that embed economies together. And by doing so, they leave out the innumerable institutional forms (formal and informal) that are critical in managing a particular economic structure. For example, the hegemonic cloak conferred by Washington to regional Asian economies as they exited their colonial pasts post World War II played an immeasurable role in guiding their developmental trajectories. Secondly, liberal institutional accounts are perhaps too benign in nature and their emphasis on a process that is steered by cooperation and conciliation seems naive. They are unable to conceptualize and integrate issues of power and the ensuing conflicts into the sphere of analysis. In other words, they do not shed much light on the pervasive *political* question that ultimately determines the fate of any important policy matter. Regional agreements are not apolitical issues.

Realists, Thick Constructivists and Liberal Institutionalists all fall short in their effort to impart a credible account of the institution of the APEC in the early 1990s. A plausible explanation must be cognizant of evolving production regimes and their linkages with the societal realm. What is critical in this context is to comprehend the process through which socio-political ensembles are able to mediate and neutralize prevailing material conflicts impeding continuity within a given mode of production. An articulate account must trace prevailing material conflicts emanating from the production process and their subsequent discursive manifestation within the social sphere where they are then regularized or stabilized by a set of institutional forms. And therefore given the analytic framework employed here – there is equal scope to consider and delineate the impact of structural

and agential factors and their interaction in enabling a given mode of production to stabilize and consolidate.

Chapter 7 – APEC: An Assessment

A recent survey conducted by the PECC and the ABAC measured the attitude of major regional stakeholders²⁵ towards the nearly two decade old Asia-Pacific forum. The results were rather grim. To elaborate, 58 percent felt that APEC lacked any importance today, 62 percent indicated that commitments by major nations towards the regional accord are weak at best and 57 percent stated that APEC lacked a singular focus (Zerby 2007:1). It would be accurate to surmise that the accord does not hold the esteem it held as it was being unveiled two decades ago. John Ravenhill states that APEC is “largely adrift” stemming from an innate inability to effectively translate rhetoric to reality (Ravenhill 2000:321). What accounts for this malaise that has afflicted the regional body? How can this escalating disenchantment be effectively explained?

Providing an extensive historical account of the journey that the organization has taken inclusive of the promises the body fulfilled and the perils it faced represents a task this paper cannot faithfully discharge. A cursory glance is necessary and possible within the confines of this research effort. In order to measure the regional forum, I employ a few parameters from the conceptual framework devised by Walter Mattli (1999) to assess the success of regional projects. The first critical condition is leadership, where there must be a “benevolent” leading nation that is capable of not only serving as the locus driving activity and operation but also act as the mediator managing conflicts if and when they prop up (Mattli 1999:42). The second provision is institutionalization or the presence of an effective institutional infrastructure in place to enforce compliance, penalize transgression and “catalyze” integration processes (Mattli 1999:42). And to this list I add another important variable from Cohen²⁶ (1998): sense of political consensus characterized by a “broad

²⁵ Stakeholders included 370 respondents – 20 NGOs, 9 media, 68 government, 91 business, 178 academic and 4 other (Zerby 2007:1).

²⁶ Cohen posits that the longevity and effectiveness of the EMU rests on the existence of common goals and aspirations shared by the participating member states. He places much premium on a requisite ‘political will’ for regional projects to gain currency and sustain (Cohen 1998:91).

constellation of related ties and commitments sufficient enough to make the loss of policy autonomy acceptable to one another” and a “well developed sense of institutional linkages” that signify a genuine sense of “solidarity of community (Cohen 1998:87).” Using this tripartite framework and the rich empirical literature of Asia-Pacific Regional Cooperation since 1993, I now endeavour to assess the performance of the APEC and subsequently gauge whether the palpable disenchantment amongst regional stakeholders is merited.

As already mentioned, the institution of the APEC did not represent a hegemonically driven outcome. The United States did not take the reins in driving the genesis of the project nor did it evince much interest in devising the parameters of regional cooperation. And Japan followed the American example in this regard (Soesastro 2005:35). APEC stands apart as an aberration as far as regional projects are concerned since much of the political impetus stems from medium powers like Australia. This deficiency is partly due to a growing chasm between the United States and their Asian counterparts, that has intensified as time progressed due to fundamental differences. Firstly, the intercontinental divide grounds itself in the inability to come to terms over the core *mison d'être* of the body with Washington preferring trade liberalization and the Asians advocating for economic and technical cooperation (Ravenhill 2000:322). Both sides seem to have secured marginal victories in this case with the institution of phased liberalization and the stipulation of the EVSL (covered below) but the larger body has suffered unable to fashion a coherent agenda that can be implemented. The inability of Washington to ground trade liberalization as the bedrock of collaboration inhibited their ability to play a leading role (Gyngell 2007:5).

The aforementioned continental chasm between America and East Asia further amplified due to Washington's actions following the Asian Financial Crisis. American insistence of utilizing the IMF to help alleviate the plight of Asian nations following the capital exodus earned the wrath

of beleaguered Asian countries that felt Washington used the opportunity as a ploy to forcefully neoliberalize Asian nations after decades of subversion (Wade and Veneroso 1998:19). American credibility dramatically diminished in the eyes of their Asian counterparts as well as the confidence that they could fulfill the role of a benevolent hegemon. Another procedural factor pertains to the institutional stipulation that governs the leadership of the body. The regional governance structure characterized by a “rotational leadership” format under the helm of an annual APEC chair severely impedes institutional continuity and prevents any modicum of stable leadership from being institutionalized (Avila 1999:16). Such a style of leadership is more akin to a form of “concerted unilateralism” where each member picks up the mantle annually and steers an agenda of its own volition effectively eschewing a sustainable leadership pattern (Avila 1999:15). Therefore, on the leadership scale, there is much to strive for as far APEC is concerned as diplomatic fissures and institutional stipulations have worked to prevent stable leadership from being cemented.

On the second parameter of institutionalization, a similar tale seems to unfold. Academics have frequently alluded to the notion that the APEC hardly resembles an institution. Richard Higgott argues that the body represents a “process” and by no stretch of the imagination does it constitute a regime or institution (Higgott 1995:518). John Ravenhill indirectly points out that APEC’s achievements are “primarily confined to matters of process (Ravenhill 2000:320).” Vinod Aggarwal argues that APEC’s ills are directly attributable to the absence of a strong commitment to institutionalization of cooperation in the region (Aggarwal 1998:51). In place of a strong institutional foundation, members have instead relied on an informal set of principles, objectives and a loosely defined structure to guide interaction and collaboration. This mode of management is also alluded to as “APEC Process” which basically calls for an incremental consensus building procedure to govern issues of compliance sans any formal obligations for participating members (Avila 1999:12).

This is further compounded by the state of affairs on the ground. The APEC is run from a secretariat on a shoestring budget of \$ 3.3 million and a staff of fifty at a space given to them by the Singaporean government for free (Gyngell 2007:7). The lack of a stable financial channel is compounded by rapid staff turnover and a complex organizational structure inclusive of a slew of committees, ministerial meetings and ad-hoc working groups (Avila 1999:14). APEC's Executive Director²⁷ is seconded to the entity from the government of the chair economy that changes every year perpetuating the inability to establish a sense of continuity (Gyngell 2007:7). In sum, the regional forum continues to be plagued by a loose institutional edifice and it remains an issue repeatedly tossed on the agenda on an annual basis being effectively addressed.

Assessing the APEC on the third measure – the presence of a 'political consensus or will' will require us to shed light on the emergence and evolution of the regional agenda. As mentioned, the body operates under the broad rubric of *Open Regionalism* with the intention of enabling the APEC to be the stepping stone towards achieving global trade liberalization (Bergsten 1994:20). However, this overarching premise did not adequately take into stock the nature and capacities of developing economies and their inherent capacity to immediately liberalize. Consequently, some Asian nations preferred to employ APEC as a tool to improve their capacities before venturing into large scale liberalization and therefore advocated for greater impetus to be given towards the economic and technical cooperation pillar (Webber 2001:355). This stance was directly countered by Washington that envisaged a swift drive towards regional trade liberalization. A compromise was structured in the form of the EVSL - Early Voluntary Sectoral Liberalization that aimed to undertake liberalization through a sectoral strategy but that too quickly fizzled out in 1998 (Gyngell

²⁷ As of writing, this particular issue of Executive leadership stands as one of the key issues to be addressed at the 2009 summit to be held in Singapore where member economies have decided to fix the tenure allotted to Executive directors. Retrieved from http://www.apec.org/apec/about_apec/how_apec_operates.html

2007:5). Douglas Webber argues that the collapse of the EVSL and the overarching trade liberalization agenda stems from the “incapacity of member governments to agree on the implementation of the trade liberalization programme” and has “dealt a strong blow to the credibility” of the APEC in the late 1990s (Webber 2000:354).

Maintaining the mandate on economic issues has been further hampered by the September 11 attacks and the sudden usurpation of the APEC agenda by the Bush administration that accorded more emphasis on liberal securitization and counter-terrorism. This is illustrated through the ensuing annual meetings following 9/11 (Shanghai 2001, Mexico 2002, Bangkok 2003) where the agenda overwhelmingly revolved around terrorism and security (Higgott 2004:11). The Bush administration employed the APEC as a cog in the global effort to eradicate terror at the expense of a body founded as an inter-hemispheric partnership to advance trade liberalization. Ironically, these pivotal failures and setbacks have not deterred the forum from venturing into developing and undertaking simultaneous initiatives in areas such as Climate Change, Transportation, Counter-terrorism, Human Security, Corporate Social Responsibility, Emergency Preparedness, Anti-Corruption, etc. From summit to summit, APEC has adorned itself in initiatives expanding its orbit without the requisite institutional support to follow through on the commitments (Gyngell 2007:6). A dramatic reappraisal of the regional agenda needs to be conducted to nip an expanding mission creep in its bud and resurrect the status of the entity within the Asia-Pacific.

On the three measures indicated – leadership, institutionalization and political consensus; APEC appears to be noticeably deficient. A brief overview of empirical developments curries favour with critics and affirms their sceptical prognoses on the role and status of the APEC within the regional ambit. Reform is urgently needed to resolve the deficiencies plaguing the regime and rescue it from the brink of irrelevance.

Chapter 8 - Conclusion

The study of Asian regionalism has proliferated over the past two decades eliciting several theoretic accounts. One common feature that resonates in a good number of renditions is the emphasis being accorded towards agents and their ability to impel nation states to adopt regional pacts. A wave of social agency permeates the regionalism literature manifested differentially across the sea. Concomitantly, cognitive and ideational factors represent the weapons that are employed to drive the genesis of policy outcomes. This paper arrives seeking to probe this abdication and subsequently offer an alternate account of the first major Asia-Pacific regional institution - APEC.

A dynamic process of régulation is introduced whereby an emerging institutional ensemble régulates or resolves conflicts emanating from the production regime enabling it to stabilize. This framework is then subsequently tested against the advent of the first major institutional achievement in the post cold-war era - Asia Pacific Economic Cooperation (APEC) forum. The institution of the APEC is directly attributable to the emergence of a novel institutional ensemble (or MOR) able to stabilize the geostrategic quandaries imposing themselves in various capacities along a rapidly regionalizing production regime (ROA) constituted through a liberal economic discourse being propagated by set of social agents at the regional ambit. A major component of the régulation revolves around the formation of an intergovernmental economic pact devised not only to secure market access for economies within the regional ambit but also act as a bulwark against existential and receding security threats. And the concurrent advocacy of a latent discourse by a range of social agents in this regard helped to expedite the fervour leading to the institution of the first ever Asia-Pacific regional forum.

APEC (or the perennial proposition of an intergovernmental accord along the Pacific Rim) represented this desire – as a tangible institutional vehicle that can not only manage and resolve the conflicts imposed by production processes but also serve towards consolidating a given mode of production enabling unfettered capital accumulation to occur. It reflected the embodiment of a compromise devised to remedy the conflicts straining processes of production and accumulation. And these tensions were geo-strategic in character – rising American protectionism, cementing interdependencies entwining Asian economies, competitive regional pressures from Brussels and Washington, and sustaining a strategic American defense blanket whilst traversing a transient geopolitical phase. And an intergovernmental accord in the Asia-Pacific represented the answer to all these quandaries. By binding a group of close knit economies under a single pact – it would act as an antidote to rising protectionist tendencies, serve to enhance, expand and lock market access between neighbouring economies, secure Washington's presence within the region and epitomize a symbolic and structural response to competing regional projects.

The euphoria and vigour surrounding the institution of the APEC at its inception seems to have dissipated and the organization as some have alluded seems headed down the path of terminal decline. Employing a tripartite conceptual framework, this paper has measured the success of the seminal regional achievement. On all counts – leadership, institutionalization and political consensus; the body appears to be visibly lacking. Sustained political capital and support from major stakeholders involved is urgently merited to turn the tide and renew the promise of transpacific regionalism.

Even through a cursory glance, it is manifestly apparent that the Régulation approach is ambitious, innovative and elastic in nature. It seeks to deftly defeat the dominance of the neoclassical orthodoxy and the latter's fixation of comprehending reality through a rational prism

independent of the context it aims to scrutinize. The Régulation approach is crystal clear in this regard, our economic realities are intricately coupled to our social contexts and we invariably jostle between the historical contingencies, discursive constitutions and political possibilities before reaching an eventual outcome. Herein we return to the issue of social agency and ideational efficacy – the empirical credibility of such arguments are further bolstered when analyzed through such a dialectic method that accords enough space for not only the inclusion of agential and structural factors but also considers their interaction in determining the genesis of policy outcomes at the international level.

The Régulation approach is also able to transcend prevailing theoretic approaches and their respective interpretations of why regional institutions arise. The three main paradigms alluded to in this paper – Realism, Thick Constructivism and Liberal Institutionalism amongst other inadequacies are fundamentally unable to adequately capture the intrinsic power exuded by production structures and their propensity to impel political actors to manage developments at the regional level. However, the utility of the Régulation framework does not exclusively rest on fulfilling this major objective – given their ontological foundation, the approach is able to elicit analytic accounts of policy change that are socially embedded, historically inclined, discursively constituted and temporally specific. And the potential of employing this framework to probe the origins of other regional institutions within the Asian ambit are ripe given the genesis of competing regional projects such as the ASEAN Plus Three. The effort would definitely enable us to comprehend in greater detail the socio-political foundations of a relative capitalist manifestation and vividly reveal the inadequacies of solely relying on mainstream tools of inquiry to probe the genesis of policy shifts at the international level.

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