State Sovereignty and Regional Institutionalism in the Asia Pacific[*]

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About the Author

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Abstract

Regional institutions in the Asia Pacific have been of limited efficacy. Asian members of organizations such as ASEAN and APEC have insisted that these institutions not infringe upon their sovereign rights. The basic norms, rules, structures and practices supporting these organizations reflect this concern. A number of factors explain this regional reluctance to create effective multilateral institutions. The single most important factor is the concern of most East Asian states with domestic political legitimacy. Drawing on the work of Muthiah Alagappa and Mohammed Ayoob, this paper argues that most of the states of East Asia remain engaged in the process of creating coherent nations out of the disparate ethnic, religious and political groups within the state. These states are reluctant to compromise their sovereignty to any outside actors. The regional attitude towards multilateral institutions is that they should assist in the state-building process by enhancing the sovereignty of their members. As an exceptional case, Japan has encouraged regional institutionalism, but it has also been sensitive to the weaknesses of its neighbours, and has found non-institutional ways to promote its regional interests. The incentives to create effective regional structures increased after the Asian economic crisis. East Asian states recognize that they can best manage globalization and protect their sovereignty by creating and cooperating within effective regional institutions. However, their ability to create such structures is compromised by their collective uncertainty about their domestic political legitimacy. States may first need to be legitimate, sovereign entities before they can successfully participate in regional organizations.

Introduction

In the post-Cold War period, the Asia Pacific region has experienced economic and political uncertainty and upheaval. These events have caused Asia Pacific states to call for new institutional structures to manage regional conflict and economic relations. The Association of Southeast Asian Nations (ASEAN) has responded to these calls by strengthening its own institutional structures.[1] It has expanded its membership and the scope of its activities, including creating the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) to deal with security concerns.[2] Asian states have strongly promoted the Asia Pacific Economic Cooperation (APEC) forum as an institution that can facilitate the economic integration of the region.[3] In the aftermath of the Asian economic crisis of 1997-1999, these institutions appear to be faltering. The states of the Asia Pacific are unable to agree on what form regional organizations should take and how effective they should be.[4]

This paper examines the relationship of Asia Pacific countries to regional institutions, and considers how that relationship is influenced by a "globalizing" world economy. Asian states, almost uniformly, reject the idea that regional institutions require a "pooling" of state sovereignty. Instead, they believe that regional institutions should enhance the sovereignty

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[1] ASEAN encompasses all the states of its self-defined "Southeast Asia". These are: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

[2] Shaun Narine, "ASEAN and the ARF: The Limits of the 'ASEAN Way'," *Asian Survey*, 37, no. 10 (October 1997): 961-978; Michael Leifer, *The ASEAN Regional Forum, Adelphi Paper No. 302* (London: International Institute for Strategic Studies) July 1996; Amitav Acharya, "ASEAN and Asia Pacific Multilateralism: Managing Regional Security," in Amitav Acharya and Richard Stubbs (eds) *New Challenges for ASEAN: Emerging Policy Issues* (Vancouver: University of British Columbia Press, 1995): 182-202; Malcolm Chalmers, "ASEAN and Confidence Building: Continuity and Change after the Cold War," *Contemporary Security Policy*, 18, no. 1 (April 1997): 36-56.

[3] Andrew MacIntyre, "South-East Asia and the Political Economy of APEC," in *The Political Economy of Southeast Asia*, Garry Rodan, Kevin Hewison and Richard Robison, eds., (London: Oxford University Press, 1997) pp. 225-247; Donald Hellman and Kenneth B. Pyle (eds.), *From APEC to Xanadu* (Armonk: M.E. Sharpe, 1997).

[4] For a discussion of some of these issues, see: Koro Bessho, *Identities and Security in East Asia,* Adelphi Paper No. 325 (London: International Institute for Strategic Studies, March 1999).

of their member states.[5] For most Asia Pacific states, this strategy reflects their own institutional weaknesses. Most of these states are relatively "weak" states, i.e., they enjoy limited legitimacy from their own populations. While most Asian states possess – to differing degrees – the ability to control the levers of social, political and military power within their borders, they often need to rely upon these levers to control recalcitrant parts of society.[6]

As weak states, Asia Pacific countries privilege sovereignty above almost all other considerations. They are unwilling to sacrifice any aspects of sovereignty while they are unsure about their own ability to exercise sovereign control. This focus on sovereignty is a manifestation of a deeper concern: Asia Pacific states are involved in the process of state-building, i.e., creating national identities out of disparate ethnic, religious and linguistic communities. So long as states remain weak, their willingness and ability to create strong regional institutional structures is very limited. Yet in a global – and increasingly volatile – world economy, Asia Pacific states may be better served by participating in regional institutions wherein they can pool their political and economic resources. However, the need to function in these larger structures does not create the capacity to do so. Globalization may be creating pressures on Asia Pacific states to which they are incapable of responding.[7] This analysis has powerful implications for the efforts of Asia Pacific states to create strong institutional structures.   While state weakness is not the only factor contributing to the under-capacity of Asian regional institutions, it is a major causal factor, yet one that is frequently ignored.

This paper engages a debate within the literature over the nature of regional institutionalism in the Asia Pacific. Does the Asian focus on consensus-building, non-confrontational and non-binding structures reflect a distinct Asian cultural approach to institutions? Should Asian institutions be evaluated differently

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[5] Richard Higgott, "De Facto and De Jure Regionalism: The Double Discourse of Regionalism in the Asia Pacific," *Global Society* 11, no. 2 (1997): 177.

[6] Joel Migdal, *Strong Societies and Weak States* (Princeton, Princeton University Press, 1988); Migdal, "Why Do So Many States Stay Intact?," in Peter Dauvergne (ed) *Weak and Strong States in Asia-Pacific Societies* (Canberra, Allen and Unwin, 1998): 11-37.

[7] For a more detailed discussion of the importance of sovereign considerations to developing world states, see: Mohammed Ayoob, "Subaltern Realism: International Relations Theory Meets the Third World," in *International Relations Theory and the Third World*, Stephanie G. Neuman, ed., (Houndsmills, Macmillan Press, 1998): 31-54.; Mohammed Ayoob, *The Third World Security Predicament* (Boulder, Lynne Rienner, 1995).

from institutional structures developed in the Western world?[8] Or are arguments about the distinctive nature of Asian institutions really attempts to rationalize the inherent limitations of these institutions? This paper argues that Asian institutions are inherently weak. The processes they follow are indicative of an inability of Asian states to agree on common, unifying interests. These processes help to smooth regional relations, but they do little to redefine state interests.[9]

This paper develops its argument in nine sections. The next section reviews some of the causes for institutional weakness in the Asia Pacific before arguing that a fundamental factor accounting for this phenomenon is the weakness of regional states. Section Three explains the theoretical foundation of "weak" and "strong" states. Section Four explains why sovereignty is of paramount importance to the countries of East Asia and evaluates their status as weak or strong states. Sections Five and Six look at the ASEAN and the APEC forums in historical perspective. These discussions illustrate the extent to which the institutions have, historically, emphasized sovereign concerns. The next two sections consider attempts at regional-institution building in the aftermath of the Asian economic crisis. Finally, the paper concludes with a review of the main points.

Explaining Institutional Weakness in the Asia Pacific

Regional institutions in the Asia Pacific are limited for a variety of reasons. One contributing factor is that there is a weak sense of community within the region and, therefore, little on which to build strong institutions. This weak sense of community is attributable to a number of factors. The Asia Pacific is deeply divided by history. Every East Asian country, with the exception of Thailand, was colonized at one point or another. Even Japan developed in response to the fear of being colonized and was later conquered by the Allied Powers at the conclusion of WWII. The

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[8] James Ferguson, "New Forms of Southeast Asian Regional Governance: From 'Codes of Conduct' to 'Greater East Asia'," in Andrew Tan and Kenneth Boutin (ed) *Non-Traditional Security Issues in Southeast Asia* (Singapore: Select Publishing, 2001): 122-165.

[9] See: Amitav Acharya, "Ideas, Identity, and Institution-Building: From the 'ASEAN Way' to the 'Asia-Pacific Way?," *The Pacific Review* 10, no. 3 (1997): 319-346; Miles Kahler, "Legalization As Strategy: The Asia-Pacific Case," *International Organization* 54, no.3 (Summer 2000): 549-571.

experience of colonialism oriented the colonized countries, politically and economically, towards their imperial masters rather than each other, a separation that continued for centuries (in some cases) until after WWII. The countries of the region remain divided by ethnicity, languages, religion and culture. The Cold War was particularly brutal in East Asia, and contributed to the outbreak of numerous wars. The United States reinforced its regional dominance by promoting bilateral ties between itself and regional allies. It actively discouraged Asian states from forming organizations of their own which might challenge American influence. Finally, economic ties between Asian states remain relatively weak. Throughout the 1980s-90s, intra-Asian trade picked up considerably. Nonetheless, it is unbalanced in terms of its distribution, and is largely focused around the activities of a few major states, particularly Japan. Moreover, even though intra-Asian trade has grown, Asia's economic interaction with the United States remains critical to its economic well-being, reinforcing external linkages that have undermined regional institutional development.

Despite these considerations, pressing political or economic imperatives could provide the incentives for the Asian states to overcome the historical, strategic and sociological divisions that presently characterize the region. However, this paper argues that the ability of weak states to participate in such structures is inherently limited, regardless of what the external provocation or logic may be, by the reality that most Asia Pacific states are technically "weak". Overcoming state weakness is a necessary prerequisite to institutional development. This is particularly true in a globalized world. Developing world states need to possess certain capacities if they are to successfully navigate the emerging international structure.

Weak and Strong States in the Asia Pacific

It is necessary to explain how "weak" and "strong" states are understood for the purposes of this paper. According to Dauvergne, analysts generally understand "state strength" to possess, in part, the following characteristics:

> The willingness and ability of a state to maintain social control, ensure societal compliance with official laws, act decisively, make effective policies, preserve stability and cohesion, encourage societal participation in state institutions, provide

basic services, manage and control the national economy, and retain legitimacy.[10]

Of critical importance to state strength is how the state interacts with social groups. This is determined by numerous social, political, economic and historical factors. "Ties to social forces can be a key source of state strength; but they can also be a decisive source of weakness."[11]

As Migdal notes, there are many states that appear weak, based on the above criteria. Yet, they have proven to be very durable. Similarly, what appear to be strong states are actually surprisingly fragile and subject to considerable internal challenges to their authority. Migdal argues states are strongest and most durable when they create a mutually constitutive relationship with society. States legitimize themselves through their ability to interact with and shape social, as well as legal, laws.

> Law is not just about setting out what to do and what not to do, it is asserting what is right to do and what is wrong. When state law successfully creates a broadly-shared meaning - what Durkheim would call social solidarity - it enhances the conditions for its own survival. Broad social solidarity enhances the cohesion of the state. State law in such cases is taken by the population as a delineation of right from wrong...but when state law sits uneasily with other sets of law in the society, it undermines its own ability to give people that sense of meaning in their lives and gain the legitimacy it desperately needs.[12]

States reinforce their position vis-a-vis society by appropriating and developing public ritual. Successful states also set the terms for the "ongoing renegotiation of the rules of informal behaviour in the public sphere."[13] Migdal argues that states solidify their own legitimacy by their ability to shape national identity. States and society are mutually constitutive. Successful states manage to create national identities, centered around the state, out of many disparate parts.

The clearest and most useful exposition of the "weak state-strong state" dichotomy is from Barry Buzan. Buzan distinguishes between "states" and "powers":

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[10] Peter Dauvergne, "Weak States, Strong States: A State-in-Society Perspective," in Dauvergne, 2.

[11] Ibid.

[12] Migdal, in Dauvergne, 26.

[13] Ibid., 36. For a more recent discussion of these issues, see: Richard Jackson, "The State and Internal Conflict," *Australian Journal of International Affairs*, vol. 55, no. 1 (2001):65-81.

…weak or strong *states* (refer) to the degree of socio-political cohesion; weak or strong *powers* (refer) to the traditional distinction among states in respect of their military and economic capability in relation to each other.[14]

Strong states are those which enjoy popular legitimacy and support; the stronger the state is, the less it needs to rely upon coercive means to control society or enforce its decisions. In the Asia Pacific, the great majority of states are weak states.

The Significance of Sovereignty to the Asia Pacific

Mohammed Ayoob argues that most states in the developing world are preoccupied with their own insecurity. In contrast to traditional interpretations of international security, however, the insecurity of the developing world emanates from conflicts that are internal to the states. Developing world states are trying to create territorially defined states out of disparate ethnic, religious, linguistic and other groups. How these states approach their domestic and international relations is, inevitably, defined by this primary concern. Confronting divisive forces requires states to exercise as full a range of sovereignty as possible, in order to promote state legitimacy.[15]

Since the end of World War II, very few wars have been fought between states. Instead, most conflict within the world system results from intrastate disputes. The few interstate conflicts that have occurred have usually originated as conflicts within the domestic realm of the warring parties. Moreover, almost every conflict in the post-WWII era has occurred within the developing world. Most of these internal disputes have involved contests over the nature and authority of the state. Different groups have fought for independence from, or special consideration within, the state. In other cases, differences over how the political and economic system of the state should be organized have motivated violent confrontation. In all cases, however, the legitimacy of the state – i.e., the right of the government to rule – has been at issue.

Within the Western world, the process of state-building occurred over a period of centuries, involved frequent wars and civil conflicts, and often entailed the genocide and/or subjugation

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[14] Barry Buzan, *People, States and Fear*, London: Harvester Wheatsheaf, 1991: 97.

[15] Ayoob in Neumann, 31-54; Ayoob, 1995.

of indigenous peoples and the crushing of dissident political movements. The end result has been strong states that are politically stable and economically prosperous. Industrialized states enjoy the support of the great majority of their populations, which accept the legitimacy of the governing institutions. This acceptance means that orderly transfers of government are a regular feature of popular democracies. The legitimacy of the state lies in the institutions of the state itself. State-building is a constant process. Industrialized states continue to redefine themselves and their relationships with their citizens as new issues emerge. However, their fundamental legitimacy means that these issues can be addressed and negotiated within the structures of state power.[16]

Most of the states of Southeast Asia are deeply engaged in the process of creating national identities within their territorial borders. To differing degrees, the governments of ASEAN countries are accorded a performance-based legitimacy from their citizens. The citizens' support of the government rests upon the state's ability to implement policies that create economic prosperity. When economic prosperity is compromised, citizens become much less supportive of the state. Ethnic, religious and political tensions that may have been dormant during economic good times bubble back to the political surface in bad times. A quick survey of states in Southeast illustrates the fragility of most countries' state structures.[17]

The government of Singapore is in full control of the state and the mechanisms of power. The state is heavily involved in economic regulation and the provision of housing and basic welfare. It enjoys a high level of support and acceptance among the general population. Despite these advantages, the government discourages and intimidates political opposition. The government does not trust the divisive mechanisms inherent in opposition politics. However, it also justifies its actions by emphasizing threats to Singapore from its Malay neighbours.[18]

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[16] Roxanne Lynn Doty, "Sovereignty and the Nation: Constructing the Boundaries of National Identity," in Thomas J. Biersteker and Cynthia Weber (eds) *State Sovereignty as Social Construct* (Cambridge: Cambridge University Press, 1996): 121-147.

[17] See chapters in: Muthiah Alagappa, (ed) *Asian Security Practice* (Stanford: Stanford University Press, 1998); Alagappa, (ed) *Political Legitimacy in Southeast Asia* (Stanford: Stanford University Press, 1995)

[18] For an excellent discussion of Singapore's feelings of insecurity within Southeast Asia, see: Michael Leifer, *Singapore's Foreign Policy: Coping with Vulnerability* (London: Routledge, 2000); Christopher M. Dent, "Singapore's Foreign Economic Policy: The Pursuit of Economic Security," *Contemporary Southeast Asia*, vol. 23, no. 1 (April 2001): 1-23.

Issues of ethnicity are of deep concern within Singapore. As part of its effort to maintain and justify its control, the Singaporean state has tried to construct an ethnic identity based around Confucian values. This identity is, in many ways, entirely artificial, with relatively little resonance even in Singapore's Chinese population. What emerges from this overview is a picture of a state that is strong, yet still unsure of its own internal legitimacy.[19]

Similar stories about the complex relationship between state and society are common in Southeast Asia. Malaysia enjoys a political stability that is based upon ethnic coalition politics. The authority of the Malaysian state is closely tied to the ethnic Malay majority's support of the ruling party. Politically disadvantaged minorities may accept the state, but they are excluded from full participation in it and cannot see the state as fully "legitimate". The Philippines struggles with separatist actions in different parts of the country, as well as entrenched class distinctions. Myanmar is torn by ethnic warfare and political unrest, and the state actively oppresses its people in order to retain control.

Indonesia is, perhaps, the most important example of the weak state in Southeast Asia. Indonesia's institutional weakness affects the prospects of regional organizational development in the Asia Pacific. Indonesia's size (216 million people) means that its political dissolution has implications for the entire region. Refugee outflows from Indonesia could be economically and ethnically destabilizing for its neighbors. For decades, Indonesia enjoyed a tentative stability enforced by the Suharto regime and the Indonesian Army, and then reinforced by the relative economic prosperity of the 1980s and 1990s. The economic crisis of 1997-1999 brought about radical change in Indonesia. Today, the country is engaged in a failing and confusing experiment with genuine representative democracy, and must face revitalized separatist movements and volatile ethnic and religious tensions. It is too early to tell whether or not Indonesia will be able to hold together. However, the fact that the state is challenged by so many internal divisions is indicative of its inherent weakness.[20]

Other ASEAN states face slightly different issues. Thailand is a country where the idea of the nation is part of the public consciousness. The state is bolstered by the unifying symbol of the monarchy and is relatively ethnically homogeneous. However,

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[19] Stephanie Lawson, "Confucius in Singapore: Culture, Politics, and the PAP State," in Dauvergne, 114-134.

[20] Harold Crouch, "Indonesia's Strong State," in Dauvergne, 93-113; Scott B. MacDonald and Jonathan Lemco, "Indonesia: Living Dangerously," *Current History* 100, no. 645 (April 2001): 176-182.

the legitimacy of the regime in power has been an issue of contention in the past, and may be again. What is still evolving in Thailand is a societal consensus on the nature of the state and its relationship to society. Similar dynamics may be at work in countries like Vietnam and Cambodia, where the legitimacy of the state is not seriously challenged by competing ethnic demands, but the peoples' support of the ruling government is questionable.

The states of Northeast Asia face slightly different issues than most Southeast Asian states. South Korea is not divided by ethnicity, and has emerged as a vibrant democracy. At the same time, it remains deeply divided by issues of class, economics and political power. For much of its post-WWII history, the South Korean state was at odds with its civil society, and the relationship between the two remains uncertain even today. Taiwan appears to be a strong democracy; its governmental structures appear to enjoy high levels of legitimacy. However, there are significant tensions within Taiwan between "mainland Chinese" and the indigenous Taiwanese nationalists, and these tensions may challenge the institutional stability. Taiwan's reaction to regional institutions is mixed. Taiwan wishes to participate in these structures, but is blocked from doing so by its contentious relationship with China. In addition, Taiwanese security concerns dictate that it limit its exposure to outside pressures.

China is a country contending with a wide variety of problems. The state is concerned about the possibility of Muslim insurgency in the West. It is also preoccupied with assimilating Tibet. The country is overwhelmingly Han Chinese, but this does not prevent many people from questioning the legitimacy of the government. China's overall economic development has brought massive social disruption and corruption and undermined the legitimacy of the ruling Communist party. It has also provided regional governments with the incentives and resources to defy Beijing's central control. Thus, like most other Asian states, China's internal structural weaknesses, combined with its history of invasion and humiliation by the West (and Japan), create a powerful incentive to hold onto its sovereignty.[21]

Japan merits special consideration. It is the one Asian state that is a developed state and a strong state, in the sense used here.[22] The state's basic institutions enjoy the support of the vast

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[21] Gerald Segal, *China Changes Shape: Regionalism and Foreign Policy*, Adelphi Paper No. 287 (London: IISS, March 1994); Gerald Segal, "Does China Matter?" *Foreign Affairs* (September-October, 1999): 24-36.

[22] Interestingly, Peter Drucker notes that Japanese do not see their society as strong as outsiders do. The Japanese remember their experience with Commodore Perry in the 1853. That experience led to the Meiji Restoration. They also remember being conquered after WWII. To

majority of its citizens. Though it is probably exaggerated, Japan comes close to ethnic homogeneity (though this encourages the marginalization of non-Japanese). Japan's situation is odd, however, in that it appears to be like other Asian states in rejecting strong regional institutional structures. This behaviour seems to contradict the logic of this argument, which focuses on state weakness as an explanation for weak regional structures. A recent, significant example of Japan's assertion of its sovereignty is its decision to reject Early Voluntary Sectoral Liberalization (EVSL) in APEC, a decision made to protect politically-sensitive Japanese economic sectors from international competition. The decision effectively derailed APEC and forced negotiations over regional trade liberalization into the World Trade Organization (WTO).[23] Japan's decision to block EVSL was applauded by other Asian states which were concerned about APEC becoming an overly intrusive regime.

These actions suggest that Japan, despite being a strong state, approaches regional institutionalism with similar concerns as the weaker states of East Asia. This is not actually, the case. Katzenstein suggests that Japan may not promote formal regional institutions because much of its influence in the Asia Pacific is derived from informal business relationships, or "network power."[24] Japan does not need binding institutional structures when it is able to achieve its foreign policy/economic goals through less concrete mechanisms. However, Japan's relationship to regional institutionalism is even more complex than this analysis suggests. Throughout the post-WWII era, Japan often attempted to create regional structures. However, it found that other Asian states remained deeply distrustful of Japanese leadership aspirations, given their historical experience of Japanese imperialism. Japan was also limited by the constraining influence of its relationship with the US and its own unwillingness to deal with its regional history. At the same time, however, Japan was highly instrumental in creating most of the governmental or semi-governmental regional structures that did develop, such as the Asian Development Bank (ADB) and the Pacific Economic Cooperation Conference (PECC), among others. Recent

them, Japanese society is fragile, and requires the protection and support of the state. Peter F Drucker, "In Defense of Japanese Bureaucracy," *Foreign Affairs*, vol. 77, no. 5 (September/October 1998): 68-80.

[23] John Ravenhill, "APEC Adrift: Implications for Economic Regionalism in Asia and the Pacific," *The Pacific Review* 13, no. 2 (2000): 319-333.

[24] Peter Katzenstein, "Introduction: Asian Regionalism in Comparative Perspective," in Peter Katzenstein and Takashi Shiraishi (eds) *Network Power* (Ithaca: Cornell University Press, 1997): 1-44.

scholarship has argued that APEC, an organization often characterized as an Australian initiative, actually originated with Japan. Once again, however, Japan was aware of how other states would interpret its initiatives, so it prompted Australia to introduce and promote the concept.[25] Finally, Japan's regional initiatives have deliberately taken into account the political fragility of its regional neighbours.[26] Part of the reason that it has not pursued strong institutions is because it recognizes the limitations and vulnerabilities of the weak states surrounding it.

This analysis suggests that Japan is a special case in the Asia Pacific. Its reaction to regional institutionalism is complex and reflects many different considerations. Being a weak state is not the defining factor for Japan as it is for other regional actors, but the general weakness of regional actors has affected Japanese efforts to create regional structures. More important, however, are the effects of Japan's historical relationship with its neighbours, its security and economic relationship with the United States, and the reality of Japanese economic dominance in the Asia Pacific. These factors are compounded by the lack of a sense of larger identity to characterize the region.

Returning to the weak states of Southeast Asia, the concern with state sovereignty does not mean that the ASEAN countries have rejected economic globalization and its associated institutions. In fact, until recently, most of the ASEAN countries enthusiastically embraced economic globalization precisely because of their belief that this process can, in fact, further their sovereign capabilities. As Amitav Acharya argues,

> Globalisation has been used not just to augment the power and position of states in the international system, as may be expected from a conventional international relations perspective, but more importantly, to ensure regime security and legitimacy. And it is the latter which has been a more fundamental concern in shaping attitudes and responses towards globalisation. [27]

Globalization has allowed the states of ASEAN to gain access to economic resources that have enabled them to develop their economies and greatly improve the standards of living for

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[25] Ellis S. Krauss, "Japan, the US, and the Emergence of Multilateralism in Asia," *The Pacific Review* 13, no. 3 (2000): 473-494.

[26] Richard F. Doner, "Japan in East Asia: Institutions and Regional Leadership," in Katzenstein and Shiraishi, 199.

[27] Amitav Acharya, "Globalisation, Sovereignty and the State in Asia," Paper Presented to the 41st ISA Convention, 14-18 March, 2000, Los Angeles, CA: 1-2.

most of their citizens. These states are willing to make compromises of sovereignty in some areas – such as the economy – if they can gain tangible benefits in others. However, these same states have sought to limit their exposure to international forces when they perceive those forces as a serious threat to regime control. Thus, many ASEAN states have embraced economic globalization while resisting external political influences. This overarching concern with building the state and maintaining sovereignty is reflected in the history of ASEAN.

The Example of ASEAN: Putting Sovereignty First

Much of the contemporary discussion of ASEAN focuses on the organization's role as the foundation of a regional identity in Southeast Asia. In fact, however, ASEAN has been designed to maintain and promote the independence of its member states. ASEAN's focus on state sovereignty has been a consistent part of the organization's development, and continues to guide its actions today.

The ASEAN was founded by five Southeast Asian states in 1967.[28] Its original members were: Indonesia, Malaysia, the Philippines, Singapore and Thailand. ASEAN was formed in the aftermath of the Konfrontasi (Confrontation) between Indonesia and Malaysia. This was a period in which Indonesia rejected Malaysia, which was formed by the British without any consultation with regional states, as an imperial imposition. Konfrontasi lasted from 1963-1966. In 1966, in response to an alleged plot by the Indonesian Communist Party to take over the state, the Indonesian military launched a military coup, which effectively deposed the Indonesian President, Sukarno. The new military regime in Indonesia, led by Suharto, took a very different approach to regional relations than its predecessor. Konfrontasi had proven to be economically and politically damaging to both Indonesia and Malaysia. ASEAN, therefore, was formed to smooth over the strained relations between the anti-communist Southeast Asian countries. ASEAN symbolized a non-aggression pact between its members. It also represented a political united front against externally sponsored communist insurgency.

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[28] This section draws on: Shaun Narine, "ASEAN and the Management of Regional Security", *Pacific Affairs* 71, no. 2 (Summer 1998): 195-214; Narine, "The Limits of the 'ASEAN Way': ASEAN and the ARF", *Asian Survey* 33, no. 10 (October 1997): 961-978.

Creating space for its members to construct themselves as states was an important part of its initial mission.

The ASEAN states used the organization to promote a vision of regional order, which emphasized the importance of national sovereignty and the right of Southeast Asia to be free of the external intervention of the great powers. At the same time, however, most member states perceived ASEAN's declaratory positions as potential impediments to their actual pursuit of security and sovereignty. The realization of the sovereign ideal, which ASEAN symbolized, was often not the most effective way to protect sovereignty. Many ASEAN initiatives reflect this tension. What is important to recognize is that ASEAN's institutional imperatives were adapted to fit – or, at least, not conflict – with its members' self-interests.

The ASEAN Declaration of 1967, for example, states that the removal of foreign military bases from Southeast Asia is a long-term goal for ASEAN. This statement asserts the right of the Southeast Asian states to manage their own affairs and be free of the influence of all outside powers; it is an assertion of sovereignty. This statement was a political compromise that satisfied Indonesia's desire to assert regional independence. However, the Declaration's ambiguity and refusal to specify a time period in which to achieve this goal was required by the other ASEAN members, all of which depended upon security relationships with outside powers (namely Britain and the United States) to guarantee their own security. For these states, their interests were best served by encouraging the presence of external actors in regional affairs. ASEAN asserted a sovereign ideal without actually compromising what was necessary to maintain the sovereign reality.

Similarly, ZOPFAN, ASEAN's Zone of Peace, Freedom and Neutrality, emerged as the result of political compromise. ZOPFAN was first introduced by Malaysia, which wanted Southeast Asia to be "neutralized" by the great powers, i.e., the great powers would agree not to pursue their activities within the region. Malaysia advanced this position for domestic political reasons, and it did so without consulting its ASEAN partners. The other ASEAN states soundly rejected the original Malaysian proposal, again because most of these states relied on their external allies for security. The exception was Indonesia, which defined China as the major threat to the region, and refused to endorse a plan that would, effectively, legitimize a Chinese role in regional affairs. The ZOPFAN that emerged from ASEAN's deliberations was a long-term goal. It imposed no real limitations upon its members.

The "ASEAN way" is the clearest example of ASEAN shaping its practices and structures to prevent the organization from infringing on the sovereignty of its members. The "ASEAN way" is a method of interaction which has evolved over more than 30 years. It is a decision-making process, which seeks to reach corporate decisions through consultation and consensus building. When the ASEAN states cannot agree on a common approach to a problem, they agree to go their separate ways. The organization is not obliged to reach a decision, nor are any members pressured to take decisions that might be in conflict with their national interests. As ASEAN evolved, the organization developed formulae that allowed it to adopt positions without unanimity.

ASEAN's members have kept the ASEAN Secretariat, which manages the group's activities, understaffed and overworked. All of ASEAN's major initiatives are conceptualized within ASEAN secretariats based within the foreign ministries of each member state. The control of the ASEAN decision-making process is kept well within the confines of the individual states.

In the post-Cold War period, ASEAN has added four new members (Vietnam, Cambodia, Laos, and Burma) and increased the scope of its activities by creating the ARF and aggressively pursued various economic initiatives, such as the ASEAN Free Trade Area (AFTA). These efforts were, in part, designed to maintain and enhance the organization's ability to be an effective international voice for Southeast Asia. Part of ASEAN's appeal to its new members, however, was the promise that the organization could improve their international political and economic standing while guaranteeing that, as a matter of principle, it would not interfere in their internal affairs.[29]

These promises were challenged by the Asian economic crisis, which called the non-intervention principle into question. The crisis made it clear that ASEAN's ability to deal with regional economic upheaval – which was already very limited – was contingent on its capacity to address the domestic policies of its members. ASEAN's refusal to reconsider the principle of non-intervention, however, effectively paralyzed the organization.[30] (This issue is addressed in more detail below).

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[29] For a state like Myanmar, this was a very important consideration. Admittedly, the inclusion of Myanmar in ASEAN did provoke some debate within the organization over the principle of strict non-intervention (including critical commentary) in the affairs of other members. However, as noted below, the Asian Economic Crisis has led ASEAN to firmly endorse its commitment to non-intervention.

[30] For a discussion of the East Asian Economic Crisis from an Asian perspective, see: K.S. Jomo (ed) *Tigers in Trouble: Financial Governance, Liberalisation and Crises in East Asia* (New York: Zed Books Ltd., 1998). For an overall

Regional Institutional Development in the Post-Cold War Period: APEC

Ambivalence towards APEC within Asia reflects a wide variety of tensions, not just the concern of weak states with issues of sovereignty. Japan is an industrialized state with a crucial role to play in APEC. Japan has consistently emphasized the need for APEC to be sensitive to the different levels of development between regional states. However, it has also been sensitive to its own domestic political constituencies, which has caused it to follow protectionist policies that are detrimental to the economic interests of Asian, as well as Western, states. Thus, in the case of APEC, economic and political interests between member states vary depending on their level of political development, but have the common effect of limiting APEC's institutional evolution. The following discussion focuses on the developing states of ASEAN; however, many of ASEAN's concerns about APEC are shared by other Asian states (including China) for a variety of reasons.[31]

APEC was created largely as a joint initiative of Japan and Australia. There are three pillars of APEC: trade liberalization, trade facilitation, and economic/technical cooperation. The "Western" members of APEC – the United States, Canada, Australia and New Zealand — have focused upon APEC's trade liberalization agenda as the primary interest of the organization. To these countries, APEC is mostly about lowering trade barriers across the Asia Pacific region, enabling the free flow of goods.

Most of the Asian states of APEC focus on trade facilitation and economic/technical cooperation as being the more important aspects of the organization. Most Asian countries have strongly opposed the idea that APEC becomes a legally binding, strongly structured institution. ASEAN was initially opposed to the creation of APEC, and in 1990 formulated the "Kuching Consensus" between its members. This consensus insisted that APEC remain only a consultative body. ASEAN has insisted that APEC follow ASEAN's consensual decision-making practices, and

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assessment of the failure of regional and international institutions in addressing the crisis, see: Michael Wesley, "The Asian Crisis and the Adequacy of Regional Institutions," *Contemporary Southeast Asia* 21, no. 1 (April 1999): 54-73; Shalendra D. Sharma, "Asia's Economic Crisis and the IMF," *Survival* 40, no. 2 (Summer 1998): 27-52.

[31] For a discussion of different states' attitudes to issues surrounding APEC, see: Vinod Aggarwal and Charles Morrison (eds) *Asia Pacific Crossroads: Regime Creation and the Future of APEC* (New York: St. Martin's Press, 1998).

has managed to gain a pre-eminent role within APEC by ensuring that every other APEC summit meeting is held in an ASEAN state.

There are a number of reasons for the Asian states' approach to APEC. First, ASEAN, specifically, did not want its own institutional pre-eminence challenged by another regional body. By ensuring a dominant role for itself within APEC, ASEAN hoped to maintain its own status and also prevent APEC from moving in unacceptable directions. Second, Asian states in general do not want APEC to form an exclusive trade bloc; they want to maintain their access to the world beyond the region. Third, the Asian countries do not want APEC to become an instrument that can be used by the United States to exert economic and political pressure upon them. The Asian states consider APEC to be an exercise in community building. They are quite happy to have the organization remain a "talk-shop" for the foreseeable future. By contrast, the Western states will only consider APEC to be a "success" if it results in trade liberalization agreements.

These basic disagreements about APEC's purpose and function have undermined the organization's effectiveness. APEC has referred some of its own programs and initiatives to the World Trade Organization (WTO) because of the WTO's greater ability to promote regional trade. This abdication of responsibility is directly attributable to APEC's reliance on voluntary compliance with unilaterally defined commitments and its inability to address issues of domestic political economy.[32]

One of APEC's major limitations is its lack of a driving force to provide a coherent vision for the organization. This limitation has been promoted by the Asian members. In 1995, Asian members were at the forefront of the decision to dissolve the APEC Eminent Person's Group, which had been instrumental in promoting the trade liberalization agenda. The Asian countries have also been instrumental in keeping the APEC Secretariat weak and limited in what it can do. The APEC Secretariat is modeled on the ASEAN Secretariat, which was not designed to challenge the individual ASEAN members. This consideration has been duplicated in APEC. APEC members wanted to avoid a large bureaucracy, but the greatest concern of Asian governments was that "an (APEC) international secretariat not impinge on their sovereignty."[33]

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[32] John Ravenhill, "APEC and the WTO: Which Way Forward for Trade Liberalization?," *Contemporary Southeast Asia* 21, no. 2 (August 1999): 220-237.

[33] John Ravenhill, "APEC Adrift: Implications for Economic Regionalism in Asia and the Pacific," *The Pacific Review*, 13, no. 2 (2000): 326.

The Asia Pacific in an Era of Globalization: The Effects of the Economic Crisis

The fact that Asian states have been limited in their efforts to build effective regional institutions to this point in time is not necessarily an indication that they will continue to lack this capacity. It has become almost a cliché to argue that the forces of "globalization," however defined, are reducing the ability of states to act as sovereign actors. The increasing flow of capital and trade, the spread of information and ideas, are all part of the globalization phenomenon. These manifestations of globalization, however, can frequently have negative effects. In 1997, the states of the Asia Pacific were brutally acquainted with their vulnerability in the global economy by the Asian economic crisis. The crisis shook the region to its very foundations, and took more than two years to resolve. Its effects are still being felt.

The crisis started in Thailand, but spread rapidly to the neighbouring states, then on to other parts of Asia, Russia and Latin America. It revealed significant weaknesses in the Asian economies, but it also demonstrated that East Asia was susceptible to international investor panic, and that the regional states were interconnected and interdependent whether they liked it or not. This situation also demonstrated that existing Asian institutions were incapable of dealing with regional economic upheaval. It became apparent that if regional organizations wanted to be effective instruments in the future, they would need to be more structured and binding; this would require that their member states learn to "pool sovereignty".[34]

Despite the logic of this argument, Asian institutions have not become markedly more capable of dealing with regional issues collectively. In the case of ASEAN, this failure is particularly apparent. During the crisis, a number of prominent ASEAN statesmen proposed that ASEAN reform its methods to allow for greater intervention between member states. ASEAN's inability to

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[34] For discussions of the effects of the Asian crisis on regional institutions, see: Douglas Webber, "Two Funerals and a Wedding? The Ups and Downs of Regionalism in East Asia and Asia-Pacific after the Asian crisis," *The Pacific Review*, vol. 14, no. 3 (2001): 339-372; Michael Wesley, "The Asian Crisis and the Adequacy of Regional Institutions," *Contemporary Southeast Asia*, vol. 21, no. 1 (April 1999): 54-73; Stuart Harris, "Asian Multilateral Institutions and Their Response to the Asian Economic Crisis: The Regional and Global Implications," *The Pacific Review*, vol. 13, no. 3 (2000): 495-516; Shaun Narine, "ASEAN in the Aftermath: The Consequences of the Asian Economic Crisis," forthcoming in *Global Governance*.

act effectively during the crisis significantly undermined its credibility. In addition, its failure to address Indonesian actions in East Timor and the situation with regional "haze" caused by Indonesian forestry practices contributed to the decline in ASEAN's international reputation. Combined, these situations should have been enough to convince ASEAN's members of the need for serious reform. However, only Thailand and the Philippines advocated substantive reform. All of ASEAN's other members strongly opposed any attempt to change the organization's established practices. The reason for this reluctance to reform the institution was because most of ASEAN's members recognized that ASEAN's durability was directly attributable to its refusal to force its members to make unpleasant concessions and choices. [35]

Subsequent events seemed to prove these "realists" correct. In a compromise to appease Thailand's advocacy of reform, ASEAN agreed to allow "enhanced interaction" between its member states. This policy allowed individual ASEAN members to criticize other members engaged in activities that directly affected the well-being of their fellow ASEAN states. These criticisms would not come from within the ASEAN structure. Enhanced interaction was tested almost immediately in the context of Malaysia's handling of the Anwar Ibrahim situation. Anwar, Malaysia's former deputy prime minister, was arrested and jailed on charges of sexual misconduct and corruption. While in prison, he was physically assaulted. Indonesia and the Philippines criticized Malaysia and expressed support for Anwar and outrage at his treatment. The Malaysian government responded by questioning the legitimacy of the Indonesian government of the day and indicating that it might consider supporting Muslim insurgency within the Philippines. This reaction harkened back to the tensions of the pre-ASEAN era, underlined the fragility of regional relations, and emphasized the continuing importance of the non-intervention principle. [36]

Maintaining ASEAN's credibility is important to its members; it is the vehicle through which they exercise regional influence and respect. However, as the previous example indicates, the ASEAN states are still unprepared to accept an organization that intrudes into their domestic affairs. ASEAN has run into the practical limitations of how far its members can

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[35] Jurgen Haacke, "The Concept of Flexible Engagement and the Practice of Enhanced Interaction: Intramural Challenges to the 'ASEAN Way'," *The Pacific Review* 12, no. 4 (1999): 581-611.

[36] Ibid.; Robin Ramcharan, "ASEAN and Non-interference: A Principle Maintained," *Contemporary Southeast Asia* 22, no. 1 (April 2000): 60-88.

actually afford to go in creating a cooperative regional organization. At its best, ASEAN helps its members promote the state-building process. To this point, this commitment to a limited ASEAN has not been shattered by the experience of the economic crisis. Still, as noted above, the reality of global forces challenges the ability of states to further their state-building objectives. If pooling sovereignty can contribute to the state-building process by protecting weak states from the influence of disruptive global forces, could states be convinced to pursue this option?

On the surface, the answer to this question would seem to be "yes"; if states truly are motivated by state-building considerations, and that is manifested as a desire to defend their sovereignty, then they would move to adjust their state-building strategies as external circumstances changed. However, there are (at least) two difficulties with this argument. First, the ability to enter binding agreements and successfully implement them is always more difficult for a weak state. This is because limited state capacity and uncertain control over society are defining characteristics of the weak state. Thus, efforts to create more institutionalized organizations might fail simply on the basis of an inability to implement agreements. Second, the kind of institutions and the range of their activities are crucial variables in shaping their success. In the case of ASEAN, it is clear that no amount of reform could make it an institution capable of withstanding the kind of economic crisis that the region faced in 1997. It is true that ASEAN was never designed to contend with economic upheaval; more importantly, however, ASEAN cannot be reformed to deal with economic crises. It simply lacks the resources necessary to be a credible buffer against such circumstances. Thus, to the ASEAN states, reforming the institution to make it stronger and more binding, yet still unable to protect them from economic disruption, would not be an acceptable trade-off for their sovereignty. The fact that ASEAN could not be reformed to deal with economic crises on its own, however, does not prevent Asia Pacific states from attempting to create other institutions that would be more effective in facing future crisis. These efforts are exemplified by the drive to create an "Asian Monetary Fund" and the present effort to structure the "ASEAN Plus Three".

New Institutional Structures in the Asia Pacific

At the height of the economic crisis, Japan proposed the creation of an Asian Monetary Fund (AMF).[37] This initiative failed for a number of reasons. It was strongly opposed by the United States and the IMF; China and South Korea were also, initially, opposed to a proposal that would enhance Japanese influence in the region. The states of Southeast Asia were generally supportive of the idea, but the overall opposition to the initiative was too great, and Japan allowed it to fail. However, the AMF idea continues to reappear in the aftermath of the crisis. China and South Korea now support the idea, and the newly-formed "ASEAN Plus Three" (APT) organization (which consists of the ASEAN states plus China, Japan and South Korea) may be an embryonic AMF. Nonetheless, there remain huge obstacles to instituting such a regional organization, most of them focused around strategic uncertainty and unresolved tensions between the major Asian players. For the purposes of this discussion, however, it is most important to note that many Southeast Asian states supported the idea of an AMF on the assumption that the AMF would disburse loans without violating the sovereignty of its Asian members, or at least by being sensitive to the political and economic circumstances of its client states. Whether or not this is possible is one of the issues that will impede progress on an AMF. The fact that it is an expectation of many states, however, underlines the importance they attach to sovereignty.

Initially, the failure of the AMF idea was addressed by the Manila Framework. The Manila Framework was initiated by APEC at its 1997 meeting. The Manila Framework allows for a cooperative financial mechanism to supplement IMF disbursements; enhanced economic and technical cooperation, particularly to strengthen domestic financial systems and regulatory capacities; and, a regional financial surveillance mechanism. The framework remains extremely limited, however, lacking any formal structure or guaranteed funding.[38]

The "Chiang Mai Initiative" (CMI) was a multilateral agreement worked out between the finance ministers of the APT,

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[37] For a discussion of the AMF idea, see: Shaun Narine, "ASEAN and the Idea of an 'Asian Monetary Fund': Institutional Uncertainty in the Asia Pacific," in Andrew Tan and Kenneth Boutin, (eds) *Non-Traditional Security Issues in Southeast Asia*, (Singapore: Select Publishing-IDSS: 2001): 227-256; Narine, "The Idea of an 'Asian Monetary Fund:' The Politics of Economic Cooperation in the Asia Pacific," Unpublished paper, under review.

[38] Chang Li Lin and Ramkishen S. Rajan, "The Economics and Politics of Monetary Regionalism in Asia," *ASEAN Economic Bulletin*, vol. 18, no. 1 (April 2001): 105.

at their meeting in Chiang Mai, Thailand, on May 6, 2000. It has been described as

> …the first and significant step in official financial cooperation for the whole region, better enabling the region to cope with potentially disruptive currency fluctuations and international capital movements, so that the countries within the region can protect themselves from volatile and unpredictable capital movements.[39]

The ASEAN countries subsequently agreed to expand the size of the existing ASEAN Swap Arrangement (ASA), designed to transfer foreign reserves between ASEAN states, from US $200 million to US $1 billion. Bilateral currency swap agreements between Japan and three neighbours (South Korea, Malaysia and Thailand) amounting to $6 billion were signed in 2001. Chaipravat sets out a timetable by which a regional financial arrangement (RFA) could be operating by 2003. Beyond upgrading the ASA, the plan calls for the creation of Two-Way Bilateral Swap Arrangements (TBSA) whereby China, Japan and South Korea can offer each other financial support in time of need, followed by a series of swap agreements between the other APT states. Over time, the APT states, with the aid of a better-institutionalized APT economic monitoring and surveillance unit, will make decisions on requests for funding from member states. Chaipravat's hope is that within the foreseeable future, "regional financial cooperation and institutionalization will have grown to a point where a common currency area will become a viable and realistic option for East Asia."[40] The Finance Ministers and Central Bank Governors will have the final say on "the modalities, sizes, mechanisms, operating procedures, rules and regulations of East Asia's RFA".[41]

The difficulty with these assessments, however, is that they fail to account for the real and serious political difficulties that block the creation of an AMF/RFA. Most of these difficulties originate in the region itself, and prevent the emergence of the kind of effective institutional structures that would be needed to make the AMF a reality. The primary difficulties revolve around the questions of political leadership of the AMF and conditionality attached to AMF loans. The first question is beyond the scope of this paper, though some of its implications do affect the second

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[39] Olarn Chaipravat, "Towards a Regional Financing Arrangement in East Asia," *The World Economy*, vol. 24, no. 8 (August 2001): 991.

[40] Ibid., 993.

[41] Ibid.

issue.[42] Suffice it to say that unresolved tensions and rivalries between China and Japan block the development of an effective regional financial institution, at least for the foreseeable future. The second question – that of conditionality – directly touches on questions of sovereignty.

Even an AMF sensitive to the political and economic realities of its member states would need to attach some conditionality to its loans. Otherwise, the AMF would face the prospect of wasting considerable resources on states that might be following economic policies and practices in need of reform. The same considerations would apply to any swap agreements that may now exist between Asian states. The prospect of an AMF setting conditions on its members is controversial in Asia precisely because it would be a major violation of state sovereignty, however "sensitive" those conditions might be. The difficulty that an Asian institution would have in forcing conditionality is precisely the reason that Lee Kuan Yew, the former Prime Minister of Singapore, argued that the IMF would need to continue its activities in Asia because it was an outside actor and could force Asian states to make changes that no other Asian actor could demand. The political volatility of one Asian state, or set of states, setting conditions on others is an issue that loops back into the question of leadership: if the AMF was dominated by any of the regional powers, it would run the risk of being regarded as an imperial extension of the dominant regional actors by the region's smaller states. This is an especially sensitive issue, given the historical legacy of Japan and modern concerns with a rising China.

An example of a new regional structure that is currently wrestling with issues of sovereignty and state weakness is the ASEAN Surveillance Process (ASP). The ASP is meant to oversee the economies of ASEAN and provide early warning of any practices or indicators that might contribute to future economic disruption. The ASP remains in a very preliminary stage. Even so, its initial efforts to monitor the ASEAN economies have run into the refusal of many ASEAN states to share information with the ASP. These states are afraid that sensitive industrial and other information will end up in the hands of competitors in other ASEAN countries. The states also lack the capacity to force companies that may not want to share information to do so. The ASP, therefore, has run solidly into both the limitations of state

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[42] For a deeper discussion of the problems of political leadership in the AMF, see: Narine, "The Idea of an 'Asian Monetary Fund': The Politics of Economic Cooperation in the Asia Pacific," unpublished paper.

capacity and the concerns of ASEAN states with national competitive advantage.

Conclusion

This paper argues that state weakness in the Asia Pacific requires states to focus on the process of state-building. An effect of this focus is that states emphasize the importance of sovereignty and understand regional institutions as sovereignty-enhancing mechanisms. It is important to note that this paper is not arguing that state weakness is the only variable of consequence in explaining the difficulties that Asia Pacific states have had in creating strong regional institutions. Even if these states were strong, the other obstacles to greater regional institutions – strategic and historical suspicions, the role of the United States, the lack of regional community feeling – would still persist. However, it would be far easier for the Asia Pacific states to cooperate and learn to put aside their various differences – especially under the influence of external threats – if so many states were not preoccupied with the state-building process. Creating binding regional institutions between relatively weak states is inadvisable. Weak states are limited in their capacity to fulfill the obligations and responsibilities associated with strong institutions. Weak states cannot successfully participate in institution-building without additional state-building. Given these facts, the kind of loose, consensus-oriented regional institutions that evolved in the Asia Pacific were well-suited to their environments. However, they are proving inadequate in a globalized world.

The states of the Asia Pacific are in a difficult situation. The logic of globalization and the recent experience of the economic crisis seem to force states to work together within larger structures if they wish to retain a certain measure of sovereignty. However, cooperating successfully first requires a level of sovereign control and unifying national identity that many of these states are still trying to create. Being a strong state appears to be a necessary prerequisite to building the foundation of a successful regional organization in the emerging international environment. New international forces, as Migdal suggests, may be empowering states by forcing them to accept new responsibilities. However, if states lack the capacity and the internal unity necessary to manage these new responsibilities, then they are left in a more difficult situation than before. Globalization could easily promote the collapse of domestic structures.

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