APEC AND THE IDEA OF REGIONALISM IN INTERNATIONAL POLITICAL ECONOMY

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Abstract

(The word *regionalism* occasionally used to emphasize negative, marchantilistic attitude of the members of regional arrangements that narrow-mindedly pursue interests of the region at the expense of other regions or international institutions. In this paper, however, *regionalism* merely refers to institutional frameworks set up by the governments in the region to promote regional economic integration. Various arrangements of regionalism have different levels of commitment by the participating governments. On the other hand, regional consultative bodies that do not involve legally binding agreements but aim at promoting economic integration among the members are a looser form of regionalism.)

Currently grouping 22 members, APEC (Asia Pacific Economic Cooperation) was formed in 1989 at a ministerial level meeting of twelve member countries. For two decades, government officials, business people and academics had argued in favour of creating an Asia Pacific trade and economic dialogue, but the inability to get Taiwan and China in the same wavelength stumped those efforts only with the end of the cold war. It was possible to bring government together. Several Latin American nations and Russia have joined APEC since its inception. From the beginning, APEC adopted a novel concept of “open regionalism”, meaning that any reductions in trade and investment barriers adopted by APEC members would be applied on a most favoured nation basis. That is, APEC members would agree monk themselves to open up to the world and not simply on a preferential basis among themselves.¹

Regionalism and regionalization terms which invite confusion and require careful defining do not take place in a vacuum. While their progress is necessarily informed by geographical, political, economic, strategic, and cultural concerns. That are regions specific, they also take place in an environment that is in turn informed by norms, trends, values and practices that relate to different regional and global settings. Hence a comparative study is particularly helpful in understanding current patterns and the development of regionalism.²

The United Nations Security Council has certainly supported such a view, encouraging in 2004, for example, and renewed discussion on the further strengthening of regional organizations. For those concerned with international order, regionalism has many identifiable qualities. Aside from promoting economic, political and security cooperation and community. It can consolidate state building and democratization; check heavy handed behaviors by strong state and global institutions generate and lock in norms and values, increase transparency, and make states and international institutions more accountable. Like democratization, it also has a ‘contagion’ effect. Regional actors draw on, copy and link up with other experiences, and here the phenomenon of inter – regionalism

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is important. Recent examples from Europe, in particular, but also the Americans, Africa, and Asia support, these claims.

Its original aim was to provide an informal regional dialogue mechanism on trade matters. It is best regarded as interregional institutions, given its exceedingly vast geographical scope and the fact that it encompasses a number of regional groupings within its contours. The reasons behind APEC’s establishment have been extensively discussed elsewhere and will not be repeated here. Suffice it to say that despite reservations on the part of the Southeast Asia states that the US, in particular, would dominate APEC and use it to impose Washington’s preferred liberalizing agenda on them, these governments came on board the project in 1989. Southeast Asian concern that they would become marginalized from the all important US market was sufficient to overcome their wariness of APEC. These governments were concerned that the US would turn way from East Asia given its growing trade frictions with regional states and its embrace of North American economic regionalism, particularly as the waning Cold War made Southeast Asia less vital to the security interests of Washington. Through APEC, the Southeast Asian governments hoped to ensure their continued access to the market by embedding the US in a regional frame work.

Washington would pressure them to liberalize their economies through the APEC mechanism in ways or at a pace unacceptable to them, APEC’s Southeast Asian members sought to reduce any potential for their domination in the forum by insisting on unilateralism and consensus as APEC’s two guiding principles. This reinforces APEC’s approach to regional cooperation as self styled open regionalism. This particular modus operandi adopted in APEC helped Southeast Asian governments to retain considerable policy autonomy within the region. APEC rapidly adopted distinctively neoliberal economic agenda after its first leader’s summit held in Seattle in 1993. Trade and investment liberalization had always been Washington’s preferred agenda for APEC. This also reflected the growing demands from American capital for access to Asian markets in return for Asian access to the US market. Other proliferation governments in APEC, namely Australia, New Zealand and Canada, were generally supportive of APEC’s neo liberal turn, answer the city – state economies of Hong Kong and Singapore. Other members in APEC occasionally supported its free trade agenda. Although most of APEC’s Southeast Asian members were relatively open economies since the late 1980s. They were nevertheless concerned that any hasty liberalization would undermine their own industrialization efforts as well as their ability to meet domestic socio-political priorities.

The emphasis on open regionalism in APEC, supported by the ASEAN states and by Japan, South Korea and China helped ensure that APEC’s key programmers in trade and investment liberalization as well as competition policy are based on non binding, unilateral/ non – negotiated commitments and flexible implementation. This approach more recently termed concerted unilateralism’ effectively allows each member government substantial discretion in determining the concessions it is willing to make and its liberalization schedule. Concerted unilateralism has, therefore, helped Asian Soviets avoid being imposed upon in APEC.

The problems of the East Asia region serve to highlight how distinctive some of its key institutions are how they differ from those of North America or Europe. Clearly, the East Asian model of regionalism as evidenced in the formation and operation of the Asia Pacific Economic Cooperation forum differs considerably from the European Union mode. In comparison with the EU (European Union) the APEC forum faces a much more complex, fractured, diverse political and economic regional environment. Although we do not attempt any detailed
prognostications about the future of either region, we argue that East Asia’s development about which there is currently so much speculation will necessarily reflect current political and economic structures.

To develop our comparative analysis of the EU and APEC we employ two key conceptual tools. The first is relatively uncontroversial, well established and draws upon various forms of institutional theory. The second – political rationality has previously been employed primarily in post structural and sociological writing. It is not as yet widely influential in political economy but is nevertheless a useful adjunct to contemporary theorization.

We shall begin our theoretical scene setting by first noting two important features of regional institutions. first, while the type or extent of institutionalization is no doubt an important source of variation in regional forms. The emphasis on institutionalization as the dominant explanation of regional diversity bet rage the influence of the EU model of regional governance on the theorizing. Implicit in this uni-model evolutionary conception is the notion that the EU represents the end points of institutional processes at the regional level. In contrast, the argument proposed in this part is that institutionalization masks deep seated differences in patterns of regional governance. The extent of institutionalization is a manifestation –not an explanation of these differences. Our argument is that regional dynamics are embedded in broader political and economic contexts and that these are likely to produce different trajectories of regionalization in ‘Asia and Europe’.

The second point to make is that East Asia and Europe are characterized by very different levels of Amen and Thrift call, Institutional thickness. This concept refers to the number, variety and inter-connectedness of institutions that exist within a nation or region, and also to the ‘social atmosphere’ that pervades them. Importantly, institutional thickness directs attention to process rather than simply to structure and is suggestive of commonalities of practices and values that undermine pursuit of national or regional purposes. In East Asia, by contrast, not only is this institutional infrastructure of non state policy communities and non governmental agencies less developed, but there is also much less enthusiasm for undirected market activities. Furthermore, the nexus between the private and public sector in East Asia means that the creation of markets regarded as a highly politicized process directly connected to individual governments. This implies that any diminution of this contingent relationship posses a direct threat to the existent political order and its associated distributional coalitions.

These broadly different processes and degrees of institutionalization have led to and permitted distinctive approaches to governance. In particular, it is argued that the development of the EU and APEC has been informed by distinctive political rationalities; leading to different agendas, norms, and practices within the two bodies. Although the prevailing political rationalities are the subject of contestant ion especially but not exclusively, within APEC there are sufficient emerging commonalties of approach within both organizations to make such a broad brush distinction meaningful.

Agenda for Multilateralism

A substantive agenda for broad based regional cooperation exists for the Asia – Pacific region. The measures to be implemented could be phased from relatively simple and non controversial to the taxing and onerous issues. Some of the innocuous issues need to be tackled first. For instance, exchange of information regarding regional trade and foreign investment policies and increase transparency in these policies will reduce
uncertainty in international transactions. Some progress in this regard has been made and an APEC Electronic Information Network was in operation in 1992. Secondly, Asia–Pacific trade fairs can be periodically organized. The first one of its kind has in fact already taken place in Japan during 1994. Thirdly, adopting coordinated measures to deregulated and liberalize economies will be difficult because, as alluded to earlier, most regional economies have taken such measures.

This is not to say that no measures need to be taken. The rice trade in Japan and Korea is an example of unattended absurdity in trade policy. Similarly, some APEC countries protect their textiles and clothing sectors. The rapid liberalization of these sectors will benefit Indonesia, the Philippines and China directly and raw material producers such as Australia, indirectly. Although the Uruguay Round is to phase out the trade distorting Multi Fiber Arrangement (MFA), the APEC countries can truncate the phasing out. This can be done by agreeing to raise quota limits more rapidly than prescribed by the Uruguay Round. Fourthly, inventories for services trade data are being developed which can be followed by trade liberalization in services. It is a difficult issue, because services and trade in them are generally not easily understood. Under the Uruguay Round, a new set of rules have been negotiated to govern international trade in services and to secure an initial package of liberalism measures. The APEC can choose the services of special significance for the region and promote the new regime. The four services sectors that are ripe for the first phase of liberalization are banking, transport, telecommunications and tourism.

Rationalizing and harmonizing legislation and regulations regarding international transactions require a good deal of Skill, because of their radical differences in different countries of the region. A good Kick – off point could be regulations influencing foreign direct investment where rules specify basic rights and responsibilities of foreign investors. Harmonizing these will cut protracted negotiations. Tax concessions for foreign investors could be tackled. Uniformity in them will dispel distorting competition for investment.

The sensitive issue of market access will need to be tackled with imagination and drive. The present level of barriers is, perversely, the highest in sectors where there is greatest complementarily in terms of resources endowment and cost structures. For instance, tariff and quota restrictions are the highest in sectors such as agriculture, textiles, clothing, processed minerals so on. They reduce potential gains from trade and specialization as well as befuddling decisions regarding locations of production facilities in the region. Non-discriminatory trade liberalization in the afore mentioned sectors will benefit the Asia–Pacific by augmenting trade volume in the region. Addressing these and related issues in a carefully graduated manner is sure to have a salutary effect over the regional economies.

The APEC is ideally suited to become a regional lobby for free trade in the international flora. The USA is no longer championing the cause of free trade globally – it has not only abandoned its historical role, but has also made a veritable volt face in this regard. The mantle of leadership of free trade will have to be taken on by the APEC. There are no other credible contenders for the job. The APEC has repeatedly made it known that a significant outcome of the Uruguay Round is indispensable for underpinning the growth of world trade forestalling protectionist pressures, for instilling confidence in markets and for facilitating the continuation of economic reforms in the Asia–Pacific region and in the international economy. With imantle the APEC as a country grouping and an institution will come to have a noteworthy role in the international economy.
An Agreement for Open Multilateralism

By the early 1990s, Kojima’s vision of an Asia-Pacific free trade area was abandoned. The notion of economic integration has been reduced to the fading history of Asia pacific economic cooperation endeavours. As elucidated in the preceding section, APEC’s contemporary stance in this regard is well considered, educated refined and overarching multilateral commitment to open regionalism in the Asia – Pacific economies has become deeply entrenched. If the fastest growing group of economies in the world spurns the idea of a trading bloc, it is sure to deter, if not prevent, the fragmentation of the world economy into similar defensive blocs. If they continue to adhere to multilateralism, they provide a disincentive to economies in the other parts of the world to organize themselves into trading blocs, an anathema to the spirit of free trade. The APEC can further the cause of free, multilateral trade by reducing the traditional the obstacles to regional trade, namely the tariffs and non-tariff barriers. Any reduction in trade barriers even when it is nondiscriminatory will bring benefit to regional economies. The proximity and dynamism of the benefits of liberalization accrue to the regional economics themselves.

The Uruguay Round is trying to bring the average level of tariffs down by 30 percent. If the Asia – Pacific economies undertake unilateral trade liberalization, they will strengthen the efforts being made under the Round multilateral trade liberalization in general. To corroborate this point, Elek cited the example of the USA – Australian – Japan beef negotiations of 1989. Beef producers around the world can complete for Japanese markets and those having maximum comparative advantage will have competitive edge over the others. The end result is better access to Japanese beef markets for exporting countries and cheaper beef for Japanese consumers. This example shows how everybody can benefit from market opening, even if it is negotiated bilaterally, provided the market liberalization is non-discriminatory.

In an identical manner, measures taken after the Strategic Impediment Initiatives (SII) negotiations between Japan and the USA resulted in benefits for all economies that trade with Japan. It is a good illustration of reform measures in the APEC economies working favorably for all. More importantly, in the case of SII, the two negotiating economies agreed were not only GATT-consistent, but some of the issues gone beyond the coverage of the GATT.

This regional alliance for multilateralism will go from here will, inter alia, depend upon developments in the EC and the NAFTA because they have worked in the past as two pressure point, for the APEC. If they remain relatively open and work towards the expansion of trade liberalization, the APEC- given its underlying philosophy – will continue its current posture. However, should they turn into an inward orientated and protectionist bloc, then, given its past, the APEC will show a certain degree of restraint and then reconsider its strategy.

Political Rationalities

The greater political and economic interaction between individual nation states in the contemporary era, the development of trans-national institutional structures external to the state with a which to manage such relationship is perhaps un surprising. Indeed, an influential stand of predominantly North American scholarship suggests that increased international cooperation is both functionally necessary and highly rational. Thus is, however, an implicit normative teleology and Euro centrism in this view which obscures important regional variations in the
development of transnational or multilateral institutions. It is important to emphasize at the outset that there is no inevitability about precisely which principles will underpin any transnational body. On the country, the overarching rules, principles, and approaches to political and economic governance that any putative international institution embodies will be the product of contestation and reflect contingent political realities.

Rose and Miller suggest that there are three major components of political rationalities. First, political the fitting powers and duties for authorities. Rose and Miller consider that such a formulation could be applied to a range of authorities – spirituals, military, pedagogic and familial but it is principally political authority which with we are conversed. The moral component of a political rationality helps determine the principle upon which governmental authority is exercised and the aims and object to which it is directed. In short, it determines the principles upon which power is exercised and the legitimacy of authority. The second component of political rationality is its ‘epistemological’ character, or the predominant understanding of the objects to be governed. One of the key debates highlighted, but not confined to the Asia Pacific, centers on questions about the most appropriate and effective forms of capitalist organization. This is not something restricted simply to the moral aspect of a political rationality, but also concerns the way the objects of governance themselves are understood. While this is frequently presented as a technical debate about the relative efficiency of competing forms of economic organization. It is, as we shall see, deeply bound up with questions of political legitimacy and authority, and the economy itself as an object of governance. Hence, the third characteristic of a political rationality, its rhetorical or discursive aspect – is especially critical, as it provides ‘a kind of apparatus for rendering reality thinkable in such a way that it is amenable to political deliberations’.

The EU and East Asian members of APEC may be understood as respectively subscribing to broadly conceived liberal and camera list approaches to economic governance. Liberal and camera list constitutions of the economy can be understood using the classifications developed above in terms of differences in moral purpose, epistemology and discourse.

Moral Intention

Within a liberal framework the market is identified with the freedom and rationality of the individual, whereas within a camera list frame work the market is identified with the goals and objectives of state security.

Epistemology

Within a liberal political rationality the individual and his or her interest is the object of regulation. Therefore, for a market to be constituted individual interests must be given juridical or constitutional form. Whereas within a comer list frame work it is the well being and welfare of the general population that is object of regulation; in the other words, the market is an instrument serving the welfare of the ‘population’.

Conversation

Within a liberal framework arguments for regional markets are generally framed in terms of liberalizing and ‘freeing up’ economic processes. Whereas within a camera list framework arguments for regional markets are often framed in terms of their ability to contribute to national development and to provide security.
The great advantage of the notion of political rationality as a heuristic model for the understanding of patterns of regional integration. In its recognition of the implicit normative principles, codes, and assumptions that often underpin highly technical programs of economic governance. As Rose observes, before an economy can be managed it is necessary to conceptualize it as a set of processes and social relationships that are amenable to management. The political rationality approach may help us to understand why different discourses and techniques of economic management emerge by examine the political, institutional and conceptual conditions, which give rise to the formulation of different notions of the economy, the ways in which different groupings come to hold specific economic beliefs and the consequences of the economic exigencies which have been adopted in economic activity and policy.

**Economic and Political Institutionalization**

The APEC’s Asian members are distinguished by a number of qualities that make transnational economic and especially political integration problematic. Not only do the political systems of East Asia display some noteworthy differences and deviations from the liberal democratic ideal, but they are also often tightly bound up with the distinctive patterns of capitalist organization that characterize the region. Indeed, some of the binary oppositions which are central to ‘Western’ political theory, - private versus public. States versus civil society have a good deal less relevance in an East Asian setting. Nor is this simply an academic nicety. On the contrary, the interaction- or in some instances, the fusion – of what may be broadly described as state and capital has been central to the trajectories of East Asian development, something that even the pro-market World Bank has conceded 8. The intention here, however, is not to rehearse the somewhat sterile debates about the merits of states or markets as optimal determinants of economic outcomes.

Given the difficulty the East Asian development model appears to be currently facing it might be expected that such economic practices and political relationships will quickly lose favour. However, there are embedded political relationships and economic structures, in which Japan remain a key actor, which make dramatic change unlikely Japan is exerting an increasingly powerful influence, both directly through its economic links in Asia, and more subtly at the ideational level. Japan is not simply the dominant source of direct investment in the East Asian region. It also makes considerable contributions via its official Development Assistance. The coordinated utilization of combined private and public finance has been central to the successful migration of Japanese companies into Asia. The most immediate manifestation of this process is the replication of Japan’s integrated ‘Keitetsu’ production net works across the region. A direct effect of the expansion of Japanese capital has been the establishment of close political ties within host nations, cementing the prominent position of Japanese style capitalism9.

The institutionally embedded economic structures and tight linkages that have developed between business and government in the region have, therefore, influenced the content of public policy and the overarching logic with which it has been shaped and legitimated. In Indonesia, for example, the Suharto family has exploited it political dominance to amass a vast fortune in which individual family members control arrange of enterprises across the entire Indonesian economy, including property, banking, industry, telecoms, media and transport. The distinction between the public and private sectors that underpins the European approach to governance is simply not applicable in an Indonesian context. Political control is maintained through a form of ‘exclusionary corporatism’ in which functionally determined interest groups are tightly bound into overarching state structures.
Which are reinforced by the state sponsored ideology of ‘Pancasila’ and the dominant state controlled political machine.

In Malaysia, economic and political interests are similarly fused. The United Malays’ National Organization (UMNO), which has dominated Malaysian politics since the race riots of 1969, is deeply involved in domestic economic activity. Economic development in Malaysia has been driven by the desire to promote indigenous ‘Bumiputra’ capitalists resulting in a form of ‘bureaucratic capitalism’. In which state policy has been systematically designed to favour the interests of a well connected elite and a range of companies directly controlled by UMNO itself. The point to stress here is that economic development in a politically neutral exercise in which the role of government is reduced to merely providing the minimal framework within which market forces can operate. On the country, in countries like Indonesia and Malaysia, government is directly involved in economic activity and political elites are amongst the principal beneficiaries of the energy market economies. The developmental state approach not only requires a different ideological underpinning and rationality of government. But it also leads to the institutionalization of distributional coalitions that directly benefit from a specific pattern of governmental role.

In APEC, by contrast the competing political rationalities of the region’s Asian and Anglo – American members lead to some striking paradoxes. Central to the strategic calculations of APEC’s Asian members has been a desire extent the ‘ASEAN’ way or the principles of negotiated consensus and non interference in domestic affairs that have been cornerstones of this important regional sub group’s approach to transnational institution building. Indeed, the blueprint for APEC development authored by the Eminent Persons Group specifically rejects the possibility of following the European model. Instead it suggests APEC, will not be a community in the sense of the EC – characterized by acceptance of the transfer of sovereignty deep integration and extensive institutionalizations. It will be a community in the popular sense of a ‘big family’ of likeminded economies – committed to friendship, cooperation and the removal of barriers to economic exchange among members in the interest of all.

This permissive approach has been incorporated into APEC’s reformist discourse via the ‘flexibility principle’, which effectively allows members to renege on their trade liberalization commitments if it is deemed necessary. Not only are APEC agreements, consequently voluntary and none binding even more significantly, they allow the continuation of the sorts of state activism at the domestic level that has characterized East Asian economic development. East Asian government, in other words, support the development of a non interventionist transnational institutional framework, precisely because this is most likely to permit the continuation of existing interventionist patterns of economic and political organization.

When viewed through the theoretical frame work provided by the political rationality approach, then, the contested nature of APEC’s institutionalization becomes more comprehensible. Indeed, the origin of the competition between different forms of capitalism and their concomitant patterns of economic, political and social organization through the Asia Pacific region is revealed through this methodology. Capitalist development and the constitution of regions are neither nonlinear nor technological. Moreover, there is no necessary relationship between markets and particular forms of political practices. In other words, the current trauma in Asian Pacific region notwithstanding, an illiberal political rationality may endure, even in a globalised economic order.
Notes

1 The Asia-Pacific Economic Cooperation (APEC) forum includes 21 members that differ substantially in their political systems, social and cultural institutions, and level of economic development. The participating APEC economies are: Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei, Thailand, United States, and Vietnam.

2 Regionalization refers to the growth of societal integration within a region and to the often undirected processes of social and economic integration. The term lays particular weight on autonomous economic processes which lead to higher levels of economic interdependence within a given geographical areas and the rest of the world.

3 The European Union (EU) can draw its origins from the European Coal and Steel Community (ECSC) and the European Economic Community (EEC), formed in 1951 and 1958 respectively by the Inner Six countries of Belgium, France, West Germany, Italy, Luxembourg and the Netherlands. French foreign minister Robert Schuman led the formation of the ECSC with the Schuman Declaration in May 1950. The organization was a forerunner of several other European Communities and what is now the European Union. The current name of EU was formed by the Maastricht Treaty on November 1st 1993. It is a political and economic union between European countries which creates its own policies concerning the members’ economies, societies, and laws and to some extent security. The European Union is an economic and political union of 28 countries. Each of the countries within the Union is independent but they agree to trade under the agreements made between the nations.

4 The Uruguay Round, started at Punta del Este, Uruguay, in September 1986, and concluded at Marrakesh, Morocco, in March 1994, was the most important and successful of the eight General Agreement on Tariffs and Trade rounds of multilateral negotiations. Tariffs on non-agricultural trade were reduced substantially and a trade liberalization framework for agriculture was adopted.

5 NAFTA is the North American Free Trade Agreement. It was envisioned at least 30 years ago to reduce trading costs, increase business investment and help North America is more competitive in the global marketplace.

References


