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Realism and Regionalism American Power and German and Japanese Institutional Strategies During and After the Cold War

Introduction

It was suggested in the early 1990s that, with the end of the Cold War and the loss of a common Soviet challenge to the advanced industrial democracies, the world political economy might fragment into three main competing trade blocs centred around Germany in Europe, the United States in the Americas, and Japan in East Asia (see Thurow, 1992: 11-25, 65). Since the end of the Cold War there has been a proliferation of efforts by countries in many parts of the world to construct or strengthen regional economic institutions.¹ But what is becoming evident is that there are marked differences in the level and character of regional economic institutions that are being attained in different parts of the world. Regional economic institutionalisation is indeed robust (albeit sometimes tumultuous) in Western Europe, and it has made some progress in the Americas.² However, institutionalisation of economic relations has failed to take hold in East Asia.³ The only active arrangement in the region at present — the Association of South East Asian Nations (ASEAN) — has few accomplishments to its credit.⁴ Most interesting from the viewpoint of the present discussion, proposals to form an economic arrangement restricted to East Asian countries — the East Asian Economic Group (EAEG), and, later, the East Asian Economic Caucus (EAEC) — have failed to date to garner support or operational significance. At present the only serious regional diplomatic effort aimed at economic liberalisation — the Asia-Pacific Economic Cooperation forum (APEC) — is designed explicitly not to be a wholly East Asian regional entity and is instead trans-Pacific in its membership and goals.⁵

The variance that one observes in regional economic institutionalisation in Western Europe and East Asia is due in substantial measure to the marked differences in the policy preferences and strategies of the most powerful political-economic states in the two areas, Germany and Japan. In brief, Germany has sought very explicitly to define its national interests and strategies in terms of formal European institutions. In contrast, Japan has not had such an institution-

alist orientation in regard to its neighbours. Japan has made no significant effort to help establish a uniquely East Asian economic arrangement, and indeed, as is described below, in the early 1990s it rejected invitations by countries in the region to undertake such a leadership role, and instead accepted what has become an essentially American-inspired program through APEC for trans-regional as opposed to intra-regional economic diplomacy.

This essay addresses two main questions. First, why, in the face of an apparent similar stimulus — the end of the Cold War — have Germany and Japan responded so differently on the issue of regional economic institutions? Second, can modern realist theory help us understand the differences observed in German and Japanese preferences for regional economic institutions? To pursue these two questions, Germany and Japan's policies with regard to regional economic arrangements in recent years are described in the next section. This is followed by a section that suggests that the differences observed in German and Japanese preferences for such arrangements — if they are examined in light of liberal institutionalist ideas about the functional bases of international collaboration or from the viewpoint of important realist propositions about hegemonic leadership — do indeed constitute an empirical puzzle for students of international relations.

The third main section of the paper then puts forward a realist-inspired analysis that seeks to help account for the strong German bias in favour of regional institutions and the equally pronounced Japanese aversion to date for such arrangements. This section suggests that a part of the explanation for the difference in German and Japanese interest in regionalism can be explained by way of a focus on the role and level of American power in the two regions. It suggests further that differences in geo-military circumstances at the outset of the Cold War in Western Europe and East Asia, combined with differences in American grand strategy in the two regions, set all of the countries in the two areas on highly different trajectories regarding their interest in regionalism and amenability to institutionalised economic co-operation, trajectories that are still in evidence today despite the end of the Cold War.

German and Japanese Preferences for Regional Economic Institutionalisation

For almost half of century, Germany has sought very explicitly to define and pursue its national economic interests in terms of European institutions. Ever since it reattained sovereignty in 1949, the Federal Republic has worked closely with its West European neighbours — and, in particular, France — to construct the major West European regional economic arrangements of the post-World

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War II era: the European Coal and Steel Community in 1951, the European Economic Community in 1957, and the European Communities in 1967.⁶

Germany has also played a key role - again, together with France and to some degree Great Britain - in more recent European efforts to develop within the framework of European Community institutions important new programs for trade (the Single Market Program in 1985), and internal Community decision making (the Single European Act of 1987) (see Moravcsik, 1991; Cameron, 1992; Garrett, 1992). In addition, Germany has been vital in EC (and, now, the European Union, or EU) efforts to construct special arrangements aimed at enhanced institutionalised European monetary co-operation: the 'snake in the tunnel' in 1971, the European Monetary System in 1979, and, with the Maastricht Treaty of 1992, a posited trajectory (now seriously off track) for full Economic and Monetary Union perhaps by the end of the current decade.⁷ Germany has also taken on a leading role in EU negotiations to expand trade with the former Soviet satellite countries, and eventually to expand the European Union to include such countries as Hungary, Poland, and the Czech Republic (see Kolankiewicz, 1994:488-90; Feldman, 1994: 40-41; and especially Mihalka, 1995: 72-78). Finally, Germany played an active role in developing an agenda for the 1996 Intergovernmental Conference on the reform of EU institutions.

In contrast, Japan has not had such an institutionalist orientation in East Asia. Japan has made no significant effort to help establish an East Asian institutionalised arrangement aimed at regional economic liberalisation and integration. Indeed, the diplomacy during 1990 and 1991 surrounding the ill-fated East Asian Economic Group suggests that Japan has made a clear-cut choice against regional economic institutionalisation at least for the present.

In December 1990, in the wake of the failure of the GATT countries to bring the Uruguay Round to completion on schedule, and in the face of new efforts at European Community integration and the ongoing talks surrounding the North American Free Trade Agreement, Malaysia's Prime Minister, Mahathir Mohamed, suggested that the East Asian countries should establish their own East Asian Economic Group (EAEG).⁸ The latter, as envisioned by the Malaysian government, would be composed of the six member countries of ASEAN — Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand — plus China, Japan, South Korea, Taiwan, Hong Kong, Vietnam, Cambodia, and Laos, *but not* Australia, New Zealand, or the United States.⁹ Mahathir's Foreign Minister, Rafidah Aziz, suggested in March 1991 that such an arrangement could serve as a pressure group for East Asia in the Uruguay Round in a manner similar to that being pursued by the Cairns Group of agricultural producers. However, she also left open the possibility that such a group might evolve into an East Asian common market at some point in the future ('Japan Seen as Leader of New Group, Trade Official Says', 1991). Thus, Malaysia's foreign policy leaders

appear to have thought of EAEG as being at the minimum a Uruguay Round lobbying group, and at the maximum a nucleus for a potential full-blown formal trade bloc in East Asia, one that would exclude a number of Pacific Rim countries and in particular the United States.

Malaysia's EAEG proposal appears never to have had a good chance for success. Singapore was the only country in the region during 1991 to offer even qualified official support for the proposal (*Kyodo News Service*, 1991: 'Singapore Supports Formation of Asian Economic Group'; *Jiji Press Ticker Service*, 1991: 'Singapore Urges Japan to Join EAEG (sic)'; also Haggard, 1995: 68). In contrast, in early January, Indonesia's Foreign Minister and Trade Minister both expressed doubts about the idea of a regional arrangement, and indicated that it required fuller consultations among the ASEAN partners (*Reuters: Reuter Library Report*, 1991: 'Indonesia Wants to study East Asian Trading Bloc Plan').¹⁰ Moreover, the key country in the EAEG would have been Japan, and that country was markedly disinclined to pursue such a proposal. In late April 1991, Japan's then-Prime Minister Toshiki Kaifu indicated that his government would wait to indicate its reactions to the proposal until Malaysia had worked with its ASEAN partners to develop a more complete view on what EAEG would entail (Kwok Kin, 1991a). However, Kaifu was more clearly and categorically hostile to the proposal a month later: he was quoted as saying that 'At a time when we are trying to build a free trade system, we shouldn't create problems and misunderstandings with the aimless establishment of lots of small groups'. He was reported further to acknowledge that he had taken a 'cool and impassive approach' toward the proposal, but 'I am thinking from a global perspective, one that will benefit Asia' (*Agence France Presse*, 1991: 'Tokyo Cold Shoulders East Asian Economic Group'; Wallace, 1991, which also includes part of the Kaifu statement).

In early October 1991 Mahathir acknowledged that he did not have support even within ASEAN for an EAEG. He then tried to solicit support for a more modest and less formal arrangement, an East Asian Economic Caucus, which in response to an Indonesian proposal the ASEAN countries agreed in July 1993 would operate solely within the framework of APEC (*Kyodo News Service*, 1991: 'Mahathir Hints East Asia Economic Group Lacks Consensus'; Kwok Kin, 1991b; Ihlwan, 1992). However, Japan was (and remains) unattracted even to this approach to East Asian regional economic institutionalisation. In November 1991 a high-level Japanese official — Koichi Kato, then the Chief Cabinet Secretary — made it clear that Japan would not participate even in an informal East Asian caucus given that the latter would exclude the United States (*Kyodo News Service*, 1991: 'Japan Links EAEC and Regional Security'). Malaysia did attain modest ASEAN support for an EAEC (Tarrant, 1993). However, by July 1993 Japan and South Korea made it clear that they would not join the Caucus (Kwok Kin, 1993; *International Trade Reporter*, 1993: 'Miyazawa Urges Support for

US-Backed APEC, Rejecting Malaysian Call for Asia Bloc'; Ihlwan, 1993). During the spring of 1995 Mahathir continued to press for an EAEC, but specified that Australia and New Zealand would not be included because they were not 'Asian countries' (see *BNA International Trade Daily*, 1995: 'Australia, New Zealand Denied EAEC Membership, Mahathir Says'). This appears to have given Japan an opportunity to put even more distance between itself and the EAEC proposal, for the Japanese government indicated during the summer of 1995 that it would support establishment of the EAEC only if all the APEC countries supported such an effort, which was highly unlikely in light of strong U.S. objections to the concept (discussed more fully below), and if the proposed Caucus included Australia and New Zealand (Arasu, 1995; *Kyodo News Service*, 1995: 'Malaysia Disappointed with Japan's stance on EAEC').

Prime Minister Mahathir has sometimes suggested that EAEC could go forward without Japan (see, for example, *Reuters World Service*, 1994: 'Mahatmir Says Japan Not Needed to Start Asia Group'). Yet, it is clear that few countries in the region are or will become interested in an EAEC that does not include Japan. For example, when the Japanese government announced in April 1995 that it would not attend an ASEAN-proposed meeting on the EAEC proposal, the prospective host, Thailand, cancelled the meeting (see *BNA International Trade Daily*, 1995: 'Japan Tentatively Decides to Skip Meeting for East Asian Economic Group'; Thaitawat, 1995). Given Japan's strong and now sustained opposition to the EAEC, the latter's future can only be considered highly bleak.

Japanese and German Preferences for Regionalism As A Puzzle for International Theory

In light of Japan's decisive role in the failed diplomacy surrounding East Asian economic institutionalisation during the 1990s, we need to ask in the first place whether it is surprising that that country elected not to pursue institutionalisation as would have been entailed by the EAEG and EAEC proposals, especially in light of Germany's strong support for regionalism in Western Europe. Indeed, one might suggest that Japan has been disinclined to pursue formal regional institutionalisation because it does not need the latter to enjoy the benefits of close regional economic integration. Why, then, should it be expected that Japan would incur the inevitable costs associated with institutionalisation?

Three points can be made in response to this line of inquiry. First, there would appear to be grounds to suggest that Japan did in fact seriously consider both the EAEG and the EAEC institutional options. Over the years there have been reports that senior Japanese officials in the Ministry of Foreign Affairs, the Ministry of Finance, and the Ministry of International Trade and Industry (MITI) were

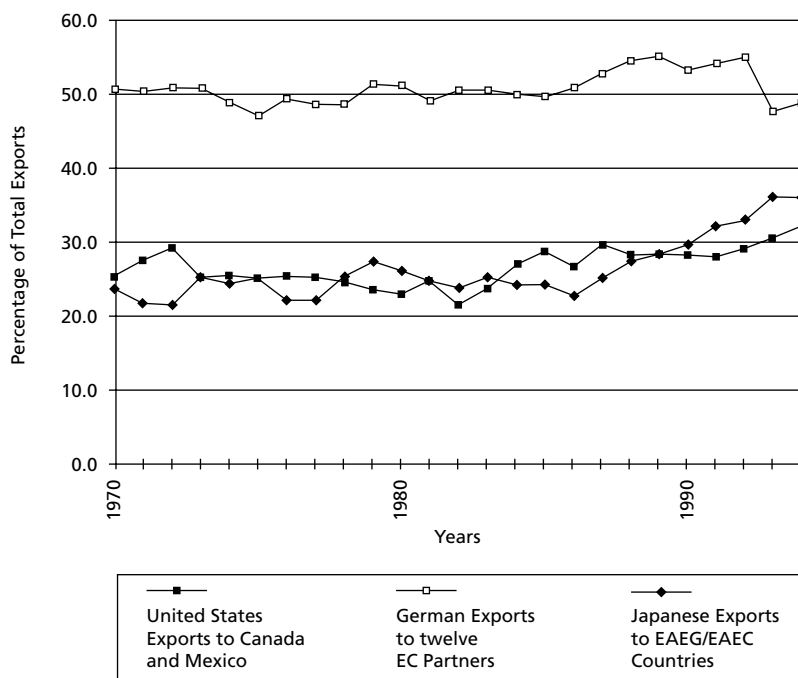
sympathetic to the EAEG and, later, the EAEC proposals.¹¹ Regarding the latter, for example, Japanese Foreign Minister Yohei Kono attended an ASEAN-sponsored informal planning session regarding EAEC that was hosted by Thailand in July 1994 (see *Agence France Press*, 1994: 'Japan To Attend Informal 'EAEC Luncheon' in Bangkok'; Rahil, 1994b). Finance Minister Masayoshi Takemura was quoted in early 1995 as saying that the Japanese people were becoming sympathetic to the idea of holding talks 'amongst East Asians' (see *Agence France Presse*, 1995: 'Japan Warming Up to EAEC, Says Takemura'). And Toshiki Kaifu, president of the New Frontier Party, indicated as well in early 1995 that Japan should keep open its option to participate in EAEC (*The Daily Yomiuri*, 1995: 'Kaifu Favours Japan Joining EAEC'). It should be noted as well that there has been a broader debate in the Japanese bureaucracy in recent years on whether Japan should develop a stronger Asian orientation in its foreign policy, and at least some of these 'Asia-first' advocates viewed the EAEC proposal with interest.¹² Finally, there were arguments within the Japanese business community — specifically, officials connected with the Keidanren, Japan's main business organisation — in favour of the EAEC concept (see *Agence France Presse*, 1994: 'Japanese Business Group Considers Urging Government to Join EAEC'; *International Herald Tribune*, 1994: 'In Japan, A Swing Toward Fellow Asians and Away from the West'; Oishi, 1994).

Second, and as will become clear in the next section, two different U.S. administrations worked hard to bring about the failure of the EAEG and the EAEC. At the core of this effort was the application of significant pressure on Japan to ensure that the latter would reject both proposed arrangements. Given these sustained, high-level U.S. efforts directed at a number of East Asian countries and especially Japan, it might be inferred that the proposals may have had some regional credibility, including possible Japanese interest in them. Thus, while there were clearly problems with Malaysia's EAEG and EAEC proposals — including insufficient consultation by the Malaysian government with Japan and its ASEAN partners before presenting the proposal in December 1990 — the proposals elicited interest in some Japanese policy circles, and it was sufficiently serious that it drew increasingly harsh criticisms from the United States (and, it should be noted, Australia). Third, from the viewpoint of existing systemic international theory it might have been expected that Japan would be interested by the early 1990s in the construction of a formal East Asian economic arrangement. From the viewpoint of arguments within the liberal institutionalist tradition, for example, the Japanese government might have been expected to react to changes that occurred during the past decade in Japan's trade patterns by developing a significant interest in the formation of such an arrangement. Drawing upon that tradition's functionalist logic, a country should become motivated to establish a formal regional trading regime if and as its trade is becoming more regionally concentrated: as such a country becomes more

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dependent on its regional partners for trade, it should experience a greater functional need for and interest in attaining the certainty and stability of access to those partners that might result from formal arrangements.¹³ Figure 1 thus presents data on changes from the 1970s through the early 1990s in the percentage of Japan's overall exports going to the countries (except Vietnam, Cambodia, and Laos) that would have composed the EAEG/EAEC. For purposes of comparison the figure also presents data on Germany's regional concentration of exports in connection with its EC fellow-members and the United States's regional export concentration in regard to its NAFTA partners.

Figure 1: Percentage of Total Exports of German, Japan, and the United States to Regional Partners, 1970-1994



Source: International Monetary Fund, *Direction of Trade Statistics Yearbook* (Washington, various years); and Republic of China, *Taiwan Statistical Data Book* (Taipei, various years)

The figure indicates that Germany for many years has had a much higher percentage of its exports going to its EC12 partners than has been the case for Japan in regard to its potential EAEG/EAEC partners in East Asia. This certainly helps account for Germany's stronger preference for European regionalism compared to Japan's lower preference for Asian institutionalisation. However, there are at

least two features about the data in Figure 1 that suggest that Japan ought to have developed a stronger preference for a regional arrangement in recent years. First, Japan's export dependence on East Asia, while not approaching that of Germany's in respect to Western Europe, has been growing quite significantly: remaining roughly the recipient of one-fourth of Japan's total exports during the 1970s and the bulk of the 1980s, Japan's proposed partners in an East Asian regional grouping became the recipient of roughly one-third of Japan's total exports during the late-1980s and early 1990s. Second, while the regional export concentration of both Japan and the United States has grown in the past decade — that is, both have begun to look somewhat more like Germany in Western Europe — Japan's regional export dependence actually has exceeded that of the United States in recent years (an average of about 34% for Japan between 1990 and 1994 compared to 29% for the United States during the same period).

As noted above, Germany's keen interest in European institutionalism can be readily explained by a functionalist emphasis on Germany's trade dependence on its ec partners. Moreover, the response of the United States to its growing trade dependence on Canada and Mexico — to accept and indeed participate decisively in the construction of NAFTA — is not surprising. But, in light of the way in which the United States so responded to the stimulus of growing regional trade dependence, it is surprising that Japan responded so differently — it essentially rejected regional institutionalisation — in the face of the same if not a somewhat stronger dose of the same stimulus, namely, an acceleration of Japanese trade dependence on its own region similar to or even a bit greater than that of the United States in North America.

Just as functional/institutionalist arguments have difficulties in accounting for the divergence between Germany and Japan with regard to their pursuit of regional economic institutions, so too realist theory has difficulties in explaining that divergence. In terms of a motive for institutionalisation, from a realist viewpoint it might have been expected that, in light of the end of the Cold War and bipolarity and the possible reduction in American attention to East Asia (and possibly the world trade order), Japan would turn to regional institutionalisation as a form of insurance that its close ties with its East Asian neighbours would continue in a stable, predictable context. Yet, the end of the Cold War and bipolarity have not caused Japan or, for that matter, Germany, to shift their preferences regarding regionalism.¹⁴ Japan was highly disinclined to pursue regionalist policies during the Cold War, and this has not changed since 1989. The Federal Republic was highly regionalist in its foreign economic policy during the Cold War, and it has stayed on (and indeed reinforced its commitment to) that course since the end of that Cold War and since reunification with the eastern zone. Hence, in the face of momentous changes at the international level — the end of the great Soviet-American

struggle that defined the basic structure of the international system — we see little of no significant change in two very powerful countries with regard to their neighbours. This continuity in Japanese and German policies regarding regional institutionalisation in the face of systemic change raises questions about whether it is the overall polarity of the international system that has been driving the behaviour of these two key states in an important policy domain.

Moreover, it might have been expected that if Japan were becoming more hegemonic in East Asia, then it would have had the capacity and will to provide the leadership necessary to construct regional arrangements for the area.

This line of analysis — that a regional hegemon is at least necessary and possibly sufficient for regional economic institutionalisation — would appear to be confirmed in the case of regional co-operation in North America, where the United States in 1990 accounted for more than 80% of that area's economic activity. However, while Germany was the site for about one-fourth of Western Europe's gross domestic product in 1990, Japan at that time was the origin of almost three-quarters of the economic activity of the countries that would have constituted the EAEG/EAEC.¹⁵ Hence, while Japan enjoys a much more pronounced overall hegemonic position in East Asia than does Germany in Western Europe, and it approaches the United States' overall hegemonic position in North America, this has not evolved into as great a willingness on Japan's part to undertake regional economic leadership through institutions in the post-Cold War era as that of Germany in Europe or the United States in the Americas.

Realist Theory and German and Japanese Preferences for Regionalism: the Impact of American Power and Strategy

The discussion above suggests that it is puzzling from the viewpoint of both functionalist institutionalism and realism that Japan has had a remarkably weak preference for regional institutions as way of pursuing its national economic interests, while Germany's has displayed an emphatically strong preference for such institutions. This student would suggest that the resolution of this puzzle may be found in the character and level of American power and strategy — both political-economic and political-military — during and since the end of the Cold War.

To develop this argument it may be helpful to begin with Japan and its refusal to support the EAEG and EAEC proposals. Japan's disinclination to pursue either approach was due to many factors, including domestic institutional characteris-

tics that make foreign policy innovation by that country quite difficult.¹⁶ But one that was clearly of major importance to Japan was the strong opposition expressed by the United States to both options, and to the prospect in particular of Japan becoming a part of either proposed arrangement. The United States began to voice its opposition to Malaysia's EAEG proposal early in 1991 (see *UPI International*, 1991: 'Malaysia Pushes for New Trade Bloc'; *Central News Agency*, 1991: 'US Reaction to Proposal for East Asian Economic Group'). Moreover, Vice President Dan Quayle, in an address in May, said that the United States would 'not welcome' an arrangement from which it was excluded (Wallace, 1991). In addition, in early November a letter from then-Secretary of State James Baker was submitted to the Japanese government and other prospective EAEG members specifically requesting that they not support the proposal.¹⁷

This opposition continued with the change in U.S. administrations, and in regard to Malaysia's fallback proposal for a Caucus rather than a more ambitious Group. For example, after being provided details in May 1994 on the EAEC proposal by officials from ASEAN countries, and in particular in light of the proposal's claims that EAEC would operate within, but would not just be a caucus under the auspices of APEC, and might not even report its activities to it, the Clinton Administration formally presented its view to Japan and to Thailand, then ASEAN chair, that the arrangement should not be pursued by the East Asian countries (Rahil, 1994a). Assistant Secretary of State Winston Lord explained in July that the proposal had 'seemed to [be] a more ambitious concept than we had been led to believe,' and 'we don't want to see anything develop that would have a dividing line down the Pacific' (*BNA International Trade Daily*, 1994: 'Proposal on Asian Trade Bloc Called Surprisingly Detailed'). Similarly negative statements about the EAEC were made by senior administration officials in 1995, with Joseph Nye, Assistant Secretary of Defence, suggesting (and perhaps issuing as a warning) the view in September that he believed that East Asian countries had rejected the EAEC because they recognised that, had they moved down a path leading to exclusion of the United States, 'we would probably withdraw our security presence' (Rowley, 1995).¹⁸

There is good evidence that at least a part of Japan's reticence to pursue either the EAEG or the EAEC option was in fact related to U.S. opposition to both ideas. For example, in explaining Japan's opposition to the EAEC proposal in November 1991, Chief Cabinet Secretary Kato specifically cited the United States's important economic and security role in the region (*Kyodo News Service*, 1991: 'Japan Links EAEC and Regional Security'). Similarly, according to *The Nikkei Weekly*, while Japanese officials had revisited the idea of supporting the EAEC proposal in the first half of 1994, they decided that 'at a time when close co-operation with Washington is vital in dealing with North Korea, diplomatic wisdom dictates Japan should not do anything that could unsettle its rela-

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tions with the U.S., Japanese officials say'. The report also quotes Foreign Minister Yohei Kono as emphasising in a recent meeting with his Malaysian counterpart the view that 'If EAEC is embarked on without the support of the U.S. and other nations, its value will be halved' (Isaka, 1994b). Japan's decision not to attend the April 1995 proposed ASEAN-sponsored meeting in Thailand was apparently heavily based on a desire not to alienate the United States (*BNA International Trade Daily*, 1995: 'Japan Tentatively Decides to Skip Meeting for East Asian Economic Grouping'). Finally, in explaining why Japan continued to avoid the EAEC option, in July 1995 the spokesperson for Japan's Foreign Minister noted in a press conference that 'As you know the United States is still very much opposed to the idea of the EAEC...[and] some other countries are opposed to the EAEC as well' (Arasu, 1995).

The United States clearly pressured Japan to reject both the EAEG and the EAEC proposals, and at least a part of the actual decision by Japan in fact to eschew these proposals appears to have been an interest in not provoking the United States. American policy preferences thus help to account for Japan's disinclination to pursue a wholly East Asian economic grouping in the early 1990s. But to say that the United States opposed Japanese support for East Asian economic institutionalisation and that this helps accounts for the low preference on Japan's part to pursue such an option raises another question: what about Germany and the EC/EU? Why, in light of the United States's vigorous efforts to press Japan to reject the EAEG and the EAEC, do we not see similar efforts by the United States to seek to influence Germany to forestall the further development of the Community/Union?

There are at least three reasons why American policy toward Germany and the EU has differed from that toward Japan and East Asian economic institutionalisation. First, while the United States believes that the EC/EU has had a basically positive impact on U.S. trade interests, there is great concern that a trade arrangement in East Asia -*especially if centred around Japan* - would have a manifestly negative effect on U.S. commercial interests in that region. The United States has on occasion raised concerns about European institutionalised integration. For example, it has repeatedly voiced complaints about the Community's Common Agricultural Policy, it has insisted upon its GATT rights and requested compensation when the EC expanded to include such countries as Spain and Portugal, and it has expressed concerns about such recent EC policy initiatives as the Broadcasting Directive (see Josling, 1993; Devuyst, 1992: especially pp. 25-26; Filipek, 1992). However, the United States has viewed the EC/EU as, on balance, a trade-creating arrangement, and it certainly recognises that Germany has been a leading force for economic openness within the Community/Union.

In contrast, U.S. officials in the early 1990s specifically voiced their concern that an EAEG would promote closure of Asian markets to the United

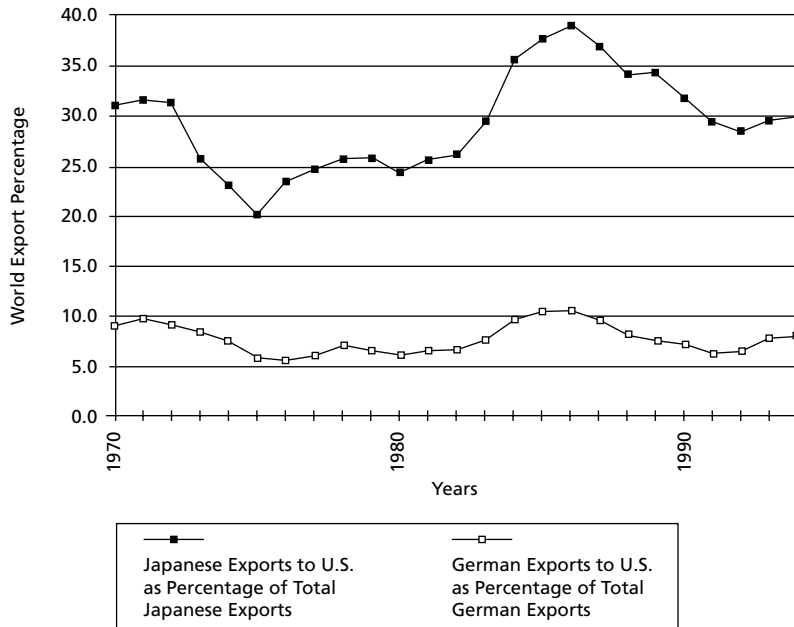
States, and would do so precisely because it would be decisively driven by Japan. As one report indicated, 'Despite claims to the contrary, U.S. officials say, Mahathir's proposed East Asian Economic Group (EAEG) could — in a worst-case scenario — develop into a protectionist bloc prone to shedding traditional values of open markets', and it went on to specify that 'The obvious tendency would be to emulate the Japanese model of development through industrial policy, managed trade and mercantilism, a model that draws vociferous complaints of unfairness from the West'. Indeed, it was because the United States wanted to counter this prospect of a closed East Asian arrangement that it pressed for the development of Australia's APEC proposal; for example, an American official was quoted as saying about APEC as an alternative to EAEG that 'Our goal is to get all these countries into the camp of open markets rather than see them take the Japanese approach of more managed trade' (Schoenberger, 1991).

A second argument draws more explicitly on the realist-oriented work by Albert Hirschman and Kenneth Waltz on asymmetric economic interdependence and political influence. A basic insight resulting from their respective analyses of the political effects of asymmetrical interdependence is that if one partner in an inter-state relationship would sustain fewer losses than the other partner in the event the relationship were terminated, then, other things being equal, the former would enjoy greater influence over the latter than the reverse (Hirschman, 1969: 13-40; Waltz, 1969; Waltz, 1979: 152-60). This insight can allow us to assess various bilateral relationships in terms of differentials in potential influence. Doing so suggests that even if the United States wanted to pressure both Germany and Japan to slow or reverse economic institutionalisation in their respective regions in the trade issue-area — which remains the core of the EC/EU and would be the main issue-area covered by an EAEG or EAEC — its political-economic capacity to so influence Germany on trade matters would be substantially less than it would be in regard to Japan.

There are, for example, sharp differences that exist between Japan and Germany in terms of their respective export stakes in the American market. This can be observed in Figure 2, which provides data on the percentage of total exports from Japan and Germany going to the United States from 1970 to 1994. The figure shows that Japan has needed the United States export market much more than has been true of Germany. For example, while during the early 1990s about seven percent of Germany's total exports went to the United States, about twenty-nine percent of Japan's went to that market. Hence, even if the United States wanted both Japan and Germany to forgo regional economic institutionalisation in the trade issue-area, it would be in a much more powerful position to press this interest in regard to the former than to the latter.

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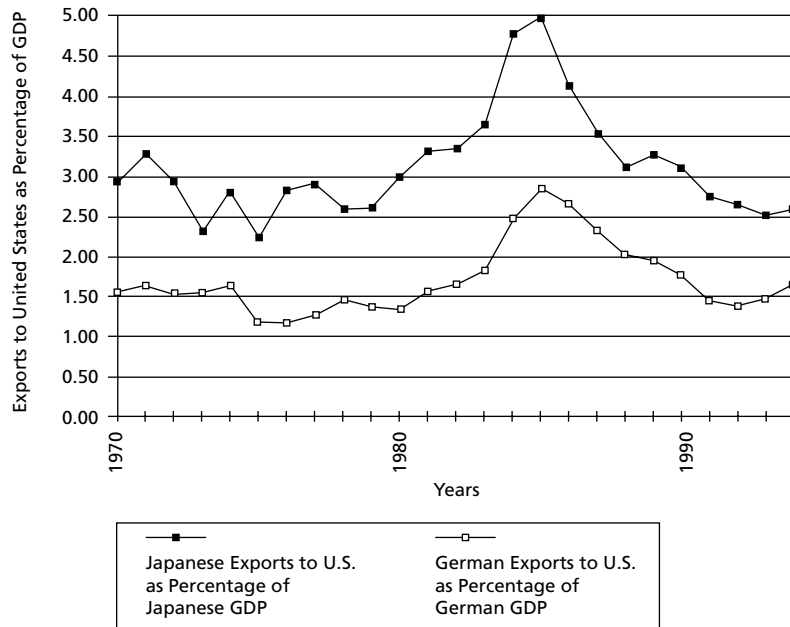
Figure 2: Percentage of Total Exports of German and Japan to the U.S., 1970-1994



Source: International Monetary Fund, *Direction of Trade Statistics Yearbook* (Washington, various years)

A similarly higher level of Japanese export dependence on the United States compared to Germany can be observed in Figure 3, which presents data on exports from each country to the United States as a percentage of their respective gross domestic products from the 1970s to the early 1990s. Again, Japan has experienced a higher level of dependence on the United States for its overall economic growth and well being than has been true of Germany. For example, while approximately 2.6% of Japan's total national annual economic activity during the early 1990s was composed of exports to the United States, about 1.5% of Germany's GDP during this period was so composed of exports to the U.S. market.

Figure 3: Japanese and German Exports to United States as a Percentage of their Gross Domestic Product , 1970-1994

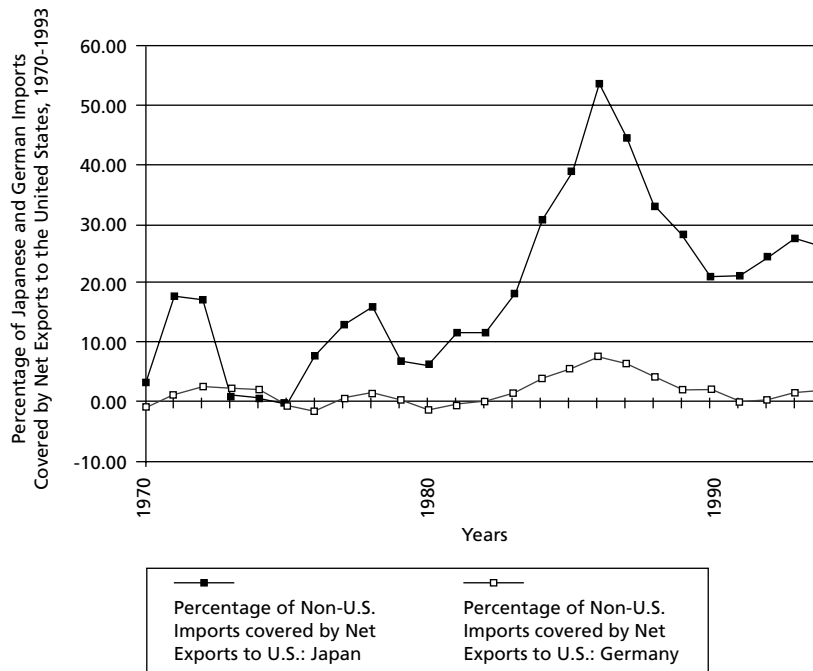


Source: International Monetary Fund, *Direction of Trade Statistics Yearbook* (Washington, various years); and Organization for Economic Co-Operation and Development, *National Accounts; Main Aggregates*, Vol.1 (Paris, various years)

Finally, Figure 4 provides evidence that, as a basis for importing goods and services from the rest of the world Japan, has needed its bilateral trading relationship with the United States much more than has been true of Germany. The figure presents data on the percentage of imports by Japan and Germany from countries other than the United States that are covered by Japanese and German net exports to the United States. The figure indicates that almost one-fourth of all that Japan imported from countries other than the United States between 1990 and 1993 was paid for by that country's net exports to (i.e., its trade surplus with) the United States; the comparable figure for Germany during those years was substantially less than 1%.

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Figure 4: Japanese and German Non-U.S. Imports Covered by Net Exports to the United States, 1970-1994



Source: See Figure 3

The above data suggest that Japan is markedly more dependent on the United States as a trading partner than is true of Germany. This acute trade dependence on Japan's part compared to Germany would certainly help account for Japan's reluctance to be supportive of EAEG and EAEC if this were to entail a confrontation with the United States. Of course, that this was true in the case of EAEG and EAEC does not mean that Japan is helpless in all its political-economic relations with America. Indeed, in other issues areas — such as finance and high technology — U.S.-Japanese relationships are more symmetrical, with each having strong interests in maintaining favourable ties with the other, and it is likely that the United States may be reluctant to press its position in some trade issues (the recent dispute on automobiles might be an instance) because of its interests in those other non-trade issue areas. However, Japan does not appear to have found the EAEG and EAEC proposals to have been so important or promising to use any leverage arising from the symmetrical vulnerability that obtains in those non-trade issue areas as a way of parrying U.S. pressures against EAEG and EAEC.

Another key factor contributing to asymmetrical interests between Japan and the United States on the one hand, and Germany and the United States on the other, concerns the respective security situations of the two regional powers in the wake of the Cold War. Since the late-1980s, Japan has faced a wider and more serious array of security challenges than Germany, and for that reason Japan may be more interested in maintaining good relations with its U.S. ally as a *security question* than is true of Germany. The latter's security position has improved dramatically in the past five years: the main threat to Germany since 1945, the Soviet Union, no longer exists; the main military alliance that had been directed at the Federal Republic, the Warsaw Treaty Organisation, also no longer exists; Russia is now interested in good relations with Germany, and requires German economic resources; even if Russia were to turn authoritarian at home and adventurist abroad, its military capabilities are greatly diminished; and a number of independent states now lie between Russia and Germany and thus greatly increase the difficulties that the former would have in exercising a military threat against the latter. For these reasons Germany is interested today in U.S. security ties not so much as a counter to real, immediate threats but as insurance against theoretical, distant contingencies.

Japan's situation is quite different. There is, in the first place, the immediate danger that North Korea might have sometime soon a capability to threaten Japan with nuclear weapons. In addition, and perhaps more ominously in the near future, China is a rapidly growing economic force in East Asia, and there are disturbing signs that it wants to revise the political and perhaps even the territorial order of the region.¹⁹ Thus, Germany remains interested in a solid security relationship with the United States, but this is a matter of prudence; for Japan the military alliance with the United States is a matter of necessity.

The above discussion of asymmetries in Japanese and German interest in American good will may help account for Japan's acute responsiveness to American objections to a uniquely East Asian economic arrangement. But there is at least one final factor that needs to be highlighted as we try to understand why the United States came to view regionalism in Western Europe and East Asia so differently. This final factor involves the differences in the geo-military circumstances of the Cold War in East Asia and Western Europe, the way in which these geo-military differences caused the United States to develop very different political-military strategies for the two regions, and the direct and profound impact that these differences in U.S. strategies have had on the trajectory of intra-regional relations in the two areas.²⁰

In Western Europe, there was great reluctance in the first years after World War II on the part of Germany's neighbours to envision full German participation in the European economy. Moreover, as John Ikenberry emphasises in an important essay on the immediate years after World War II, the United States at first sought to help construct a genuinely multilateral ('one-world') economic

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order to be based on the Bretton Woods negotiations and the talks on the ill-fated International Trade Organisation. As competition between the United States and the Soviet Union intensified, however, the U.S. turned to a European 'third force' option. That is, the United States abandoned full world multilateralism and sought to promote the development of a strong Western Europe closely linked to America through the Bretton Woods agreements (and the fallback to the ITO, the General Agreement on Tariffs and Trade, or GATT) and able to contribute to its own defence against possible Soviet political or military pressures. The military institutional manifestations of this new strategy were the Truman Doctrine of 1947 and the Atlantic Treaty of 1949; its first economic elements were the Marshall Plan of 1948 and, as its main European operating entity, the Organisation for European Economic Cooperation (OEEC), established in 1948, as well as the European Payments Union (EPU), founded in 1950 (Ikenberry, 1989).

In pursuing this 'third force' option, the fundamental political-military problem for the United States *and its Western European allies* from the late-1940s (and indeed throughout the Cold War) was clear. First, the Soviets enjoyed massive conventional military superiority. Second, there was no way the United States could commit sufficient ground troops to offset that superiority. Third, while nuclear weapons *might* ensure deterrence, this became less credible as the Soviets developed a nuclear arsenal. Fourth, if there were realistic prospects on the part of the West to employ conventional military forces to defeat and thus to deter a Soviet conventional military attack that would try to cut across Western Europe and end at the English Channel, the prospects for such a Western strategy would be augmented greatly if the Soviet thrust could be stopped at the West's front line — that is, West Germany. Finally, there was one and only one Western European state with sufficient manpower and potential military-industrial capability to contribute decisively to Western conventional power and thus both made necessary and feasible the Western strategy of forward defence — the Federal Republic of Germany.²¹

That last fact created profound misgivings in Germany's World War II victims, and especially France. The solution to which the Western Europeans turned, and for which the United States gave strong and sustained support, was to allow Germany to rebuild its economy, and later its armed forces, within the framework of regional economic and security institutions.²² In this way, Germany's neighbours believed, German power would be shared with and managed by its Western European partners, and Germany's partners would be able to co-operate with but not be dominated by that key country.²³ The institutions for this strategy in the economic domain were of course the European Coal and Steel Community and, later, the European Economic Community and the European Communities; and in the security domain they were the North Atlantic Treaty Organisation (after the

proposal for a European Defence Community was defeated by the French parliament in 1954) and, to a lesser degree, the Western European Union.²⁴

The West German government was highly attracted to this approach for a number of reasons. First, European integration allowed Germany to undertake reindustrialisation. Second, it created a context within which Germany reattained sovereignty, greater equality and a larger voice in European affairs. Third, and very importantly, the re-emergence of Germany within the framework of European institutions permitted and fostered the re-legitimation of the German state both within Germany and the European and world system.²⁵ Hence, from the beginning of the Cold War, to have any real chance of pursuing their fundamental goal of preventing the domination of Western Europe by the Soviet Union, the Western European countries and the United States needed an industrialised, militarily potent West Germany. To have German economic and military power available to the Western alliance, but to have it without also permitting German hegemony in Europe, its neighbours pursued, and the United States promoted, the creation and development of NATO and what has become the European Union. It is of course an open question as to whether Germany's neighbours have succeeded in limiting German power through institutions; Germany's near-total domination of recent EU diplomacy regarding Europe's path to EMU suggests that this strategy has serious limitations (see, for example, Braber, 1995: 2). But the Western Europeans have remained committed to this strategy (there may be no realistic alternative), and the United States too has continued to embrace the goal of European economic institutionalisation.

For Germany, European integration has yielded it tremendous economic benefits. It has also permitted German re-entry into European and world affairs. Finally, the diplomacy of the European Community and now the Union make it clear that no important European initiative can occur without German support, and the case of EMU shows clearly that Germany is now coming to dominate — in a tactful, diplomatic, but unambiguous way — the key characteristics of important Community and Union initiatives. The Community at first gave Germany a way by which it could be a part of Europe; it now may provide it with a vehicle by which it may exercise its great and growing power discretely and legitimately and thereby dominate its neighbours without arousing substantial resistance on their part or even very much resentment.

As the Cold War commenced in East Asia in the late 1940s, the United States shifted its attention in regard to Japan from democratisation and decartelisation to economic recovery.²⁶ As a part of that 'new course' strategy the United States sought to encourage the re-establishment of trade between Japan and its East and Southeast Asian countries (with the notable exception of China) without the creation of formal regional institutions (see Borden, 1984:109-42). And, as in Western Europe, the United States at first favoured

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the establishment of regional economic institutions involving Japan as the Cold War intensified in that part of the world in the early-to-mid 1950s. For example, Burton Kaufman reports that as a part of a containment strategy in Asia in the wake of the Korean War and the French defeat in Indochina, President Eisenhower and Secretary of State John Foster Dulles expressed in late 1954 the view that Japan was the key U.S. ally in the region and that it was essential to support it by fostering closer economic ties between that country and those in Southeast Asia. Further, Kaufman reports that in October 1954, U.S. foreign aid chief Harold Stassen proposed to Asian countries participating in the Colombo Plan that they band together to establish an organisation similar to the OEEC in Europe, and the Eisenhower administration sought from 1954 through 1956 to obtain approximately \$200 million from Congress to be distributed through such an Asian regional aid arrangement (Kaufman, 1990: 106-07).

However, even before Congress declined to provide the Eisenhower administration the resources for an Asian development fund, thirteen Asian countries met in May 1955 in Simla, India to discuss how that proposed U.S. aid could be employed, and these countries formally rejected the idea that they should form a regional organisation to dispense the resources, and suggested instead that the monies be provided directly to the participating Asian recipients (Kaufman, 1990: 115). The problem, Kaufman reports, was Japan: 'With memories of World War II fresh in their minds, the countries of the region were reluctant to establish commercial relations with their former captors,' and, in addition, 'they feared that their own interests would be dwarfed by an economically resurgent Japan supported by the United States' (Kaufman, 1990).

Given that the United States was pursuing a controversial embargo of most trade with Japan's traditional critical commercial partner — China — and that most of countries in the region were averse to re-establishing economic ties with Japan, the United States was left with the options of seeking to support Japan through direct assistance and military procurement, and by sponsoring that country's acceptance into the GATT. The latter was accomplished in 1955. However, almost half of the GATT's membership at that time invoked safeguard provisions of the treaty in regard to Japan.²⁷ American support for Japan then turned to the opening by the United States of its market to Japanese goods, as well as the continuation of massive U.S. military orders that had begun with the outbreak of the Korean war in June 1950 and had helped spark Japan's economic recovery.²⁸ Thus, while the United States sought to promote Asian regionalism in the early-to-mid 1950s, Japan's potential partners rejected this option. They, as with Germany's partners in Western Europe, were extremely fearful and suspicious of Japan. But unlike Germany's European partners, they could not overcome that fear and suspicion and undertake the construction of institutionalised regional economic ties with their former oppressor.

This difference in outcomes surely was due in part to the fact that Germany was not so far ahead of its European partners economically as was true of Japan in comparison to its Asian neighbours. But, in addition, such countries as South Korea or the Philippines did not need Japanese military support in the early-to-mid 1950s — and the United States did not believe it needed Japan to help support these countries.²⁹ As noted above, the geo-military situation in Western Europe — Germany as a front-line state in the West's stand against the USSR, and the need perceived by Germany's neighbours for that country's industrial and military capabilities to make that stand — served in part to catalyse an interest on the part of those neighbours to construct European institutions as a way of managing the reconstitution of German power. For the non-communist countries of East Asia, American hegemonic air and naval and nuclear power was seemingly sufficient to maintain their security, and there was by consequence little need for or interest in security ties with Japan (on this point, see Crone, 1993: 507). Moreover, while the United States saw German conventional military re-entry into the European power equation as vital to its strategy for the Continent, the United States was able to devise for Japan a key role in America's Asian strategy — most importantly, permitting the establishment of huge American air and naval bases in Japan on the basis of the U.S.-Japanese Security Treaty of 1952 — without it needing that country to be a part of formal arrangements with its Asian neighbours.³⁰

Thus, while constraints on American power led the United States in the early-to-mid 1950s actively to promote regional institutionalisation in Western Europe as a way of incorporating German power into Western defences, American military and economic hegemony in East Asia in the mid-1950s made such institutionalisation of Japanese power unnecessary in that area of the world.³¹ The United States appeared then to be able to extend effective security guarantees to Asian countries without Japan's direct assistance; Japan enjoyed American security and could reindustrialise on the basis of access to the American market; and American security guarantees to both Japan and its neighbours made it less necessary for Japan and those neighbours to reconcile and develop more advanced modes of formal co-operation among themselves. When Malaysia urged its East Asian neighbours to begin to think about Japanese-led regional institutionalisation in the early 1990s, those countries had no track record of active collaboration with that country, and because Japan and its neighbours had had no material need to effect reconciliation with one another, the former still evoked hostility and suspicion in the latter. At the same time, the United States was not so hegemonic economically that it could tolerate what it thought might become an exclusive economic bloc, but it was still important enough to those Asian countries, including the key potential regional partner, Japan, to terminate or at least delay the establishment of an arrangement.

Implications for Realist Theory and American Policy

Modern realist international theory has placed a great deal of emphasis on the polarity-structure of the international system as a master-cause of differences in state behaviour. By consequence, the end of Soviet-American Cold War during 1989 and 1990, and the end thereby of bipolarity (and if that did not end bipolarity then surely the collapse of the USSR in 1991 did so) should have had profound consequences not just for the United States and Russia, but for important second-tier powers such as Germany and Japan. One might have expected some of these changes to have occurred in the way in which these second-tier countries behaved in their respective regions, and one issue-area where such changes might have been expected was in connection to regional institutionalisation. Yet, as noted above, here one observes not change but continuity: Germany was interested in economic institutions before 1989-91, and remained so after those watershed years; Japan was disinclined to support formal regional arrangements before the great transition, and has remained disinclined to support such arrangements. Assuming that this empirical characterisation of Japanese and German regional policies is correct, then something besides polarity and polarity shifts must be influencing German and Japanese preferences for regional institutions.

This paper has suggested that, whatever might be the actual efficacy of polarity arguments in modern realist theory, those arguments ought to be supplemented by other realist propositions at least in regard to the question of regionalism. There are at least two such arguments that are grounded not in realism's focus on how particular distributions of power in the international system affect state preferences and behaviour, but instead are founded on realism's core ideas that, in the context of inter-state anarchy, differences in state power and differences in political-military circumstances sharply delimit the preferences and actions of states both in the military field and in other domains like the international political economy.

First, and with respect to the sources of state power in the anarchical international environment, realist arguments about the impact of asymmetries in interdependence on national influence ought to be given renewed attention in realist theory. The discussion in this paper suggests that it is precisely such asymmetries in the trade field that have made Japan highly vulnerable at least to the present to American pressures regarding East Asian economic institutionalisation. Second, the discussion above underlines the core realist view that political-military conditions and circumstances decisively affect the range of economic relationships that states may attain and pursue. In the present case, the intersection of the Cold War in Europe and NATO's need for a German military contribution to manage that conflict helped to bring about the initiation and flourishing of West European institutionalised co-operation in the economic

realm; in contrast, the onset of the Cold War in Asia and the United States's capacity to carry out that struggle on its own probably doomed institutionalised economic co-operation among countries in that part of the world. We thus see again, as has been suggested and demonstrated by such scholars as Jacob Viner in the 1920s, E. H. Carr in the 1930s, Robert Gilpin in the 1970s, and Joanne Gowa in the early 1990s, that political-military realities among states often serve as the driving forces for their international economic relationships.

Finally, the discussion above highlights the point — which is not necessarily based on realist ideas — that differences in political-military strategies in one period may have lasting, path-determining consequences on later opportunities for institutional development among countries that otherwise share common interests. That is, even if the United States were not actively to oppose the formation of an East Asian arrangement at present, it is quite likely that the manner in which regional relationships evolved during the Cold War has left the East Asian countries ill-positioned to build such a bloc. For example, one main consequence of the combination of Cold War conflicts and American bilateral economic and security ties with key countries in that area is that East Asia is now characterised by a remarkably low level of cross-state institutionalisation both among governments and among private actors.³² This characteristic of East Asia surely reduces sharply the opportunities for the 'nesting' of new arrangements in more established frameworks, and the possibilities for the development of the habits of trust and co-operation — that is, international 'social capital' — needed to pursue such arrangements.³³

With respect to policy implications, the diplomacy surrounding the EAEG and the EAEC that is reported above makes it clear that the United States is adamantly opposed to an exclusively East Asian economic arrangement, and that it still retains the capacity to derail efforts aimed at the formation of any such arrangement. Yet, it is possible that were the EU or NAFTA (or an expanded agreement covering the bulk of the Americas) to turn seriously inward, or, even more ominously, if the United States were to press Japan too hard on bilateral trade matters, then as a defensive measure Japan might turn to hard regionalism in East Asia. Hence, we are brought back to the point that Japan's preferences for regionalism in East Asia are now and will continue to be in substantial measure a reflection of its views of America's attitude toward and role in Asia. If the United States persuaded itself that multilateralism through the new World Trade Organisation (WTO) is ineffective, and that a combination of strong regionalism in the Americas and aggressive unilateralism elsewhere is the preferred alternative, or if it came to believe that strong forms of regionalism might spur progress in multilateralism, then it is possible that the resulting U.S. tilt away from the WTO might prompt Japan to undertake the formation of a closed bloc in East Asia.³⁴ If that were to occur, the consequences might be highly damaging to the world trading system: the EU would in all likelihood accentuate its more closed

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as opposed to its more liberal characteristics, and the United States in turn might respond to developments in both areas with even stronger regional projects of its own and even more strident unilateralism around the world.

Thus, the United States must be especially careful in exercising its continuing great power in world economic matters. If regionalism were to evolve in the years ahead into a variety that would be harmful to the WTO multilateral trade order, the magnitude of that risk is probably being determined not by dynamics in East Asia or even Western Europe, but by developments in and choices made by the United States. The United States today and for the foreseeable future is probably the only country that can sustain or seriously threaten the world economic order; its decisions and actions will determine to a markedly disproportionate degree whether the international economy will become more or less open in the years to come.

Notes

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1. Citing data from the World Trade Organization (WTO), *The Economist* recently reported that of the total of 109 regional trade arrangements notified to the GATT/WTO between 1948 and 1994, approximately one-third of these were established between 1990 and 1994; see *The Economist* (1995, 'The Right Direction?'). For helpful analyses of contemporary economic regionalism, see Schott (1991); Hine (1992); Aggarwal (1995); Haggard (1995); and International Monetary Fund (1993).
2. These efforts are described in Whalley (1992); Manzetti (1992); Hinchberger; Edwards (1993); Hufbauer, Schott and Clark (1994); Pena (1995).
3. For additional arguments highlighting the limitations on what Miles Kahler calls 'hard' regionalism through formal institutions in Asia (and the Americas), see Kahler (1995a: especially p. 24). In addition, see Manning and Stern (1994). Jeffrey Schott foresaw at the beginning of the 1990s that prospects for East Asian hard regionalism were unfavourable: see Schott (1991: 14-15). Even Lester Thurow expressed doubts about a Japan-based economic block in the Pacific Rim: see Thurow (1992: 250-51).
4. For this view see, for example, Langhammer (1991: 147); Yamazawa (1992: 1525); and Kurus (1993). In February 1992 the ASEAN countries agreed to cut trade barriers through as ASEAN Free Trade Area (AFTA), but they have encountered serious implementation problems; see Vatikiotis (1993: 48-50); *Business Times (Malaysia)* (1995, 'Malaysia: List Threatens AFTA'); and *BNA International Trade Daily* (1995, 'ASEAN Differences Over Tariff Cuts For Raw Farm Products May Drag On').
5. For a very useful analysis of APEC's goals and strategies, see Hufbauer and Schott (1995). On the diplomacy surrounding the establishment of APEC, see Elek (1991: especially pp. 324-26).

6. For overviews of the diplomacy surrounding the construction of European regional institutions, see Willis (1968); Gillingham (1991); and Urwin (1991). It should be noted that the Federal Republic of Germany, established in 1949, was not part of the negotiations leading in April 1948 to the establishment of the first key post-World War II Western European economic organization, the Organization for European Economic Cooperation (OEEC), which co-ordinated efforts by Western European countries to make use of reconstruction aid provided by the United States under the auspices of the Marshall Plan.
7. On the development of European monetary cooperation, see Tsoukalis (1977); Ludlow (1982) and Story (1988). On the negotiations surrounding the Maastricht Treaty and EMU, see Sandholtz (1993) and Grieco (1996).
8. For a helpful analysis of the background to Malaysia's EAEG proposal, see Low (1991).
9. This list was reported in *UPI International* (1991, 'Malaysia Pushes for New Trade Bloc').
10. One problem regarding Mahathir's proposal was that he had failed to consult with Indonesia or other ASEAN partners prior to presenting the EAEG idea at an official dinner in China: on Indonesia's resentment about this see *Kyodo News Service* (1991, 'Mahathir Hints East Asia Economic Group Lacks Consensus'); Kurus (1995: especially 409-410).
11. See Schoenberger (1991); Isaka (1994a). It should be noted that China also offered some support for East Asian regional institutionalisation; see *Agence France Presse* (1993, 'China Supports East Asian Trade Group') in which a Chinese Foreign Ministry spokesman said after a meeting between Prime Minister Mahathir and Premier Li Peng that the latter 'in the most explicit terms expressed his support for that proposal advanced by Malaysia.' Also, see Tat (1994).
12. On the general debate about Asia vs. America in Japan's foreign policy, see Brown (1993). The interest in the EAEC proposal by those Japanese foreign policy officials who are Asia-oriented is reported by Heginbotham and Samuels.
13. This line of analysis is derived from functionalist international theory, which suggests that governments are most likely to accept the need for and costs of establishing institutions to the extent that the latter meet specific functional needs arising from some form of functionally-specific international interaction involving mutual interests. For the early functionalist argument about institutions, see Mitrany (1943/44). This functional logic was applied to the question of formal regional institutionalism in Western Europe by such scholars as Ernst Haas and Philippe Schmitter, and in the 1980s its was applied to broader, multilateral regimes by such scholars as Robert Keohane. See Haas (1958); Haas (1968); and Haas and Schmitter. On regime theory see Keohane (1984).
14. Heginbotham and Samuels also place an accent on continuity as opposed to change in Japanese foreign policy since the end of the Cold War.
15. I present this argument more fully in Grieco (forthcoming). In that essay I also suggest that in terms of trade dependence, Germany does not occupy a very different position in Western Europe (18.3% of EU exports go to that country) than does Japan in relationship to the countries that would have formed the EAEG/EAEC (Japan receives 14.6% of their exports).
16. On this general point see Katzenstein and Okawara (1993); and Preston (1995).
17. *Jiji Press Ticker Service* (1991, 'Japan Asked Not to Back Mahathir's Scheme'). The United States did not mince words about its expectation that the EAEG should not be pursued: at an APEC meeting in Seoul in November, Secretary Baker is reported to have said to Korean Foreign Minister Lee Sang Ock that 'Malaysia didn't spill blood for this country—but we did'. See Oberdorfer (1991).
18. Also, see comments by Garten, J., Under-secretary of Commerce, reported in *Agence France Presse*, Nexis, September 22, 1995.
19. On the potential danger of a Chinese threat to East Asian security and stability, see Friedberg (1993/94); Betts (1993/94); and Roy (1994).
20. Extremely helpful analyses of the manner in which U.S. national security interests and constraints at the outset of the Cold War fundamentally shaped U.S. preferences and policies as it constructed the post-World War II international economic order are presented by Cohen and Gilpin (1995). For an important recent investigation of the ways in which alliance relations of states drive their commercial integration, see Gowa (1994).

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21. On the centrality of West German conventional forces to NATO strategy — a point that was seen even as the German army was just being reconstituted in the early 1950s — see Hanrieder (1989: 40-42).
22. For an overview of U.S. internal documents highlighting the support of the United States for European cooperation as a way of both strengthening Europe and dealing with German power, see Warner, 1993. For interesting recent analyses of this point that are closely based on primary sources, see Schwabe (1995) and Schmidt (1995).
23. In this regard it should be stressed that the idea that institutionalisation served as a post-war strategy by which France and other European countries sought to limit and channel German power was articulated in early post-war realist thinking about European economic cooperation: see Hans Morgenthau's discussion of the European Coal and Steel Community in the second edition of his *Politics Among Nations: The Struggle for Power and Peace* (New York: Alfred A. Knopf, 1958), pp. 497-98, and his discussion of the European Communities in the third (1966) edition, pp. 531-34.
24. For historical analyses of early post-war European economic cooperation in which the problem of managing German power is a focus of attention, see, Hogan (1987: especially p. 64) and Gillingham (1991: 174, 364-66). On Western European efforts — themselves prompted by significant U.S. pressure to bring about German rearmament — to build a uniquely European defence entity between 1950 and 1954 that would include but constrain Germany, the failure of that effort, and the subsequent admission of Germany into NATO at the end of 1954, see Willis (1968: 130-197).
25. See the recognition by West Germany's Chancellor Konrad Adenauer that Germany's partners needed that country's conventional capabilities, and wanted them incorporated and constrained through institutions, *and that this approach afforded the new West Germany state important political and diplomatic opportunities*, see Hanrieder (1989: 9, 38-39); for a similar assessment by Adenauer of the political opportunities for Germany afforded by European economic institutions, see also in Hanrieder (1989: 233-34, 246-48).
26. For an extremely interesting comparison of Germany and Japan in the early Cold War, see Kurth (1989: 36).
27. On the importance assigned in 1955 by the Eisenhower Administration to obtaining Japan's acceptance by a reluctant GATT membership, see Borden (1984: 179-80).
28. On the vital role of U.S. military orders in Japan's economic recovery between 1950 and 1952, see Samuels (1994: especially pp. 133-43); Borden (1984: 143-49); Kaufman (1990: 116-17); and Finn (1992: 267-79).
29. For a useful discussion of Japan's role in the Cold War, see Buzan (1995: especially pp. 29-31). Finn points out that the outbreak of the Korean War did lead to a decision by General MacArthur, as supreme commander of the allied powers in Japan, to bring about a limited rearmament of Japan; however, these forces had no power-projection capability; see Finn (1992: 263-66).
30. For a helpful discussion of the negotiation of the U.S.-Japan security treaty, as well as Japan's peace treaty with the United States and other allied powers, see Finn (1992: 270-312).
31. For this argument in regard to Asia, see Crone (1993: 501-25).
32. As Barry Buzan and Gerald Segal suggest, 'Perhaps the most alarming aspect of East Asian security is the virtual absence of effective multilateralism,' and they go on to observe that 'what is distinctive about Asia is its combination of several industrialised societies with a regional international society so impoverished in its development that it compares poorly with even Africa and the Middle East' (Buzan and Segal, 1994: 15).
33. On the concept of nesting, see Aggarwal (1985). Aggarwal uses his nesting logic to reach the conclusion that APEC has been an extremely weak regime (see Aggarwal, 1995: especially p. 51). In this I am drawing upon the insights of Miles Kahler, who, basing his analysis on the recent work on social capital of Putnam, Leonardi and Nanetti (1993), makes the important point that the Pacific region as a whole is characterized by a low level of inter-state social capital; see Kahler (1995b: 29-30).
34. On the possibility that the United States could over-emphasise regionalism see Bhagwati (1992: especially pp. 540-542).