American Hegemony and Postwar Regional Integration: The Evolution of Interest and Strategy

(Dissertation)

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Introduction: Origin, Feasibility, and Methodology of the Dissertation

According to Joseph Lepgold, international relations studies can be divided into four categories: general theory, issue-oriented puzzles, case-oriented scholarship, and policymaking. The research presented in this dissertation could basically be classified as belonging to the second category. It focuses on an issue area: how to explain the US strategy towards regional integration. Therefore, the dissertation does not apply various theories to explain American strategy regarding a certain integration process. Instead, the objective is to demonstrate that Neorealist theory can better explain the evolution of US strategy towards regional integration compared to other theories. In this part, the origin, feasibility and methodology of the dissertation are specified.

1. Origin of the Research

The research presented in this dissertation is motivated by two factors. One is the enduring debate on which general theory can better understand foreign strategy; the other is the scarcity of the studies on American strategy towards regional integration. Thus, the genesis of this research was the need to determine which general theory could better explain American foreign strategy regarding regional integration.

(1) General Theory, Foreign Strategy, and Topic Selection

After the Second World War, the development of international relations theory underwent several great debates. In the 1950s, Realists criticized the moral and ideological claims of Idealism, and emphasized the importance of material power and national interest for states’ foreign policy. Both of them put the emphasis of theorization on the state level and foreign policy. However, with the lack of recognition of the anarchical nature of the international system, neither of these two theories can provide very much specific direction for diplomacy. For instance, many people think the balance of power theory is the primary prescription of Classical Realism for foreign policy. However, Hans Morgenthau tends to view balance of power as the foundation of regional and global

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stability because it limits the quest for hegemony by a single actor or coalition of states, but he has denied that balance of power theory can be realized through foreign policy because balance of power is indeterminate, unrealistic, and inadequate. 2 The term “indeterminate” means other factors might be more important; “unrealistic” means it is difficult to evaluate the power distribution; and, “inadequate” means balancing is not the only objective of state behavior. In short, the debate between Classical Realism and Classical Idealism mainly concentrates on the nature of international politics and national interest. However, both of them have not developed feasible hypotheses for state strategy, as established in Chapter One.

Theoretical debates on international relations from the 1960s to the 1980s have changed their emphasis from normative issues to research approach and scientific explanation. Concretely speaking, the debate on research approach between traditionalism and behavioralism prevailed in the 1960s; the debate on state-centrism between Classical Realism and Classical Liberalism in the 1970s; and the debate on systemic factors between Structural Realism and Liberal Institutionalism in the 1980s. There have emerged a variety of Neorealist theories that are based on Structural Realism. Since the end of the 1970s, systemic theories that focus on the relationships between systemic factors and international stability have become the mainstream of international relations. For instance, Structural Realists argue that bipolarity is the most stable international system; Hegemonic Stability Theorists think the hegemonic system, in which one state is much stronger than other great powers and dominates the world order, is the most stable international system3; and Liberal Institutionalists claim that international institutions can contribute to international stability and cooperation after hegemony. That is to say, the emphasis of their theorization is not national interest and foreign policy, but more or less related to the identification of interest and strategy.

However, the theoretical “weakness” has invoked criticisms from another systemic theory, Social Constructivism. Understanding national interest and foreign strategy has become the core issue of theoretical debates since the 1990s. According to Martha Finnemore, Peter J. Katzenstein,

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3 This theory originates from the research of Charles Kindleberger on the relationship of leadership and international economy, and it is compatible with the general conclusion of international structure of Structural Realism. Hegemonic Stability theory successfully established the basis of international political economy. See Jonathan Kirshner, Peter A. Gourevitch, and Barry Eichengree, “Crossing Disciplines and Charting New Paths: The Influence of Charles Kindleberger on International Relations,” Mershon International Studies Review, Vol. 41, No. 2, November 1997, pp. 333-345.
and many other critical theorists, rationalist theories such as Structural Realism and Liberal Institutionalism cannot explain national behavior because their hypothesis that national interest comes from the inside of the state is flawed.\textsuperscript{4} Constructivists claim that their theory has greater explanatory power because it cannot only explain the stability of the international system (as Structural Realism or Liberal Institutionalism do), but also the behavior and interest of states through shared ideas. The Constructivist critique is similar to that of Robert Keohane on hegemonic stability theory that argues that a hegemon would not automatically assume the mission of stabilizing international economic order.\textsuperscript{5} Unipolarity endows the hegemon with a special status, but whether it will assume its responsibility still depends on the domestic politics of the hegemon.

Realists have offered different responses to the Constructivist challenges from the perspective of national interest and foreign strategy. Some Realist scholars have attempted to revise the structuralism theory by adding other factors such as domestic politics. Defensive Realists and Neoclassical Realists seem to favor this approach.\textsuperscript{6} This tendency has led to more and more revisions of Structural Realism. Other Neorealists such as Colin Elman disagree with this position. They think that if more factors such as perception are added to the structure, then Realism will deviate from its core assumptions. Jeffrey W. Legro and Andrew Moravcsik criticized the recent development of Realism as a kind of degeneration of the scientific Realism theory.\textsuperscript{7} However, if Neorealism is analytically relevant to the field of national interest and foreign policy analysis, it must demonstrate that an international system significantly shapes interest and strategy.

Thus, one of the central debates in international relations is whether Neorealist theory can be


\textsuperscript{6} Keohane agreed with Waltz on this issue and formulated two reasons: (1) in domestic politics there exist too many fortuitous elements from the leader’s temper to the state’s polity that make theorization difficult. At the same time, Waltz and Keohane both admit that unit level analysis can be used to explain international politics; (2) only focusing on the unit level may cause people to neglect the international level, which stands between the state’s policy and the international outcome. See Robert Keohane, After Hegemony, 1984. Waltz in Man, the State and War (New York: Columbia University Press, 1954) has convincingly demonstrated that the international level, “the third image,” should be the start for the international political level. Recent research on unit level unfolds in two ways: (1) Keohane and some other international scholars emphasize the effect of internationalization on domestic politics and they built an analytical model; (2) many other scholars like neoclassical realists and structural liberals try to combine the unit level into their analysis, but these efforts are not recognized yet because Waltzian views on scientific research, which are so influential, are strongly against stuffing too many realities into one theory. See Robert Keohane, Internationalization and Domestic Politics, New York; Cambridge University Press, 1996.

used to explain state interest and strategy without including other factors. The task of making this
determination actually includes two steps: first deriving and establishing feasible hypotheses of state
interest and strategy from a general Neorealist theory, and then examining their explanatory powers
of different issue areas. In order to finish this task, this dissertation focuses on the hegemon and its
strategy towards regional integration. There are two major reasons for selecting this topic: the
significance and scarcity of studies in this issue area.

(2) The Significance and Scarcity of Studies in the Issue Area

The significance of studying American strategy towards regional integration is very clear. Firstly, the US is such a special state in the postwar international system that a small change in
American foreign policy, or even a speech by US officials, might have an earth-shattering effect on
other states. As Kenneth N. Waltz, the most influential international relations theorist, has said, in
international politics, several important great powers are able to provide the interaction framework
for all other states.8 America is the primary creator and beneficiary of the postwar international
system. Anyone attempting to understand any major issue of present-day international relations will
very likely fail unless research on the US strategy in that arena is conducted. Understanding the
interests and strategy of the hegemon is a central task of international relations studies.

Secondly, Regional integration has been an increasingly important phenomenon of international
politics. Almost every region of the world has established its regional preferential agreements on
trade or security. Peter J. Katzenstein in A World of Regions has told his students to “think of the
world as regions organized by America’s imperium.”9 Regional integration is becoming a more and
more powerful tendency in world politics paralleling the globalization trend. Some scholars insist
that regional integration results in the world breaking up into several economic and political blocs,
but most, like Alexander Wendt, agree that in the long run it will constitute a firm foundation for the
final “world state.”10 Nevertheless, if the integration process is even moderately successful, it could
decisively influence the fundamental nature of the future world political economy.

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9 Peter J. Katzenstein, A World of Regions: Asia and Europe in the American Imperium, Ithaca: Cornell University
10 Alexander Wendt, “Why a World State is Inevitable: Teleology and the Logic of Anarchy,” at
http://political-science.uchicago.edu/faculty/wendt/wendt.pdf.
Although the US and regional integration are two critical factors in an international system, there has been a lack of studies linking them together. This issue area has been largely neglected, and thus studies of the US strategy towards regional integration remain fragmented and scarce in the existing international studies. Even in the US, it is very hard to find systematic and theoretical research on this issue area. The present works on regional integration mostly concentrate on regional domestic politics and economy such as Functionalism and Neo-functionalism. It is very difficult to find systematic studies on the influence of external pressures on the processes. Some Neorealists have indeed employed the Neorealist approach to analyzing European integration, but their perspective is still from the inside.11 Other many Neorealist scholars have paid much attention to “grand strategy”, but they seldom refer to American behavior in this issue area.12 Actually, it is highly improbable that some “grand strategy” including all the issue areas can be found, even for the hegemon.

Therefore, this research only focuses on one issue area and shifts to the perspective of American hegemony. Because of the special status of the US, to a great extent, it represents the international system. As will be illuminate in the dissertation, America has executed different strategies towards these processes, and even in the same region the US strategy has varied in different periods. The research finds that the integration processes (extent, form) of different regions have been greatly influenced by the hegemon. This research and other Neorealist studies create an external perspective from which to analyze regional integration.

2. Feasibility of Neorealist Explanation for American Strategy

As mentioned above, Constructivists question the explanatory power of Neorealism on state interest and strategy, and Realists have given different responses. Because the topic of American strategy towards regional integration has been selected, the feasibility of a Neorealist explanation for American interest and strategy should be examined first. If the national interests of great powers, even the hegemon, are not dependent on the international system, then Colin Elman and other Neorealists who defend the purity of Neorealism are incorrect. However, among realists, a theoretical debate surrounding the feasibility of a Neorealist explanation for state interest and

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12 The representative work of this kind is: Ethan B. Kapstein and Michael Mastanduno (eds.), *Unipolar Politics: Realism and State Strategies After the Cold War*, Columbia University Press, 1999.
strategy has already taken place. This debate has deepened the recognition of how systemic factors influence state interest and behavior. Thus, it is very necessary to review this debate, which provides a basis for the theoretical analysis presented in Chapter Two.

(1) The Relevance of the International System to Great Powers

Some Neorealists, such as Kenneth Waltz, insist that any international structure will decisively influence the fundamental interactions and outcomes of the system, but it is impossible to know whether an international structure will decide states’ behavior. Waltz argues that “Traditional realists are behavioralists; they believe that international outcomes are determined by the decision of states, the behaving units. Causation goes in one direction, from the internal composition of states to the outcomes their behaviors supposedly produce…New realism turns old realism upside down. The old realism is behavioral: good states produce good outcomes; bad states, bad ones. The new realism is structural: outcomes depend not only, and often not mainly, on the qualities of states, but also on the variation of the structure within which their actions occur.”13 Therefore, “A Neorealist theory of international politics explains how external forces shape states’ behavior, but says nothing about the effects of internal forces. Under most circumstances, a theory of international politics is not sufficient, and cannot be made sufficient, for the explanation of foreign policy. An international political theory can explain states’ behavior only when external pressures dominate the internal disposition of states, which seldom happens.”14

In an attempt to rebut this Waltzian analysis, Neorealist Colin Elman provides a detailed argument explaining why Neorealist theory could at least “run the race” against other theories attempting to describe, explain, and predict foreign policy. Elman’s defense is lengthy and thus cannot be fully described here. In summary, Elman explains that Neorealism can offer determinate predictions of individual states’ foreign policies. Put simply, Neorealist logic can be used to derive specific and testable hypotheses about foreign policy behavior. It is worth noting that while Elman argues Neorealism provides a suitable framework within which to think about foreign policy, he

14 Ibid.
does not attempt to assess the theory’s ability to do so. Some other important Neorealists agree with Elman and have proposed many hypotheses on state interests and behavior. John Mearsheimer, the foremost thinker in the Offensive Realist School, has stated that great powers are compelled to pursue power maximization for security. His theoretical logic is very simple. In an anarchy, great powers cannot count on certain friends or on an international 911 for help; they can only count on “self-help” and grow strong enough to be secure whether through “internal balancing” (Domestic development and reforms to enhance state power), “bandwagoning” (Allying with other strong states for gains), or “expansion” (directly assault the weaker states). The ultimate objective of any great power is to become the global hegemon. Hence, the pressure of an international system dominates great powers’ behavior.

Another important international relations scholar, Randall L. Schweller, has examined the abnormal domestic response to international pressure and has provided many pointed thoughts on why many states don’t obey the law of balance of power. The basic predictions of balance of power theory are that: (1) regional hegemons will seek to prevent the rise of peer competitors, (2) all other non-hegemonic states will seek to expand when they can, taking advantage of opportunities to increase their relative power, and (3) states respond to dangerous accumulations of power, and especially the emergence of a rapidly growing state, by balancing against it; that is, they answer threats by forming alliances and building up arms as a counterweight. He adds, “The puzzle is that great powers and small ones alike have not always or even usually adopted the behaviors predicted by balance-of-power theory. Excluding the U.S.-Soviet bipolar rivalry, a survey of state behavior over the past fifty years—when decolonization created a truly global state system—yields few instances of balancing behavior and no serious attempts at regional hegemony, especially in regions outside of Europe.” Schweller’s study challenges Mearsheimer’s Offensive Realism that suggests “only a misguided state would pass up an opportunity to be the hegemon in the system because it thought it already had sufficient power to survive.”

Why haven’t many regional great powers such as South Africa pursued regional hegemonic

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status? According to Schweller, the causes often lie inside those states, many of which are actually facing severe domestic problems. However, great powers such as France and Germany during the 19th century, as well as the US and the USSR after World War II, didn’t need to worry about their internal security too much. Thus Schweller cautiously “excludes the US-Soviet bipolar rivalry.”

Here it bears noting that Stephen Brooks has reached a similar conclusion after studying the Ukraine’s abnegation of nuclear weapons. For the Ukraine, maintaining a nuclear deterrent would have been very expensive, requiring a substantial portion of its gross domestic product. Furthermore, the costs to the Ukraine of remaining a nuclear power were not limited to direct budgetary outlays, since decision makers had to consider the economic opportunity costs of pursuing proliferation, namely forgone financial compensation from Russia and loss of Western aid and markets.19

However, we cannot imagine France or Britain surrendering their nuclear weapons to NATO or the United Nations.

Consequently, we can theorize that great powers are more sensitive to external pressure. This is because they are usually not concerned with domestic insecurity as much as the weaker states that lack the means to counteract strong adversaries, thus putting more attention on their domestic situation. Things are totally different with the great powers that have the capability to maintain their security. They can, so they do. Just as Jack Levy has written, “great powers are distinguished from others by: 1) a high level of military capability that makes them relatively self-sufficient strategically and capable of projecting power beyond their borders; 2) a broad concept of security that embraces a concern with regional and/or global power balances; and 3) a greater assertiveness than lesser powers in defining and defending their interests.”20 Throughout history all great powers have been nervously calculating and comparing their strength to that of potential foes. As Morgenthau said, “since the desire to attain a maximum of power is universal, all nations must always be afraid that their own miscalculations and the power increases of other nations might add up to an inferiority for themselves which they must at all costs try to avoid.”21

Besides security, great powers are also concerned with international institutions that directly


relate to the distribution of scarce international resources. According to Robert Gilpin and Stephen Krasner, the US and the western camp are beneficiaries of the postwar world order. Gilpin points out that the current liberal international economic order was built under the British and US hegemony because these two leading states held sophisticated technologies and enjoyed more efficient productivity, and thus could obtain the biggest share of gains from free market competition, in comparison to the agricultural empire in the pre-modern era.\textsuperscript{22} Stephen Krasner treats the western capitalist camp as one group in the postwar world order, and asserts that the South has been impaired by this order as liberal exchanging institutions disadvantage the technological laggards.\textsuperscript{23} Therefore, to the great powers, especially the hegemon, international institutions are often very important because military might is not the only basis of power; economic capacity is also a vital component, as Gilpin, Waltz and Kennedy have emphasized. States can enhance their relative share of economic resources, and hence their power, through nonmilitary means by actively seeking changes in international trade patterns.\textsuperscript{24}

Since the national interests of great powers are greatly dependent on the international system, the hegemon, as the creator and dominator of the system, must put more emphasis on systemic pressures and rivalries with which Neorealists are concerned.

(2) The Assumption of State Rationality

In order to make the research feasible, the dissertation adopts the assumption of state rationality as the starting point for scientific research. Will the United States react to regional integration processes rationally? If states cannot be considered rational, their policies will change all the time and cannot be analyzed with any stable model. Systemic theorists such as Waltz, Keohane and Wendt all support the unitary actor assumption, and take it as the basis for further research. Four reasons sustain this assumption.

Firstly, states cannot always be rational or be fully rational in international politics, but they at least have bounded rationality to understand the importance of survival and the measurability of capability. Systemic theorists recognize that national interests become increasingly interrelated in an

\textsuperscript{24} See Stephen G. Brooks, “Dueling Realisms.”
interdependent world, and it is more and more difficult to distinguish the “domestic realm” from the “international realm.” Various groups might possess different views or interests on some issue areas, and as we mentioned before; thus, external pressure won’t necessarily rally the disrupted internal society. However, it is appropriate to assume that a state will unite with others when its survival encounters threats. Waltz said that states under anarchy are able to do anything they like, but must pay for their incompetence in adapting themselves to the international structure. In fact, most state will learn from the stronger whether it is an adversary or not under structural pressure. Another reason bears on the measurability of state capability. We cannot imagine that Cuba would declare war against the United States unless a madman came into power. States act on the basis of calculations and estimations of relative capabilities that to a great extent lead to the basic rationality of their behavior.

In Waltz’s own words, “competitive systems are regulated, so to speak, by the ‘rationality’ of the more successful competitors. What does rationality mean? It means only that some do better than others—whether through intelligence, skill, hard work, or dumb luck.” Herbert Simon provides a differentiation of substantive rationality and procedural rationality. The former concentrates on states’ utility function to grasp an environmental feature and its constraint on their aims, and the latter deals with psychological processes and ways of thinking. Because no actor can fully understand all external conditions and avoid a disturbance in subjective cognitive processes, in most cases state policies and behavior will only be as adequate as the satisfying principle prescribes.

Secondly, systemic theories don’t negate the existence or effect of domestic structure and process, but consciously ignore them by adopting a “Black Box” approach. We cannot establish a kind of systemic theory integrating too many unit level elements because it would result in disrupting the parsimony and stability of the theory itself. There is no unifying grand theory of international relations, and there is little hope of even constructing one. Kenneth Waltz claims that such a theory would have to unite domestic and international politics to explain the behavior of states, their interactions, and international outcomes. Indeed, the incorporation of domestic features may in some circumstances tell us much about why states often diverge from rational sea-routes, but

that is the problem of application and not of theory construction. Somebody might try to establish a systemic theory without the unitary rational actor assumption, but “no one has even suggested how such a grand theory can be constructed, let alone developed one.”

Thirdly, foreign policy decisions have traditionally fallen within the domain of the executives. The executive’s utility function can be seen as a weighted average of the utility functions of the executive’s members. Thus, the executive behaves as a unitary actor with this weighted utility function. Milner usually precludes the possibility that diverse preferences are aggregated, not into a single outcome, but into multiple outcomes at a state or national level. The frequent use of the singular “collective outcome” suggests this. Milner assumes that the aggregation of diverse preferences results in a single preference as an outcome, say, a single national interest. Likewise, Gilpin has used “group” to describe the uniformity of a state, though he recognizes that individuals are often separated. For him, “the essence of social reality is the group. The building blocks and ultimate units of social and political life are not the individuals of liberal thought nor the classes of Marxism but conflicted groups.” These conflict groups—states, city-states, tribes, principalities, and so on—are assumed to be unitary, but not necessarily rational actors.

Fourthly, the rational state assumption can be a self-fulfilling prophecy. If one state believes another state is a unitary actor, it may be in the first state’s interest to centralize its foreign policy-making authority, which has positive feedback. This often emerges in a tense or crisis period when an official’s personal words are deemed to reflect his government’s true intention and invites severe reactions.

Lastly, in a hegemonic state, even the common people feel proud of their country and benefit from their country’s position in the international system directly or indirectly. When facing threats or dangers, it is easier for the hegemon to rally the people around the government. This has been called the “rally effect.” After 911, the US seemed so consolidated that only one senator opposed the war on Iraq, and she received rigorous criticisms and even threats from the bill’s supporters. In the previous section I have introduced Schweller’s research on why states don’t behave as the system

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requires. His conclusion is that the more disrupted a state is, the more difficulty the state will have in behaving rationally, “we should expect that states with a high level of political integration at both the elite and societal levels will be most likely to respond efficiently and effectively to external threats and opportunities.” Therefore, the US should be very unitary and rational when responding to international system requirements.

Therefore, the international system can exert great pressures on the national interests and strategies of great powers, and great powers can be considered as rational actors. Thus it is feasible to use Neorealism to explain American interests and its strategy towards regional integration.

3. Methodology of this Dissertation

This dissertation will primarily observe the social scientific approach, as well as other research approaches. Based on the standards of the scientific approach, the time-span and integration processes are selected.

(1) Social Scientific Approach

According to Daniel Little, “science aims at producing knowledge about natural and social phenomena. And this aim brings with it a concern for truth, a concern for rational standards of belief assessment, and a commitment to the notion that the standards of belief assessment are conducive to truth.” Thus, the objective of science is to find and explain the truth. However, truth or national laws only exist under certain conditions. In order to create and demonstrate theories, two basic standards for the social scientific approach must be observed: 1) falsifiability. If any theory cannot be falsified, it is not a scientific theory. For instance, if we say a hen is not a stone, then it is not a theory but obvious fact; 2) reproducibility. Other scholars should be able to repeat the test, and arrive at the same conclusion under the same conditions. A theory is falsifiable because its correctness depends on certain conditions. For instance, the explanatory power of Structural Realism depends on the state-centrism and state rationality assumptions. A theory must be reproducible because it must reflect objective laws that can be tested by other people. As Daniel Little argues, science includes the epistemic criteria of “an empirical-testability criterion, a logical coherence criterion, and an

institutional commitment to inter-subjective processes of belief evaluation and criticism."\(^{33}\)

This dissertation follows the approach of scientific research that includes: 1) advancing hypotheses on the basis of fundamental theories; 2) the hypotheses should contain demonstrable cause-effect relationships; and 3) the examples should be typical and include a wide range of possible conditions. Gary King, Robert O. Keohane, and Sidney Verba define causal theory as “designed to show the causes of a phenomenon or set of phenomena. Whether originally conceived as deductive or inductive, any theory includes an interrelated set of causal hypotheses. Each hypothesis specifies a posited relationship between variables that creates observable implications: if the specified explanatory variables take on certain values, other specified values are predicted for the dependent variables.”\(^{34}\)

This article will present two basic demonstrable hypotheses from the perspective of Neorealism. An investigation of the US strategy towards Europe, North America, and East Asia is conducted. European integration has developed to a supranational level and most of the integration members are also in alliances with the United States; North American economic integration has developed to high level and the US is a member of this process; East Asian integration is still in the early stages of institutionalization and the members of this process have different relationships with the hegemon. This article examines the US strategy in these representative cases under both bipolar and unipolar structures. It bears noting that the two main variables, power gap and institutional conflict, are measurable as Chapter One will specify.

(2) Other Approaches

This dissertation also uses different historical resources to demonstrate the hypotheses of American interest and strategy. These resources include speeches by politicians, treaties and declarations among nations, and so on. It follows the historical development of the US strategy through empirical studies. The comparative approach is also employed for the empirical studies. The US strategy towards the same integration process has changed during different periods. This contrast can contribute to the explanation of the US national interest. Another comparison lies in the


similarity of the US strategy towards different integration processes. Although these regions maintained different relations with the US, American strategy towards them exhibited several important similarities. These similarities can also demonstrate the importance of the two variables: power gap and institutional conflict. In order to measure the power gap and American strategy, the dissertation also employs a statistical approach. The data for quantitative analysis mainly comes from authoritative academic resources such as SIPRI and UNSD (United Nations Statistical Division). The quantitative analysis can clearly explain the changes concerning power gap, institutional conflict, and the US strategy.

(3) The Scope of the Dissertation in the Issue Area

Because the dissertation aims at demonstrating that Neorealist theories can better understand American strategy towards regional integration, the research design for empirical studies should be comprehensive, at least including the main categories of the possible conditions. The research design of this dissertation satisfies this requirement by examining a diverse range of regional integration cases during the postwar period.

Three regional integration processes have been chosen. Western European integration, North American integration, and East Asian integration were chosen based on the following reasons: (1) all these regions have played major roles in the world economy and politics. They comprise all of the great powers in the world (Russia as a global structural factor during the Cold War). The development and changes of these regions profoundly influence the US hegemonic interests. (2) The relations between the US and these three regions are typically different from each other. The US itself is a member of North America; it is allied with the major participants involved in the European integration; but in East Asia, there exist both allies and independent great powers. (3) The extent of the integration of these three regions is also different from each other. Europe has developed highly institutionalized regional agencies; North American integration is at the level of a close trading cooperation; and the formal integration of East Asia is just beginning.

The postwar period was chosen for two reasons. The first, also the primary, is that only in the postwar period has regional integration begun to prosper and made substantial progress. The second is that postwar US hegemony is much more prominent and comprehensive compared to other
hegemons. The British hegemony was mostly colonial and limited to sea power; it was never been able to dominate European politics. The US has been the only hegemon to dominate world politics and execute global strategy; in other words, the US enjoys a real “global hegemonic interest.”

After the Second World War, great powers, especially the hegemon, have enjoyed much more extensive interests from the outside. Thus, US strategy will reflect external pressure more during this period.

Since the purpose of this dissertation is to demonstrate that Neorealist theory can better explain US interest and strategy towards postwar regional integration, the following Chapter One will first examine the explanatory power of the three level theories.

Chapter One Theoretical Explanations for American Strategy towards Regional Integration

Like all other states, the United States does not recognize or accept any international authority higher than itself. The principle of sovereign equality states that great powers will define their national interests and adopt the corresponding strategies to achieve their interests. When observing and commenting on the actions of the US in international affairs, we naturally relate its actions to its national interest. However, different theories of international relations have different views on what is a national interest. According to Morgenthau, “A foreign policy derived from the national interest is in fact morally superior to a foreign policy inspired by universal moral principles.” It is very obvious that abstract morality has been excluded from Morgenthau’s definition of national interest. Of course, idealists don’t accept this concept of national interest. As noted in the Introduction, this debate is ongoing and to some extent enhanced by Constructivist critics. As Matha Finnemore said in her famous book, *National Interests in International Society*, defining national interest remains the central topic of international politics.

This Chapter examines the alternative theoretical explanations for American strategy towards postwar regional integration processes. The explanatory power of these theories in this issue area are examined from two perspectives: (1) if a general theory of international relations can be applied to explain state strategy, it must be able to develop a relatively concrete and stable concept of national interest and derive feasible hypotheses on state strategy from that concept. “Relatively concrete” means the concept must include some kind of core interests that are discernable. That is to say, national interest should not be defined as “observing international institutions” or “the president’s ideas.” “Relatively stable” means the concept must be relatively independent of random interactions and processes. That is to say, national interest will be relatively stable for a given period; (2) if feasible concepts and hypotheses can be derived from a general theory, their explanatory powers in this issue area still need to be investigated. Only when the concepts and hypotheses are able to explain most fundamental events in the issue area, can we consider which theory is most useful in

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analyzing American strategy towards regional integration. The former criterion is the basis of the latter.

In this section, the explanatory power of various general theories at the level of analytical approach is investigated. In the famous book, *Man, the State and War*, Kenneth Waltz outlined a three-fold typology (three images) that could be used to categorize the theories of Conflict and War that has been rapidly accepted as the level of analysis in scientific IR studies. The first image focuses on the individual, the second image on the state, and the third image on the international anarchy. At the present time, state-centrism is the shared assumption of the three systemic theories: Neorealism, Neoliberalism, and Social Constructivism. Therefore, the discussion on the “international unit” refers to the “state,” though non-government actors are occupying an increasingly important status. Based on the level-analysis in international relations, these general theories are examined on three levels: sub-unit level, unit level, and systemic level.

1. Alternative Theoretical Explanation for American Strategy towards Regional Integration

As mentioned above, this dissertation uses Neorealist theories to analyze American strategy towards the regional integration process. A number of important Neorealist theories have made great progress in establishing a parsimonious theoretical model for state interest, especially for the hegemon. This study focuses on the United States, which has been the postwar hegemon, and its strategy and behavior that have a decisive impact on the existing international system and other states. Before discussing the theoretical model of Neorealist theories in this issue Area, the explanatory power of alternative theoretical explanations are investigated first.

(1) Sub-unit Level Theories and Their Explanatory Power

There are two major sub-unit level theories that are related to national interest and foreign strategy. One is interest group theory and the other is decision-making theory. Both of them have been extensively used to analyze foreign policy. Here I will first examine whether they can develop relatively concrete and stable concepts of national interest, and then investigate their explanatory powers in this issue area. If they cannot even satisfy the first criterion, then they are limited to

playing a supplementary role in explaining US strategy towards postwar regional integration. That is to say, the core factors of these two theories might be useful in explaining some cases, but they are not major variables in this issue area.

1) Interest Group Theory

As a generalized idea about how the organized “few” win favors from government at the expense of the unorganized “many,” the interest-group theory of regulation and government has been in the literature of economics and political science for a long time. Interest group theory suggests that the government’s policies are the result of negotiations and bargaining between different interest groups. Thus, we must understand the interests of different groups and their negotiating process. Arthur Bentley is the first scholar to have systematically discussed the “interest group theory.” In Bentley’s view, politics will disappear if interest groups don’t exist; if we can adequately understand these groups, all political phenomena will also be understandable. The theory is also called pluralism because there are many groups. The power of interest groups comes from their: (1) size (number of members); (2) wealth, (3) organizational strength, (4) leadership, (5) access to decision makers, and (6) internal cohesion. Interest groups emerge when a disturbance occurs and people come together to resist change. These groups often lobby in Washington, where their techniques are direct, grass roots, information campaigns, and coalition building. Based on the general theory of interest group, two different concepts of national interest have been proposed.

The first concept of national interest emphasizes the coherence of various interest groups and tends to support a “public interest.” In this opinion, the term ‘national interest’ is often assumed to be synonymous with public interest and is seen as the sum of all the particular interests within a society. For instance, Charles A. Beard, a famous historian, thought of “national interest” as “an aggregation of particularities assembled like eggs in a basket.” Based on this national interest definition, Beard insisted on an “isolationism” foreign strategy for the United States. He once pointed out

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that, “while Europe was engaged in destroying lives and property,” America’s adherence to non-interventionism allowed it “to concentrate on construction, on building a civilization here.”\(^{43}\) This concept of national interest has actually deviated from the general theory of interest group, and has turned to emphasizing the integral social interest. However, it still meets two formidable problems. First, theoretically, national interest cannot be a sum of individual interests—by the very reason of their divergences they cannot be added or averaged.\(^{44}\) Secondly, Beard’s prescription for American strategy was totally driving away from our present-day realities. Since 1945, the U.S. has been deeply involved in European and East Asian affairs from security protection to economic and political integration.

The other concept of national interest is more inclined to pluralism and emphasizes the conflicts among interest groups. It argues that national interest is a reflection of the preferences of the many groups in a nation rather than of objective reality. These scholars believe that many different interests compete to control government policy. Therefore, different interest groups claim a different national interest. Economic elites, for instance, may define their holdings abroad as being in the national interest. Educational elites may promote views that do not interest the public at large. Bureaucratic-political elites may employ national interest in their struggle to persuade peers and superiors. Although calculating particular interests of a state is impossible, they think an analysis of several important groups is feasible. This concept of national interest is more coordinated with the general theory of interest group. According to this concept of national interest, American strategy toward regional integration will depend on the power distribution among the different interest groups. Thus, tracing the power distribution and negotiating processes is critical for understanding US strategy.

As mention above, this concept of national interest can be examined using two criteria. Firstly, many scholars worry that the rhetoric of national interest may endanger the common good due to questioned motives of political players.\(^{45}\) Because the identification of national interest in this model depends on the bargaining of various interest groups, no concrete and clear national interest can be

defined. We cannot know what on earth the national interest is. Furthermore, this concept lacks relative stability. Since it cannot satisfy the first criterion, its explanatory power in the issue area is very limited. For instance, ethnic interest groups usually endeavor to influence US policy toward their motherland. However, in this issue area, the regions are usually comprised of many countries. It is very difficult to find “pro-region” interest groups. The change of American European integration strategy doesn’t reflect the change of power distribution between so-called “pro-Europe” and “anti-Europe” interest groups. Therefore, interest groups may be useful in explaining US strategy in bilateral affairs or some issue area such as human rights; however, it lacks explanatory power for understanding an American grand strategy toward other regions that involves different relations with the United States.

2) Decision-Making Theory

Decision-making theory originates from Herbert A. Simon’s economic theory, and it concentrates on how people can make decisions more rationally through examining the information flow and the managing system. After entering the field of international relations, the theory has changed to emphasize the influence of decision-makers on foreign policy. These decision makers do not merely include the highest political executive, but also a number of governmental officials in charge of information flow. Stephen Krasner has also used the term “statist approach” to refer to the decision-making theory. As he argues, this approach assumes that “it is useful to conceive of a state as a set of roles and institutions having peculiar drives, compulsions and aims of their own that are separate and distinct from the interests of any particular societal group.” Decision-making theory focuses on the political leaders and the decision-making process among different governmental branches. As John Ikenberry and Kupchan write, “elites in secondary states buy into and internalize norms that are articulated by the hegemon and therefore pursue policies consistent with the hegemon’s notion of international order.” Accordingly, Krasner has defined national interest as “the preferences of central decision-makers.” Similarly, Donald Nuechterlein has defined the

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national interest as “the perceived needs and desires of some sovereign state comprising its external environment.” It seems that no unvarying yardstick exists by which the validity of foreign policies may be tested.49

According to the decision-making theory, the substantive content of national interest becomes whatever policy-making officials decide it should be. Throughout U.S. history, different individuals and groups have claimed that the policies that they preferred were the true interests of the United States. Even so, the president and his administration usually define American interests. For example, in 2003, President George W. Bush asserted that war against Iraq to eliminate the danger of Iraq developing weapons of mass destruction, to end Iraq’s support of terrorism, and to provide Iraq’s people the opportunity to escape from Saddam Hussein’s tyranny and live under a democratic government was in the American interest.50 The war decision was not influenced only by the President’s point of view. Debates occurred between government officials. The reported clash of views between Secretary of State Colin Powell and Secretary of Defense Donald Rumsfeld over the war in Iraq and other matters is a contemporary case in point.51 In fact, by the time information gets to the American president, it has been filtered many times on many levels. Another check on the president comes from Congress. Such confrontations, although infrequent, have occurred at crucial times in American history and always revolve around questions of constitutional and moral principle.

However, though decision making theory can be used to understanding foreign policy by examining leaders’ viewpoints and information flow, this theory, like the interest group theory, cannot give a normative identification or judging standard for national interest. Instead national interest is a subjective variable, as policy-makers are replaced from time to time and the definition of national interest alters according to their new ideas. It can be used to explain why foreign strategy in the US and other western countries tends to be more stable than that in authoritarian ones. However, when applying this theory to define the national interest of the US and explain its strategy toward regional integration, it inevitably leads to a number of misleading conclusions: the United States

changed its supportive policy towards European military integration in the 1960s because the President and other American officials themselves were not so friendly towards Europeans as in the 1950s. Another obvious example that the decision-making theory is unable to explain is the change of US strategy toward North American integration. The policy of the Regan Administration experienced a changing process; the President was eager to promote integration, but his willingness was constrained by the external environment.

In short, as two general analytical frameworks, both the interest group theory and the decision making theory, which are based on the domestic process, cannot develop concrete and relatively stable concepts of national interest, and thus their explanatory powers regarding the evolution of American strategy towards regional integration are also very limited.

(2) Unit Level Theories and Their Explanatory Power

This section investigates the explanatory power of the unit level IR theories on American strategy towards regional integration. The national interest concepts of these theories possess a few common features: (1) normative. Realism, idealism, and imperialism provide respective qualitative definitions of national interest as power/security, morality/ideology, and capitalistic profits; (2) constant. All the unit level definitions are abstract and invariable. For instance, according to idealism, American national interest struggles to promote democracy and human rights. Here, the explanatory power of these theories are also examined according to the two criteria: whether they can develop concrete and relatively stable concepts of national interest and corresponding feasible hypotheses for American strategy; and whether these hypotheses can explain most major transitions or changes in US strategy.

1) Classical Realism and State Interest

According to David Clinton, Machiavelli was the first scholar who systematically discoursed on political Realism in The Prince. The Prince foreshadowed the emergence of interest as an organizing principle for thought on international relations in two important ways. First, a prince has to know when not to use power, as well as when to use it. “A prince who wishes to maintain his power ought therefore to learn that he should not be always good, and must use that knowledge as circumstances
and the exigencies of his own affairs may seem to require." Second, prudence was to be an instrumental means precisely geared to the attainment of specifically limited political objectives and confined to the minimum degree of wrong required for success. Nevertheless, the authority of natural law as a guide to the conduct of state affairs was undermined by the more morally neutral concept of interest. Thus, the term ‘interest’ in the late sixteenth century had come into common use “to denote those aspirations of individuals that were prompted by rational calculation and pursued with prudence.” In short, a Realist should cautiously use its power and avoid exaggeration.

Another important source for realist thought could be derived from Tomas Hobbes, who described the famous “state of nature,” “Nature hath made men so equal in the faculties of body and mind as that, though there be found one man sometimes manifestly stronger in body or of quicker mind than another, yet when all is reckoned together the difference between man and man is not so considerable as that one man can thereupon claim to himself any benefit to which another may not pretend as well as he. For as to the strength of body, the weakest has strength enough to kill the strongest, either by secret machination or by confederacy with others that are in the same danger with himself.” The danger of “state of nature” finally leads to the emergence of the mighty state mechanism. However, in the international system, there is no central government to offer security protection, so every state has to depend on its own power for survival. In the words of Carl von Clausewitz, the famous nineteenth-century military strategist, “war is a continuation of politics by other means.” Political realists, therefore, see war as a normal phenomenon in world politics, not as an aberration. Political realists emphasize the primacy of power in politics, and coined the term “power politics.” The natural state of international politics is dangerous, and thus the first priority of every state is to maximize power for survival.

The great increased attention to national interest, however, came after World War II, with the ‘realist’ school led by the truly powerful mind of Realist Hans J. Morgenthau. His works advanced “a Realist theory of international politics” founded on the concept of national interest. With regard to national interest, Morgenthau recognized that, “the kind of interest determining political action in a particular period of history depends upon the political and cultural context within which foreign

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53 Ibid. pp. 5-7.  
policy is formulated.” He envisioned accounting for these contextual factors by defining interest in terms of power. For Morgenthau, “interest defined as power is an objective category which is universally valid,” and, as such, power serves to determine what true interest is and should be.\(^56\) That is, foreign policy goals must not range beyond the power available, for resources to obtain national desires are strictly limited. Further, for the statesman to be successful, he must make decisions that attain, preserve, and show power. The statesman asks, “will this step improve or weaken my power?” Were his action to preserve the state and its power, then his policy is rational. In the words of the late Hans J. Morgenthau, perhaps the most influential political realist of the twentieth century: “international politics, like all politics, is a struggle for power. Whatever the ultimate aims of international politics, power is always the immediate aim.”\(^57\)

Hence, for Classical Realists, power itself is both the instrument and the objective, and the essential content of national interest is national security. In other words, survival is the most basic interest for realism. Morgenthau strongly opposed idealist foreign policy. “A foreign policy guided by moral abstractions, without consideration of the national interest, is bound to fail; for it accepts a standard of action alien to the nature of the action itself,” wrote Morgenthau. Also, thinking in terms of national interest is “morally necessary,” he further argued, for the state has no moral right to risk sacrifice of the nation for the sake of certain moral abstractions.\(^58\) Thus, Classical Realism has proposed a concrete and constant concept for national interest: security. Because security can only be attained through power, power itself is considered as both the objective and strategy of states. However, there are still two problems remaining for the Classical Realist theory: how much power can ensure national security and whether state strategy towards regional integration are mostly focused on promoting security. For the first problem, Classical Realists cannot give a satisfying answer; they cannot tell us how much power is appropriate for states to maintain national security. As Kenneth Waltz has emphasized, too much or too little power are both risky for states.\(^59\) Because Classical Realists do not develop the concept of “structure,” they cannot develop feasible hypotheses for American strategy; similarly, it is very difficult for the theory to explain the changes in American


strategy towards regional integration.

Indeed, Classical Realism can partly explain American interest and strategy. In its new National Security Strategy, the Bush administration acknowledges an attempt to discourage other powers from challenging U.S. supremacy: “Our forces will be strong enough to dissuade potential adversaries from pursuing a military buildup in hopes of surpassing or equaling the power of the United States.”60 This is a typical realism idea. After September 11th, the Bush government has been inclined to consider the world as a “nature of state” because of some “rogue state,” although it cannot show compelling evidence that Iraq has developed nuclear or weapons of mass destruction. However, for many realist scholars, the Iraq war was unnecessary for American national interest while US power was being abused.61 Actually, it is usually very difficult for politicians to employ power “realistically.” They will ask themselves, “aren’t I secure? How strong must our state be to gain safety?” However, the concept “security” itself is, to a great extent, psychological. Actually, it is impossible to understand many of the American strategies towards regional integration as a need of US security. For instance, if power maximization is the primary national interest of the United States, it should not have supported European integration in the 1950s because the revival of the Western European economy will weaken its preponderant position sooner or later.

Furthermore, although national security can be used to explain U.S. foreign policy, the concept “national security” is becoming more and more comprehensive. It includes economic security and cultural security; thus the explanatory power of the concept has been greatly impaired because scientific theory is not to reflect on but explain the real world. If a concept includes all the factors, then it is not an explanatory theory but a descriptive one. Just as a distinguished international relations scholar pointed out, the common and secondary aims such as state prestige, power increase in some region, and protecting the personal safety of citizens abroad could be related to the survival of the state.62 When applying this concept of national interest to explain U.S. strategy toward postwar regional integration, every change in American policies can be attributed to the need for “national security” in its broad sense, but we won’t know what American national security is and

why the changes happened. If we stick to the narrow sense of “national security,” some changes in US strategy cannot be understood. For instance, in the summer of 2001, the Clinton administration abruptly decided to start the Free Trade Agreement Negotiation with Singapore after being unconcerned about East Asia since the 1997 Asian Financial Crisis. This change of American policy doesn’t originate from any worry about US national security, but from fear of staying out of the East Asian regional integration process and losing its leading status.

2) Classic Idealism and State Interest

Idealism was once very popular in understanding the national interest and foreign policy of the United States, which has been penetrated by its traditional thought of “American Destiny” and “American Exception.” Idealists tend to be considerably more optimistic about the possibility of peace and harmony in the world. They also tend to believe that human beings are basically good, but are often led astray by bad institutions, ideas, and individuals.63 Political ideology is also used to define the United States’ interest. For example, President Woodrow Wilson argued that the United States should enter World War I on the side of the Allied powers to help “make the world safe for democracy.” Woodrow Wilson couched America’s 1917 entry into World War I in similarly moralistic terms, declaring that the United States was fighting to “make the world safe for democracy” in “a war to end all wars.” Near the end of the war, Wilson unveiled his “Fourteen Points” in which he appealed for open diplomacy, self-determination, freedom of the seas, arms reduction, and the League of Nations, a new international organization that he claimed would guarantee peace through collective security.64 The goal of idealist policy is to recover the harmonious “state of nature” from the “bad” governments.

Generally speaking, Wilsonianism means a belief that both American interest and world welfare require an enduring American commitment to international institutions, preeminently the League of Nations. The view that the United States is somehow different from other countries, some 63 Thomas Magstadt, Understanding Politics: Ideas, Institutions, and Issues, Belmont, Calif.: Wadsworth, 2003, pp. 369-373.
64 Collective security is the concept that if one nation is attacked by another, then other nations will together respond against the state that launched the original attack. The theory is that the certainty of a collective response against an attack will influence the aggressor state not to launch an attack. For an analysis of the role that collective security played in the League of Nations during the years between World Wars I and II. See F. S. Northedge, The League of Nations: Its Life and Times, 1920–1946, New York: Holmes and Meier, 1986.
times described as American Exceptionalism, dates back to the nation’s founders. 65 No less a person than Thomas Jefferson called the United States “the last best hope of mankind” and a “barrier against the return of ignorance and barbarism.” Alexander Hamilton, who agreed with Jefferson on little else, predicted that the American Revolution would force Europe to make “inquiries which may shake it to its deepest foundations.” 66 As early as 1782, Benjamin Franklin declared that the creation of the United States and the political liberties found within it would not only “make that people happy,” but would also “have some effect in diminishing the misery of those who in other parts of the world groan under despotism, by rendering it more circumspect, and inducing it to govern with a lighter hand.” 67 Thus, the concept of national interest in Classical Idealism is concrete and constant. Moral and ideological criterion is the core state interest, and US foreign policy will always be endeavoring to protect universal and abstract principles in international relations. There are also some feasible hypotheses for foreign strategy that can be derived from the general theory, such as obeying and insisting on international law.

Throughout the Cold War the United States legitimized its foreign policy as a “crusade” against communism. This was particularly apparent during the 1940s and 1950s under Presidents Truman, Eisenhower, and Kennedy and again during the 1980s under President Reagan. Even after the collapse of the Soviet Union, ideology remained an important although less visible element of American foreign policy as Bill Clinton emphasized “promote democracy,” that is, the policy of increasing the number of states that were ruled by democratic governments and that used the capitalist economic system. Americans also used moralism at the end of the nineteenth century and at the beginning of the twentieth century to explain the United States’ increasingly interventionist policies in Latin America and elsewhere. As the United States searched for markets and sites for naval bases to protect trading lanes during this era, many Americans argued that the country’s interventions were undertaken in the name of liberty and justice. Instead of spreading its ideals and values by example, the United States would spread them by intervention. The war and the territory that the United States acquired during the Spanish-American War, especially Cuba and the

Philippines, were explained in moralistic terms. Thus, intervention has become another important strategy of the United States to promote its favorable ideology.

Although US foreign policies during the cold war period embodied some idealist color, most of its behavior was directed by material interest rather than ideological incentives. For instance, in 1972, Capitalist US and Communist China established a loose alliance to counteract the Communist Soviet Union. When applied to the issue of U.S. strategy toward regional integration, idealism has also been used to explain the US-European relationship. For instance, some scholars strongly proposed that the US support European integration in the 1950s at least partly based on consideration of “stabilizing democracy in Germany.” However, this explaining model also meets with great difficulties on account of its simple emphasis on morality and ideology. Even towards European integration, the focus of American strategy since the 1970s has been on economic interests, not moral issues. In 1994, NAFTA (North American Free Trade Agreement) came into force, although Mexico was not essentially a democratic state at that time. Likewise, the change in U.S. strategy toward East Asian integration cannot be explained by Classical Idealist theory because the polity structure and political ideology distribution didn’t experience distinct alteration after the Cold War. If the primary hegemon is to promote universal principle and political ideology in the East Asian integration process, why has it not been actively doing that, instead allying with several authoritative regimes such as the Philippines during the Cold War? Thus, the explanatory power of Classical Idealism is very limited.

3) Classic Imperialism and State Interest

A third concept of national interest is related to the type of the regime. Different regimes have different objectives and, therefore, require different foreign policies to promote those objectives. Imperialist theory on national interest believes that a capitalistic state depends on its economic infrastructure and strives for capitalistic profits. In particular, Lenin, the most influential Marxist thinker of the last century, articulated his views in the most influential Marxist document of the 20th century, *Imperialism, The Highest Stage of Capitalism*, written in 1916 while Lenin was in exile in Zurich. Lenin’s views have framed the issue of imperialism for the anti-imperialist movements of
the 20th century. We must give a definition of imperialism that will embrace the following five essential features: (1) concentration of production and capital developed to such a high stage that it creates monopolies that play a decisive role in economic life, (2) the merging of bank capital with industrial capital and the creation, on the basis of this “finance capital,” of a “financial oligarchy,” (3) the export of capital, which has become extremely important, as distinguished from the export of commodities, (4) the formation of international capitalist monopolies that share the world among themselves, and (5) the territorial division of the world among the greatest capitalistic countries.

Underlying Lenin’s approach to imperialism is the assumption that inter-imperialist rivalries, rooted in competition between the dominant industrial and financial groupings is the driving force of imperialism. The political consequence he drew from point 5 is that inter-imperialist rivalry would tend to take the form of armed confrontation and war, as each of the major capitalist nations would be driven by their leading capitalist interests to extend their imperial domain at the expense of their rivals. According to Classical Imperialism theory, the capitalistic state will try to colonize the regions of its merchandise market and foreign investment. Capital profits, domestic class struggles, and inter-state competitions constitute the major content of this theory. Capitalistic interest is the dominant national interest, and the strategy includes colonization and war.

Although the US indeed has used colonization and war to promote its interests overseas, this theory cannot illuminate the most important foreign policies of the hegemon. For example, why did the U.S. launch the war in Vietnam that damaged the economic power of the American ruling class? The US hasn’t colonized areas such as Iraq and Afghanistan after its military victories for its “capitalistic profits.” Since World War II, there has existed a long peace and period of cooperation between the western developed states, and world investment also mainly flows among them, instead of from developed states to developing states. According to Imperialism theory, the US should colonize Europe or at least control it politico-economically. However, the fact is to the contrary. The United States maintained a relatively open economic market at the same time Europe and Japan executed protectionist policies against American goods that actually impaired US economic status.

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US strategy were actually established on the imperialism assumption, it wouldn’t support European integration at all. The Classical Imperialist theory brings forward a concrete and constant concept of national interest, but the explanatory power of this concept is very limited in this issue area.

(3) Systemic Theories and Their Explanatory Power

In the following discourse I will examine the concepts of national interest derived from two kinds of systemic international relations theories—Liberal Institutionalism and Social Constructivism. Since Kenneth Waltz published his famous book, *Theory of international politics*, systemic theories have become the mainstream and scientism has become the dominant research approach in international relations. These systemic theories all concentrate on the international system level’s impact on international outcomes. Neorealists insist international power structure determinates the general state of the world, while Liberal Institutionalists and Social Constructivists effort to demonstrate that something else in the international system level is more important. However, this examination is not focused on their explanatory power for international outcomes, e.g., what kind of international structure can best promote the system’s stability, but for a specific issue area—American strategy towards postwar regional integration processes. The investigation is still based on the two criteria: whether they can develop concrete and stable concepts of national interests, and feasible hypotheses for state strategy. If they can, then the question is how much explanatory power they have in this issue area.

1) Liberal Institutionalism and State Interest

Liberal Institutionalism, which is also called Neoliberalism, has become a mainstream theory in international relations since the mid-1980s. Although Neoliberals are strongly influenced by Neoclassical economics, they reject the idea that the free play of political forces will capture all possible joint gains. Neoliberal Institutionalists stress the role of institutions, broadly defined as enduring patterns of shared expectations of behavior that have received some degree of formal assent.71 Thus, this theory focuses on the impact of international institutions on cooperation among

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nations. Neoliberals are more optimistic than realists because they believe that changes in preferences over strategies usually are sufficient to produce a mutual benefit. Much of this change can come by more and better information—information about the situation, information about what the other side has done and why it has done it, and information about what the other side is likely to do in the future. What are the functions or benefits of international regimes? Institutions/ regimes provide information, decrease transaction costs, monitor compliance, create issue linkages, and prevent cheating. Thus, they serve states’ self-interests and generate international cooperation. Through offering a meeting place, transparency, and surveillance of contract performance, the prospect of successful cooperation is enlarged.72

Liberal Institutionalism has been particularly influenced by developments in the so-called new institutional economics. Specifically, they have imported theories of transaction costs and agency. The fundamental idea behind the notion of transaction costs is that the execution of an economic transaction involves not only production costs, but also costs for arranging and enforcing a contract. The process of drafting, planning, and negotiating a contract is costly, as is the process of solving contractual disputes. Institutions, then, fulfill the function of reducing transaction costs. While developed in relation to economic phenomena, the notion of transaction costs is neither by nature nor by definition restricted to economic demand. Robert Keohane’s functional theory of international regimes or institutions is perhaps the most influential attempt at employing the notion of transaction costs in the study of international politics.73

Therefore, Liberal institutionalism suggests that the interest relationship among nations tends to be more clear and predictable under the influence of international institutions. With a decrease in transaction costs, the gains of cooperation increase accordingly. It suggests that international institutions teach what is “national interest” and “how to acquire this interest.” Based on such an assumption, Neoliberals strongly insist that a state should pay attention to institutions and take multilateral actions. According to Robert Keohane and Lisa Martin, “states using strategies of reciprocity are engaged in exchange with one another and so require information about the value of their exchanges. Institutionalized reciprocity and distributional concerns are simply two sides of the...
same coin, reflecting the difficulties of cooperating in a system lacking centralized enforcement and pointing to the need for reliable sources of information if states are to achieve gains from cooperation.”74

Learning what is national interest from international institutions, and complying with the latter itself is a very important national interest today. Hence, institutionalists are also multilateralists. As Robert Keohane said, “Neoliberal institutionalism seeks, like Neorealism, to understand state behavior as far as possible through an analysis of the nature of international system. Unlike Neorealism, however, it argues that institutions—‘persistent and connected sets of rules (formal and informal) that prescribe behavioral roles, constrain activity, and shape expectations’—are as important as the distribution of power affecting state behavior.”75 The North Atlantic Treaty Organization is an example. Although NATO’s functioning during the Cold War did not transform its members and it retained its original purpose of “keeping the Americans in, the Germans down, and the Russians out,” its operation influenced beliefs and preferences at all levels of government—from the members of the bureaucracy who have a stake in its success, to foreign officials who have a potent new tool of joint action.76 Martha Finnemore approves of the argument that the national interest of states comes from international institutions, but when referring to an institution itself, they choose different ways. Joseph Nye and other liberals deplore the unilateral transition of the U.S. since September 11th that in their eyes has greatly undermined American national interest. Correspondingly, they strongly criticize the US unilateral tendency after September 11th.

The major problem of Liberal institutionalism in explaining state interest lies in the lack of content and its indeterminacy. Neoliberals focus on whether a state’s behavioral approach is unilateral or multilateral, but they cannot tell us what US foreign strategy is striving for. As for the sub-level theories, Neoliberalism cannot tell us what national interest is. Although it can develop some kind of hypotheses on “institutional strategy,” these hypotheses are not powerful enough to understand the foreign policy of a great power to which international institutions are more like an

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instrument rather than a law. Actually, states often violate international institutions and pursue what they think to be in their national interest in a way that suits themselves, like the George W. Bush government, for example. US Secretary Donald Rumsfeld has said that, “the mission will define the coalition—not the other way around.”77 Some institutionalists believe that regional integration can promote peace, which seems to be demonstrated by postwar European integration. This is a good explanation for American support for European integration. However, as stated in the introduction, U.S. strategy towards the European integration process has undergone diverse changes from one period to another. Another challenge to this view is: why is the US not actively promoting formal regional integration in East Asia? According to the Neoliberalist theory, East Asia should have developed highly mature regional institutions and observing these institutions are the primary interest of the United States. Actually, there has been a lack of powerful institutions in East Asia, and a number of competing institutions coexist. Obviously, it is impossible for the hegemon to support all these institutions at the same time as Neoliberalism claim, though they more or less have promoted the integration process in this region.

2) Social Constructivism and State Interest

Social Constructivism comprises many branches in which Alexander Wendt, Martha Finnemore, and Peter Katzenstein represent the normal and scientific approach that adheres to a state-centric postulate and structural analysis. However, Wendt places stress on how cultural structure comes into being and national interest depends on the former, whereas Finnemore and Katzenstein focus their intention on how states learn from the cultural structure that includes not only cognition of relative role (enemy, competitor or friend), but also a great deal of concrete norms and interest. Therefore, the theoretical logic of Finnemore and Katzenstein are more similar to Robert Keohane’s. 78 Alexander Wendt has constructed the most self-contained theory of Social Constructivism. Like Kenneth Waltz, his position is also an analysis of the state system and he believes that states, to some extent, are rational actors. However, he assumes that the important structures are made of ideas rather than of material interests. The determining factor is conceived as what opinion states seem to

have of each other. The international system is seen as a social construction based on idealism and
holism, where anarchy is what states make of it.79 By using the concept of culture, Wendt implies
that the state actors share the prevalent ideas, which can be accomplished through coercion,
self-interest, or because the ideas are found to be legitimate.

In short, Social Constructivists think that national interest depends on anarchic culture through
imitation and social learning.80 In a Hobbesian anarchical culture, states look upon each other as
enemies (a state of war), the primary national interest is survival in the dangerous anarchy, and thus
the foreign strategy of states can be defined as “destroying all possible enemies.” In a Lockean
culture, states look upon each other as rivals (“live and let live”-logics, where there is a
power-balance achieved when states acknowledge each others sovereignty), the primary national
interest is “defending sovereignty,” and states might adopt some cooperative strategy. In a Kantian
culture, states look upon each other as friends (one solves conflicts peacefully and cooperates against
a third party),81 the primary national interest is harmony and prosperity, and the foreign strategy of
states can be defined as “mutual assistance.” Therefore, the concept of national interest in Wendt’s
Constructivism is a kind of positional one that depends on the “role relationship” among states. If the
mutual recognition among states changes, the national interest identification of the states will sooner
or later vary.

To constructivists, the national interest of the United States since WWII depends on different
cultural structures. In the western democratic camp, American national interest aims at protecting its
alliances and friendly cooperation. However, in East Asia or the Middle East, the US national
interest is to compete with China and maintain its hegemonic status. When using Wendt’s theory to
explain American foreign strategy, the unavoidable outcome is the emergence of new imperialism.
The US decides its policy and behavior according to the “shared ideas” or “common knowledge”
that comes into being through the interaction between the US and other states. That is to say, the US
treats Europe and Japan as friends because of their mutually friendly cognition, and the attack on
Iraq originates from their antagonistic interaction. As to the US-European identity, an international
relations scholar wrote, “historically speaking, each partner has always formed part of the other’s

80 Alexander Wendt, Social Theory of International Politics, p. 113.
81 Alexander Wendt, Social Theory of International Politics, p. 254.
identity. The commitment of the United States to the reconstruction of Europe after World War II is a central element in their collective consciousness. For the United States too, the contribution made by Europeans toward the development of politics and society has become a basic element of the US psyche—beyond demographical and ethnic shifts...so, if the redefinition of the transatlantic relationship is to succeed, it has to offer both partners not only a common agenda in practical terms, but also a redefinition of their own identity that incorporates the partner on the other side of the Atlantic.”

The greatest problem of constructivism lies in its explanatory power. International relations often change very fast and those changes are more directly connected with material interest rather than spiritual conflict. Another instance is the breakup of the US-USSR alliance in the wake of WWII on account of the USSR’s violation of the agreements on sphere of influence. The transformations from friends to competitors or enemies are so quick and frequent that the identity and interest relationship theory of constructivism is beset with great limitations. Although Europe and Japan have a “domestic identity” with the US, their economic growth, and European integration have invoked anxiety and hostility in the United States even during the Cold War. When considering the US strategy towards European integration, Wendt and other Constructivists usually attribute it to the friendly partnership that formed through interaction and which is intensified by common values and domestic institutions. However, this explanation is not convincing because the U.S. attitude towards European integration in the 1950s proved to be more enthusiastic than it was in the 1970s and 1980s. According to Constructivism, friendly interaction reinforces the transatlantic interaction and not the other way around. For example, after September 11th, the U.S.-European alliance has confronted some obstacles, and they sometimes ceased regarding each other as reliable friends. It was the change of economic and political interests, not the problem of exchanging thoughts that caused the changes in American strategy. It is also very difficult for Social Constructivists to explain many important transitions of the evolution of American strategy towards East Asian regional integration and North American integration. For instance, the United States has changed to actively supporting APEC since the end of the Cold War in East Asia, but its relations with China have

actually became worse than before on account of lacking a common basis for interaction—containing the Soviet Union. Similarly, during the North American integration process, the major transition was the change of Mexican policy, which was not primarily promoted by the changes of their interactions. Because the emphasis of theorization is put on the interaction and mutual feeling, the explanatory power of Social Constructivism in this issue area is also very limited.

Figure 1 summarizes the national interest concept and the explanatory power of alternative theories in explaining US strategy towards postwar regional integration.

**Figure 1. Previous National Interest Studies**

<table>
<thead>
<tr>
<th>Level</th>
<th>General Theory</th>
<th>Interest Concept</th>
<th>Strategy</th>
<th>Explanatory power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-unit</td>
<td>Interest group</td>
<td>No core concept</td>
<td>Maximizing the power gap</td>
<td>Very limited</td>
</tr>
<tr>
<td>Level</td>
<td>Decision making</td>
<td>No core concept</td>
<td></td>
<td>Very limited</td>
</tr>
<tr>
<td>Unit</td>
<td>Classical Realism</td>
<td>Security</td>
<td>Whether the regional powers support democracy and justice</td>
<td>Explains some parts of US strategy</td>
</tr>
<tr>
<td>Level</td>
<td>Classical Idealism</td>
<td>Morality</td>
<td></td>
<td>Very limited</td>
</tr>
<tr>
<td></td>
<td>Classical Imperialism</td>
<td>Profits</td>
<td>Colonizing the region</td>
<td>None</td>
</tr>
<tr>
<td>Systemic</td>
<td>Neoliberalism</td>
<td>No core concept</td>
<td>Promoting regional institutions</td>
<td>Explains some parts of US strategy</td>
</tr>
<tr>
<td>Level</td>
<td>Constructivism</td>
<td>No core concept</td>
<td></td>
<td>Very limited</td>
</tr>
</tbody>
</table>

2. Neorealist Theories and Positional Interests: How Power and Institution Shape Foreign Strategy

Realists agree that all states play power politics, be it for reasons of human nature and/or international anarchy. However, can one deduce from this general quest for power a theory of state interest and strategy? Kenneth Waltz argues that Classical Realism has brought forward some political thought about international politics and foreign policy, but no theory. Furthermore, as Waltz declares, “states can seldom afford to make maximum power their goal. International politics is too serious a business for that.” That is to say, after a state has achieved a balanced position against a
dangerous opponent, there is no further need for power accumulation. Therefore, Classical Realism actually cannot tell us how to attain security through power maximization. Based on Structural Realism, Neorealist theories have developed a series of important discourses on national interest and the foreign strategy of great powers, especially the hegemonic states. Actually, hegemonic theories constitute the major part of Neorealism. In this section, the core concepts of Neorealist theories are examined, and their relationships with national interest and foreign strategy are clarified. The next section reviews the existing Neorealist studies on American strategy towards regional integration, establishes a more integrated theoretical model of Neorealist theories, and then proposes feasible hypotheses for this issue area.

(1) The Core Concepts of Neorealist Theories

A number of systemic theories were discussed in the first section. Neorealist theories such as Hegemonic Stability Theory and Hegemonic Maintenance Theory offer many useful discourses on the importance of hegemonic structure and institutions. The approach taken in this dissertation is based on these two important Realistic theories (Offensive Realism can also be included). In this section, the manner in which structures and institutions shape hegemonic interests is elaborated on, and then a synthetic model of them is proposed as a basis upon which hypotheses of American strategy towards postwar regional integration process are formulated.

1) International Structure and Hegemonic Structure

In 1959, Kenneth N. Waltz published his famous book titled Man, the State and War that presents research concerning the cause of War and Peace. He divides the preexisting thoughts into three levels: individual level, mainly focusing on human nature; state level, focusing on political regime and domestic structure; and system level, mainly referring to Anarchy. The level-of-analysis approach is not Waltz’s invention, and neither is anarchy. The contribution of Man,
the State, and War rests with the research conclusion that alleges that the third image, system level, can provide a convincing explanation for the recurrence of war. In the 1979 masterpiece, Theory of International Politics, Waltz established an elegant international structural theory with the conclusion of Man, the State, and War as a start, now widely accepted as Structural Realism. The paramount accomplishment of Structural Realism consists in the definition of international structure, which consists of three principles.

(a) Ordering principle, which means whether the international system is anarchical or hierarchical. Anarchy merely means the lack of a central government in international system owing to the sovereign equality foundations, and has nothing to do with chaos or disorder. Strictly speaking, anarchy in Structural Realism is not a variable in process, but in structure. Waltz admits that there exists some kind of order in international system, of which balance of power and the governance of bipolar powers concerning international affairs are familiar examples. If the ordering principle transits from anarchy to hierarchy, the structure of an international system will vary.

(b) The function of unit is the second principle defining international structure. If different states conduct various functions and integrate themselves into broader communities, the structure will also change. According to Structural Realism, states are not differentiated in function, and thus we needn’t take it into account when identifying structures.

(c) The third principle is distribution of capabilities across units. Two points must be underscored here. Firstly, “capability” refers to the comprehensive material strength of the state, including population, geography, economic development, military force, political mobilization capability, and so on. A state cannot step into the first rank of international powers with only nuclear weapons or an abundance of petroleum deposits. Great powers have central roles in structure, and the distribution of capabilities among them should be a comparison of their comprehensive national power. Secondly, the units in structure are confined to individual states, group of states not included. Waltz explains that an alliance as a form of interaction is unstable and strongly influenced by structure. In chapter 8, he explores the effect of structure on the formation and significance of alliance and concludes that the US and the Soviet Union enjoy much more freedom to act according to their own will than the great powers under the multipolar structure. Many other international

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relations scholars such as Alastair Iain Johnston agree with Waltz and classify coalition as a sort of institution. 87

According to Joseph S. Nye, Jr., the term “hegemon” is applied to a variety of situations in which one state appears to have considerably more power than others. 88 Robert Gilpin sometimes uses the terms “imperial” and “hegemonic” interchangeably to refer to a situation in which “a single powerful state controls or dominates the lesser states in the system.” 89 Robert Keohane defines the hegemon as the strongest state which possesses the highest productivity, huge merchandise markets, plenty of capital, and formidable military power. 90 Therefore, a hegemon should at least be the most powerful state in the international system, and generally speaking, it must hold an obvious advantage in comparison to other great power’s capabilities. Hegemonic structure can be an unbalanced multipolar structure like that of the 19 century; it can also be an unbalanced bipolar structure such as the US-USSR structure during the cold war. The extreme occasion for hegemonic structure is today, which some scholars refer to as a “lonely superpower.” 91 The hegemonic structure culminated in the 1950s, and was then revived in the middle of the 1990s after two decades of relative decline in the 1970s and 1980s. Today, the US is preponderant and structure has transited from unbalanced bipolar to unipolar. In short, in a hegemonic structure, a given state enjoys a hegemonic power position, or in other words, maintains a big power gap with other great powers.

Waltz does not think anarchy is the sole determinant of the interaction outcomes of international actors. What he wants to explain is the law of international politics. According to him, “States matter, and the structure of international politics matters. Which matters more varies with changes in the structure of international politics. Anyone who had previously failed to notice this could hardly fail to see it as the world moved from bipolarity to unipolarity. In a bipolar world, two states check and balance each other. In a unipolar world, checks on the behavior of the one great power drop drastically. Unipolarity weakens structural constraints, enlarges the field of action of the remaining great power, and heightens the importance of its internal qualities.” 92 Why did Waltz

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89 Robert Gilpin, War and Change in World Politics, p. 29.
90 Robert O. Keohane, After Hegemony, p. 32.
92 Kenneth N. Waltz, “Neorealism: Confusions and Criticisms.”
select the systemic level to theorizing international politics?

There are two reasons. One is about explanatory scope. In Waltz’s view, “Systems theories explain why different units behave similarly and, despite their variations, produce outcomes that fall within expected ranges. Conversely, theories at the unit level tell us why different units behave differently despite their similar placement in a system.”93 The other is technological. Waltz and Keohane both believe that state level factors are too complicated for the development of a parsimonious and unitary theory. To fashion a grand theory of the international system, theorization will have to fall on the systemic level.

Although Waltz has no interest in explaining state behavior from the perspective of state level, he points out that the structure of the international system prompts units to balance, not bandwagon. International politics, in contrast, has been called politics in absence of government. In such an anarchical and decentralized system, the units (states) have the same function, but different capabilities.94 Because some nations may use force at any time, all states must be prepared to do so. Hence, “the state of nature is a state of war”.95 In a self-help system, each of the units spends a portion of their effort, not in forwarding their own good, but in providing the means for protecting themselves against others. In any self-help system, units worry about their survival, and the worry conditions their behavior.96 Wendt correctly classifies this conclusion into the outcome of a radical condition that most great powers must worry about their security. Hence, in a “softer” period, states need not balance the strongest state, which has been proved by postwar history. Wendt attributes this to the cultural transformation in international system, which I don’t agree with. Thus we need further explorations on the structural impact on the units, states. Actually, one task of this dissertation is to formulate the importance of the hegemonic power position for the hegemon.

2) International Institution and Hegemonic Institution

Unlike Kenneth Waltz, some distinguished Neorealists attribute great importance to international norms, rules, and organizations. Waltz insists that international institutions only have a “limited role” in state behavior and international outcomes. He concedes that “once created, and the

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93 Kenneth N. Waltz, Theory of International Politics, p. 72.
94 Kenneth N. Waltz, Theory of International Politics, pp. 88-100.
95 Kenneth N. Waltz, Theory of International Politics, p. 102.
96 Kenneth N. Waltz, Theory of International Politics, p. 102.
more so once it has become well established, an organization becomes hard to get rid of. A big organization is managed by large numbers of bureaucrats who develop a strong interest in its perpetuation,” but on the other hand, “the nature and purpose of institutions change as structures vary.” “The survival and expansion of NATO tell us much about American power and influence and little about institutions as multilateral entities. The ability of the United States to extend the life of a moribund institution nicely illustrates how international institutions are created and maintained by stronger states to serve their perceived or misperceived interests.” 97 Robert Gilpin, Stephen Krasner, and Robert Powell continue to emphasize the hegemonic effect on the creation and function of international order or regimes; while at the same time, they reckon the institutions as critical instruments for hegemonic interest. Moreover, with the time passing by, the focus of international power struggle has shifted from the security issues to the global Institutional leadership. The latter plays such a crucial role in legitimizing the hegemony and profits that many scholars are talking about the transition from traditional hegemony to institutionalized hegemony. 98

Unfortunately, different Realist scholars use different terms when discussing the issue of international institutions. Robert Gilpin seems to favor “order,” which includes prestige ranking and international rules or accustoms. Stephen Krasner prefers to use “international regime,” the definition of which has been formally accepted as “social institutions around which actor expectations converge in a given area of international relations.” “The analytical components of international regimes we take to consist of principles, norms, rules, and procedures.” 99 Krasner also frequently makes use of “order” in his writings. Here, the central term “international institution” is borrowed from Liberal Institutionalism to refer to their emphasis on rule, procedures, or formal organizations. Robert Keohane defined institution as “persistent and connected sets of rules (formal and informal) that prescribe behavioral roles, constrain activity, and shape expectations.” 100 “They can take the form of formal intergovernmental or nongovernmental organizations, international regimes, and informal conventions. Following Douglass North, we conceive of organizations as

97 Kenneth N. Waltz, “Structural Realism after the Cold War,” in International Security, Vol. 25, No. 1 (Summer 2000), pp. 5-41
actors or ‘players,’ and institutions as rules that define how the game is played.”

Why has the concept “institution” rather than “order” or “regime” been chosen to summarize their theories? This is the requirement of scientific study and the debates among international relations theorists. The concept “order” doesn’t fit further scientific research on account of containing the indeterminate variable “prestige,” which mainly refers to psychological cognition. Some constructivists have suggested that the concept of “prestige” can be used to confirm their theory. Furthermore, though some state has won a systemic or structural war, its prestige doesn’t increase. France triumphed over Germany in World War One, but no other great powers considered it more awesome than the latter after the end of the war. The perception of prestige changes with changes in the framework of distribution of capabilities, but it is difficult to clearly identify a state’s ranking in international prestige. Regimes based on John Ruggie’s definition are not explicitly comprised of international organizations, though some regimes exist in the charters or constitutions of them. Obviously, Neorealist have emphasized the importance of formal international organizations in their discourse. This research topic focuses on the national interest and foreign policy of the United States that profoundly correlates with its influence on several critical economic and political organizations such the UNSC (Security Council of the United Nations) and the WTO (World Trade Organization). Thus, the term “international institution” is a concept that can be accepted by most Neorealists, and at the same time is coordinated with the scientific quality of Neorealist theories. The term “International institutions” is a material and comprehensive definition that generates many empirical studies by both Neorealists and Neoliberals.

The theory of hegemonic stability holds that the world system is most prosperous when a hegemonic state exists to organize the international political and economic system and establishes a series of international institutions to legitimize and promote its interest. Thus, it argues that international institutions, especially the critical political and economic organizations, have been created and dominated by the hegemon. That is to say, some given state enjoys a hegemonic institutional position, or in other words, dominance in international institutions. In their eyes, the “Pax Britannica” led to the British hegemonic institution of colonies as markets for the distribution

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102 Robert Gilpin, War and Change in World Politics, p. 29.
103 Robert Gilpin, War and Change in World Politics, pp. 41-44.
of its goods, liberal trade, and the gold standard on the basis of its naval preponderance, and the US successfully established the Bretton Woods System and NATO after World War Two. In all the critical international political and economic institutions, the hegemon enjoys a number of privileges from voting power to the selection of the managing executives. What is more, the hegemon is able to use many other indirect instruments such as college education and financial budget to influence the decision-making process. When newly rising states believe that they needn’t observe the old institutions any longer, hegemonic war will result. As John Ikenberry has concluded, “the great moments of international order building have tended to come after major wars, as winning states have undertaken to reconstruct the post-war world. Certain years stand out as critical turning points: 1648, 1713, 1815, 1919, and 1945. At these junctures, newly powerful states were given extraordinary opportunities to shape world politics. In the chaotic aftermath of war, leaders of these states found themselves in unusually advantageous positions to put forward new rules and principles of international relations and, by so doing, remake international order.” Therefore, the hegemon should carefully monitor states that are dissatisfied with the existing hegemonic institutions in order to prevent them from growing too strong. In the following discourse, the postwar hegemonic institutions are discussed. Though the US underwent relative decline in the 1960s and 1970s, it remains the hegemon in the international system and has had a great impact all along. Hegemon institution has become another core concept of Neorealist hegemonic theories.

In short, structure and institution are two concepts of Neorealist theories, and hegemonic theories have referred to the concepts and importance of hegemonic structure and hegemonic institution. Of course, compared to institutions, structure is still the most fundamental factor of international system in Neorealist theory. As the Hegemonic Stability Theory points out, hegemonic institutions will encounter challenges when the power gap between the hegemon and other great powers is reduced.

(2) How Power and Institution Shape Hegemonic Interests

Structural realism and other Neorealist theories argue that a hegemonic system imposes external pressure on state interest, and punishes those actors who ignore systemic requirements. Thus, great
powers, especially the hegemon, have to pay much attention to their positions in the structure and institutions. As the two core factors in the international system, power position and institutional position are of critical importance to the hegemon. Here, the Neorealist theoretical discourse in this field is reviewed.

1) Power Position as Hegemonic Interest

Firstly, hegemonic structure is still anarchical. Under anarchy, self-help is the ultimate approach for great powers, including the hegemon, to sustain their survival and sovereignty. Therefore, all states should increase their economic and military power as much as they can, and they often undertake both internal and external effort at the same time, namely, undergird themselves and weaken their potential enemies. External efforts are comprised of many concrete actions, such as separating the antagonistic alignments, producing turmoil in adversaries’ domestic society, and so on. As Hegemonic Maintenance Theory points out, the ultimate goal of the hegemon’s foreign policy is to maintain and enlarge the power gap between itself and the challenger (whether visible or potential). This gap ensures not only the safety, but also the prestige of the hegemon in an international system. As Gilpin emphasized in *War and Change in World Politics*, it is “prestige” and not power that plays the role in international politics that currency does in the world economy. States don’t frequently display military power or threaten others to gain concessions; behind the negotiations is prestige ranking for each other. What is “prestige?” In Gipin’s view, national prestige is the credit that is given to power rooted in the outcomes of great power wars. For instance, the United States won World War II, which has given other states an impressive perception of its national power. Hence, other states will from time to time think over whether its negotiating partners are exerting their power and how much power they have. Implicit prestige matters greatly. Accordingly, if some state is universally accepted as the strongest or even the hegemon in the international system, that state usually doesn’t need to claim what is its national interest or use force to show its concern. Thus, the hegemon benefits greatly from its hegemonic power position in the international system.

A correlative discussion focuses on state motivation that delineates the relationship between

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power position and state security. John J. Mearsheimer refutes the currently fashionable theory that treats great power wars as a thing of the past. His argument is based on the contention that in an “anarchic” world composed of sovereign nation-states, each great power tries to acquire the maximum amount of power feasible under the circumstances. This struggle for power may at times subside for practical reasons, but it never ends. This is so because the first goal of every great power is to survive, and the more power a nation-state has, the greater its chances of survival in this anarchic world. According to Mearsheimer, the only circumstance in which a great power will stop trying to gain more power is when it has achieved global hegemony, a circumstance that has never occurred in world history. Therefore, based on Structural Realism, he actually defines national interest of a great power as a hegemonic power position in the international system, though the hegemon in his opinion is much stronger than the hegemon in other scholar’s definitions.

Secondly, anarchy also means the hegemon must be prepared for challenges from newly rising states because the hegemon itself benefits from the established hegemonic institutions most. The hegemon, after systemic wars, creates many international rules and organizations, which are rooted in hegemonic prestige and lack universal legitimacy, to govern everyday international interactions. Many states enjoy the “free-ride,” but self-dominating the international order seems more attractive to them. As for secondary countries, balancing the newly rising threats is often very costly and a bandwagoning strategy can produce great gains with the challenger to oppose the old hegemony. There have been a number of examples. For instance, the Soviet Union reached a secret agreement with Nazi Germany for partitioning Poland and middle Europe. Though the Stalin Regime was cognizant of the German threat, it couldn’t resist the temptation. Thus, a hegemon must maintain the power gap to dissuade other great power’s challenge and the pervasive bandwagoning tendency on the international stage. Randall Schweller finds that unthreatened revisionist states often bandwagon with the stronger revisionist state or coalition for opportunistic reasons. He argues that “in fact, balancing is an extremely costly activity that most states would rather not engage in; ⋯⋯In contrast, bandwagoning rarely involves costs and is typically done in the expectation of gain, and for this reason, bandwagoning is more common than Walt or Waltz suggest.”

107 Randall L. Schweller, “Bandwagoning For Profit: Bringing the Revisionist State Back in,” in International
Chinese scholar Qin Yaqing has made great progress in explaining the structural influence on national interest. Hegemonic maintenance, he argues, is the integral national interest of American hegemony, which depends on its power position in the international system. If a hegemon can maintain its power gap with other states, its national security, economic wealth, ideology and social value will also be ensured. So hegemonic maintenance represents the integral social interest. This national interest definition will last until the collapse of the hegemonic system, which means that it will be relatively stable. Therefore, his definition is neither erratic like the sub-unit level pattern nor constant like the unit-level system. Hegemonic Maintenance Theory proposes two hypotheses: (1) the hegemon is more likely to support the adversaries of a global challenger for the purpose of weakening the challenging state, and thus maintain, and hopefully enlarge, the power gap; (2) the hegemon is more likely to support the adversaries of a potential challenger in order to weaken the regional challenging state, and to maintain, and if possible, enlarge, the power gap. Therefore, based on the positional national interest of hegemony, Professor Qin developed a prediction of U.S. foreign intervention strategy towards regional conflicts.

In conclusion, the hegemonic power position is closely related to the hegemon’s national interest in the international system. The hegemon will ensure its national security, prestige, economic interest, and the stability of order when the power gap at least remains stable. On the other hand, other great powers will strive to surpass the old hegemon and establish another series of hegemonic institutions that severely conflict with the hegemon’s interest. Therefore, maintaining the power gap itself is in the foremost structural interest of the hegemon. As history shows us time and again, great powers are always anxious about their relative status in the system, and that impels them to reform their domestic organization, learning from the pacemaker. Waltz calls this phenomenon the “sameness effect.” In addition to domestic efforts, they also try to weaken their competitors through various foreign strategies. For the hegemon, security, wealth, prestige, and other interests are dependent on its power position in the international system. Accordingly, maintaining the power gap is a fundamental strategy of the hegemon.

2) Institutional Position and Hegemonic Interest

Some other important Neorealists such as Robert Gilpin and Stephen Krasner also emphasize the significance of international institutions that they think are often critical for the hegemon’s national interests. Hegemonic Stability Theory tells us that international institutions are established and dominated by hegemonic states. Hegemonic Stability theorists call these institutions “hegemonic institutions,” which will inevitably encounter discontentment and challenges from other rising states. Thus, although Robert Keohane and Joseph Nye adhere to the judgment on institutions’ promotion for commonweal, they pointedly draw attention to the fact that France and other great powers are dissatisfied with the postwar order, and attribute that to the latter’s position in postwar political institutions. Thus, hegemonic institutions impose great external pressure for the hegemon’s interests; almost every great power efforts to voice its concerns about international affairs, and fighting for a rule-making or disputed verdict. In concluding the discussion on hegemonic institutional interest, several theoretical points stand out.

On the one hand, Joseph Nye repeatedly emphasizes that postwar hegemonic institutions contribute to American soft power. American values and spirits penetrate the principles and norms that both directly and indirectly favor US national interest. For instance, the American economy enjoys the most benefits from free market competition and the liberal flow of capital, which are the concerns of the IMF, WTO and the World Bank. During the 1997 Asian Economic Crisis, the United States demanded that the Asian states reform their economic structure to facilitate the free market economy through the IMF. Another example is NATO, dominated by the hegemony, which has played active roles in Kosovo (1999) and the war on terror. Soft power helps further US national interest also because of the Americanizing method in dealing with problems. When other states think and behave like Americans, they will be more likely to stand with the latter.

On the other hand, forceful international institutions can share the managing costs and provide some public benefits that alleviate the burden of the hegemon. Though England and the US benefit from their liberal international order, they also have to take responsibility for maintaining this order,

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such as maintaining an open market, being the lender of last resort, and maintaining security. In the twentieth century, the U.S. support for such governing norms as collective security, the arbitration of disputes, abolition of aggressive war, free trade, interstate cooperation, and so on, arose not only from its character as an essentially satisfied power, but from its fear of over-expansion (or overreach). For instance, President Bush claims in the *National Security Strategy Report* that “America will implement its strategies by organizing coalitions—as broad as practicable—of states able and willing to promote a balance of power that favors freedom. Effective coalition leadership requires clear priorities, an appreciation of others’ interests, and consistent consultations among partners with a spirit of humility.” “There is little of lasting consequence that the United States can accomplish in the world without the sustained cooperation of its allies and friends in Canada and Europe. Europe is also the seat of two of the strongest and most able international institutions in the world: the North Atlantic Treaty Organization (NATO), which has, since its inception, been the fulcrum of transatlantic and inter-European security, and the European Union (EU), our partner in opening world trade.”

Therefore, a hegemonic state will carefully cherish its dominance in international institutions. The hegemon occupies a hegemonic institutional position in the critical international institutions that benefits the hegemon more than any other state. This is apparent in the draft of the Pentagon’s Defense Planning Guidance for Fiscal Years 1994-99 that stated, “we must account sufficiently for the interests of the large industrial nations to discourage them from challenging our leadership or seeking to overturn the established political or economic order” and that “we must maintain the mechanisms for deterring potential competitors from even aspiring to a larger regional or global role.” The 2002 US National Security Strategy Report also clearly demonstrated this concern. If some other states try to challenge US dominance in these institutions or totally change them, their behavior will invoke a very drastic reaction from the hegemon.

Thus, two kinds of systemic interests can be derived from the core concepts of Neorealist theories: structural interest and institutional interest. For the hegemon, structural interest means

“maintaining the hegemonic power position,” and institutional interest means “maintaining the hegemonic institutional position.” Because these two interests are both dependent on the state’s position in the international system, this dissertation also uses “positional interests” to describe them. These two concepts of national interest can be used to develop feasible hypotheses of state strategy. The following section first examines the existing Neorealist studies on American strategy towards postwar regional integration, and then proposes a synthetic model of hegemonic interests. Finally, two hypotheses based on the two concepts are proposed.

3. Existing Neorealist Studies on American Strategy Towards Regional Integration and a Synthetic Model

(1) Existing Neorealist Studies

Although there are only fragmented Neorealist studies in this issue area, Neorealist theory has been dominant in explaining American strategy towards regional integration. Robert Gilpin and Joseph Grieco have made the most progress in the existing Neorealist studies. Here, other related articles are also investigated, though they do not directly refer to the evolution of American strategy towards regional integration. The primary feature of these works is their emphasis on the power rivalries between the United States and other regional great powers.

1) Robert Gilpin’s Study on Canadian Strategy towards North American Integration

As a distinguished Neorealist, Robert Gilpin has used Neorealist theory to understand US-Canada relations on the North American Continent. The purpose of his essay is to analyze the processes of integration and disintegration as opposing tendencies. Like other Neorealists, Robert Gilpin focuses his attention on the changes in power distribution that has been caused by disparate economic growth. “In order to understand the increasing difficulties between the United States and Canada, as well as the smoldering conflict in Canada itself between anglophone and francophone, one must appreciate the economic and political implications of such an interdependent and rapidly expanding economy. A major consequence of an interdependent economic system undergoing rapid growth is its impact on the distribution of wealth and economic activities.”

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growth and development were accelerating during the late 1960s and early 1970s, the United States was undergoing a relative loss of dynamism. With greater integration between the two economies, the deleterious spillovers from the American core into the Canadian periphery have increased in the form of unemployment, idle plants, and other economic dislocations.\textsuperscript{118}

The changes of power distribution also greatly influenced the regional integration process. “Underlying the emergence of nationalism then is an important psychological (and economic) transformation. Canadians increasingly come to believe that Canada is strong enough to take the necessary measures to reduce its dependence upon the American core and to step away from the political-economic dangers of integration with the United States.”\textsuperscript{119} “In other words, Canada must become one of the world’s core industrial economies.”\textsuperscript{120} That is to say, though the North American integration process benefited the Canadian economy in the 1960s and 1970s, unequal economic growth has enhanced the confidence of Canadians, who tended to pursue a more independent strategy. As discussed in Chapter Four, North American integration did not make much progress during this period.

Though Gilpin’s study has something to do with North American integration, his focus is on understanding the changes in Canadian strategy. The changes in the Canadian-US power gap have led to changes in the Canadian attitude towards integration with the United States. Yet, this study is very useful for understanding how a power gap shapes states’ strategy towards regional integration.

2) **Joseph Grieco’s Study on American Strategy towards Regional Integration**

Joseph Grieco, who has published a series of articles on regional integration from the Neorealist perspective, is another important Neorealist in the debates concerning relative gains and absolute gains. Three criteria—locus of institutionalization, scope of activity, and level of institutional authority—are used in his article to compare new regional arrangements in the Americas, East Asia, and Western Europe. According to Grieco, the level of institutionalization of international cooperation varies depending on the “amount of change taking place in the relative capabilities of

\textsuperscript{118} Robert Gilpin, “Integration and Disintegration on the North American Continent,” p. 863.
\textsuperscript{119} Robert Gilpin, “Integration and Disintegration on the North American Continent,” p. 864.
\textsuperscript{120} Robert Gilpin, “Integration and Disintegration on the North American Continent,” p. 865.
partners.”121 If relative disparity shifts rapidly, the likelihood of institutionalization is low. Where the relative position among states is stable over time, institutionalizing is more likely. His hypothesis is that “when the relative disparities in capabilities within a region are shifting over time, disadvantaged states will become less attracted to institutionalization and the latter will have become less likely to occur.”122

Grieco has also discussed the relationship between regional integration and international structure. Although he recognizes that institutionalized regionalism is becoming more important in world politics, he works from an analytical framework similar to Waltz’s. His analysis points to imbalances in power as generating rational strategies that he refers to as “self binding” through which weaker states seek to escape domination by stronger ones.123 Grieco has also pointed out the impact of international structure on European integration, “if US-Soviet bipolar competition has been a necessary condition for European integration, and if that competition has now ended and the international system is moving back toward multipolarity, then we should expect to see the Europeans returning to their traditional concerns about one another and therefore becoming less attracted to cooperation through the EC.”124 Thus, regional integration is related to the international power struggle.

In the famous article “Realism and Regionalism,” Joseph Grieco directly referred to the relationship between American hegemony and the post-Cold War regional integration process. He first compared the success of the German-led European integration and the failure of the Japan-led East Asian integration, and attributed this difference to their power gap with the hegemon. “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 industrialized, militarily potent West Germany. To have German economic and military power available to the Western alliance without also permitting German

122 Joseph Grieco, “Systemic Sources of Variation in Regional Institutionalization in Western Europe, East Asia, and the Americas,” p. 176.
hegemony in Europe, its neighbors pursued and the United States promoted the creation and development of NATO and what has become the European Union.” However, the United States was not so actively promoting a Japan-led regional integration in East Asia because “while the United States saw German conventional military re-entry into the European power equation as vital to its defense strategy for the continent, the United States was able to devise for Japan an important role in America’s Asian strategy—most importantly, permitting the establishment of huge American air and naval bases on Japanese soil on the basis of the U.S.-Japanese Security Treaty of 1952—without needing that country to take on more affirmative roles or, relatedly, to be a part of formal security arrangements with its Asian neighbors.” “Thus, while constraints on American power led the United States in the first half of the 1950s to promote regional institutionalization in Western Europe as a way of incorporating German power into Western defenses, American military and economic hegemony in East Asia in the mid-1950s made such institutionalization of Japanese power unnecessary in its part of the world.”¹²⁵

Thus, Grieco thinks the US power position in Western Europe and East Asia is the primary cause of different American strategies. In Western Europe, Soviet power and influence was much stronger than that in East Asia. Another viewpoint that he expresses in the article is that the power gap between the US and Germany has been smaller that that between the US and Japan, and thus the US strategy can discourage a Japan-led regional integration more successfully. Grieco’s works are very important for an understanding of the impact of American hegemonic interest on its strategy towards regional integration. However, there are four major problems with his proposal.

First, Grieco, as a distinguished Neorealist, has used the concept of power position or power gap to analyze US strategy towards regional integration, but he has not directly brought forward the concept of structural interest, not to mention the concept of institutional interest. Thus, a theory of hegemonic interest does not emerge.

Second, power position alone cannot fully explain the difference in US strategy towards European integration and East Asian integration. If the European powers had not supported the US dominance in international institutions, the US would not have supported European integration.

¹²⁵ Joseph Grieco, “Realism and Regionalism: American Power and German and Japanese Institutional Strategies During and After the Cold War,” Ethan B. Kapstein and Michael Mastanduno (eds.), Unipolar Politics: Realism and State Strategies After the Cold War, Chapter 9.
Similarly, the US decision to not actively promote East Asian institutionalization was not merely because the US hegemonic power position in East Asian was unchallengeable, but also because the regional great powers were not all supporters of the US-led institutions.

Third, Grieco thinks the US was able to openly and successfully oppose East Asian integration because Japan was weaker than Germany. This viewpoint is misleading. It is very difficult to draw the conclusion that Japan was much weaker than Germany. Actually, as this empirical study shows, East Asian regional integration (in which the US is excluded) has been marching forward, and the difficulties mainly come from the inside though the US partly succeeded in discouraging the process in the early 1990s.

Fourth, Grieco has asserted that the US has always discouraged the formal institutionalization process in East Asia. However, as this empirical study illustrates, the US has indeed supported a series of formal institutional arrangements in this region, such as ASA, ASEAN, SEATO, and APEC.

3) Other Related Studies on the Relationship of Hegemony and Regional Integration

Some Realists have argued that European integration—and regionalism in general—is at least partly dependent on hegemonic leadership. The hegemon provides the military and political resources needed to create and maintain order within its sphere of influence. Other realists stress the indirect effects of balancing. They argue that alliances internalize the security externalities produced by trade because the gains of free trade increasing the power of an alliance partner increases the relative power of the alliance. Anders Wivel also discussed the promotion of the Soviet threat on European integration. “European integration became possible because of the shared alliance commitment of the major West European powers. Focusing on the importance of balancing, realists have interpreted the strengthening of the European integration project after the Cold War as a consequence of European balancing of the American superpower in the unipolar world order. Thus, initiatives such as the EMU and the ESDP are interpreted as evidence of an emerging policy of balancing leading to an

action–reaction process between American and European policy-makers eventually resulting in sharpened United States policy positions and strengthened European Union institutions.” 128 Thus, European integration first aimed at balancing the Soviet Union, and then the United States.

It is very clear that most Neorealist scholars have used power gap to analyze US hegemonic interests and its strategy towards regional integration. The integration process will cause changes in the power gap not only between the hegemon and its global challenger, but also between the hegemon and its alliances. After the disappearance of the global challenger, the alliances might use the integration process to balance the hegemon. The hypotheses of power position are powerful explanations for many important transitions in American strategy, but they have neglected the institutional factor. Actually, the concern with institutional interest can also greatly influence state strategy; however, the explanation provided by analyzing power gap alone is not enough. For instance, the power gap hypotheses cannot adequately explain the relative stability of US-European relations at the end of the Cold War when the structural interest of the hegemon was facing its greatest economic challenges from Europe. It will also be very difficult to understand why the United States has been such a public opponent of the East Asian regional bloc, but officially supportive of European integration. The addition of institutional factors can adequately explain these puzzles.

(2) A Synthetic Theoretical Model

As mentioned above, structural interest and hypotheses of power position alone cannot fully explain the major transitions in American strategy towards regional integration processes. In this respect Schweller has not responded to the gloomy remark of Wolfers: varying state motivations “rob theory of the determinate and predictive character that seemed to give the pure power hypothesis its particular value.” 129 Because hegemonic institutional position is another critical concern of the hegemon, this dissertation includes the factor “institutional interest” with the Neorealist model, and tests the explanatory power of this model in this issue area. Firstly, it must be

determined whether or not these two theories can be integrated into a single theoretical model.

1) The Relationship between Structural Interest and Institutional Interest

In the Neorealist theories, the international systemic level includes international structure and international institutions. The hegemon is both the most powerful state in the hegemonic structure and the primary creator and beneficiary of hegemonic institutions. Ultimately, the hegemonic interests on two levels are coordinated with each other.

(a) Institutional interest is based on the hegemonic power position. Both Britain and the US can establish their favorable international institutions and put them into effect mainly because they have the capability to do that through economic and military punishment and reward. For instance, freedom of the seas and trade were fundamental principles in the British age, and their practice mainly profited from England’s naval force. Similarly, if the US did not play a leading role in the Second World War exhibiting surprising power, it would be impossible for the United States to establish a US-centered international system. Hegemonic Stability Theorists, such as Stephen Krasner, have observed that institutions in some areas have undergone change as a result of the rise of the Third World in the power structure.130 The hegemon will finally lose its institutional interest when it is not the most powerful state.

(b) Institutional interest can greatly contribute to enlarging the power gap between the hegemon and potential challengers, that is to say, enhancing the hegemonic power position. Though the distribution of capabilities primarily depends on domestic development, external gains can sometimes be crucial. For example, the views of World System Theory and Dependence Theory insist that foreign economic exchanges disadvantage the LDC (Less Developed Countries) and suggest these states break off the relationship with the developed capitalistic camp in order to avoid the exploitation.131 Whether right or not, these viewpoints demonstrate the importance of international resources and gains. The hegemon is not the exception. Both Britain and the United States are technologically advanced states and gain most from liberal economic institutions. In

comparison to previous empires, they needn’t use military power to attack or conquer other states for
lands and population. Trade, finance, and investment have become more advisable means. Another
example is that of the dollar-centered monetary institution playing a critical role in supporting
American hegemony in the 1960s; it relieved US inflation and transferred the cost of war to other
countries.

(c) The hegemon might tend to focus on one level more than another depending on the power
gap with the potential challenger. When the power gap is so small that it may be surpassed by a
newly rising state, this state will unavoidably become the primary enemy of the hegemon. If the
power gap is considerably big and the hegemon doesn’t need to face another primary challenger (like
the experience of the US after the Cold War), it will place more importance on its institutional
interests. For instance, after the cold war, the US enlarged its power gap with Japan, so the tense
relationship between them has been greatly relieved. Japan supported US-centered international
institutions, which has made American elites feel satisfied. Although Chinese national power is still
very limited, the US has turned to emphasizing the challenge from China because, in Washington’s
eyes, China is a communist country. This means that its favorable international institutions differ
from what the United States prefers, though China is becoming more deeply involved in
international society, and has claimed the right to participate in existing international institutions.

However, the ultimate goal of the hegemon is to maintain the hegemonic power position and
enlarge the power gap with other states. The concern with international institution also serves this
objective. Although the US supported European integration to balance the Soviet Union, it won’t
continue to do so after the cold war even if Europe still remains an important partner in current
international institutions. In the hegemon’s eyes, Europe is more like a competitor than an ally.
Structural interest and institutional interest are both hegemonic interests. It can be said that the
hegemon is a status-quo country and maintaining the current position on the two levels is in its
uppermost national interest in the international system. This concept of national interest is concrete
and relatively stable. The national interest of the United States will change radically if it loses its
hegemonic power position. Accordingly, when dealing with specific issue areas, the hegemon will
consider the power gap and institutional conflicts with other countries. It will support a trend that is
likely to enhance its power position and institutional position. If the trend seems to endanger its
position in the international system, the hegemon will oppose or discourage it. Thus, the Neorealist model can develop testable hypotheses of foreign strategy. However, how can we measure the power gap and institutional conflicts?

2) How to Measure Power Gap and Institutional Conflicts

(a) The Measurement of Power Gap

It is very difficult to measure state power, which Joseph Nye compares to love. At the same time, power has been the core concept since Morgenthau Realism. Almost all realists believe that relative power status should be more important than the absolute power of a state, and military power is still the critical component when measuring national power. According to Hans J. Morgenthau, the elements of national power include geography, natural resources, industrial capacity, military preparedness, population, national character, national morale, and the quality of diplomacy. He also points out three typical errors of power evaluation: the absolute character of power, the permanent character of power, and the fallacy of power.\(^{132}\) That is to say, to realists, the concept of state power should be relative, dynamic, and comprehensive. Morgenthau argues that the uncertainty of power calculations is inherent in the nature of national power itself. Therefore, it will come into play even in the simple case of the balance of power.\(^{133}\) However, what has made Morgenthau more worried is the uncertainty of alliance relationship, which mainly contributes to the unreality of the balance of power.\(^{134}\)

Other important realists, such as Robert Gilpin and Kenneth Waltz, also take the fundamental material factors of Morgenthau’s power concept as the main measure approach. Waltz has written as follows:

“But great powers do not gain and retain their rank by excelling in one way or another. Their rank depends on how they score on a combination of the following items: size of population and territory, resource endowment, economic capability, military strength, political stability and competence. The Soviet Union, like Tsarist Russia before it, was a lopsided great power, compensating for economic weakness with political discipline, military strength, and a rich


territorial endowment. Nevertheless, great power status cannot be maintained without a certain economic capability.”

Waltz on one hand has recognized the importance of economic capability for great power competitions which greatly constrains the middle powers, while on the other hand he has claimed that “in a nuclear world, however, the connection between a country’s economic and technological capability, on the one hand, and its military capability, on the other hand, is loosened.” Hence, Waltz insists that economic capacity and military power cannot be divided for purposes of measurement in the long run, but recognizes that power in some issue area may be more important than that in other areas during some period, and the emergence of nuclear weapons has enhanced this possibility.

According to the Strategic Assessment Group (SAG) of the Rand National Security Research Division, state power can be conceived at three levels: (1) resources or capabilities, or power-in-being; (2) how that power is converted through national processes; (3) and power in outcomes, or which state prevails in particular circumstances. The group has insisted that states need to convert material resources into more usable instruments, such as combat proficiency, which is often called “political mobilization capability.” The researchers list the main categories of capabilities as: domestic product (GDP), population, defense spending, and a less precise factor capturing innovation in technology. In the SAG estimate, the United States is first, but hardly the only power. “Moving toward 2015, the United States will first gain power, then decline somewhat, ending up at about where it is now. The EU, however, will lose power, as will all non-U.S. members of the G-8. The gainer will be China and India.”

The research of power gap presented in this dissertation also examines state or regional power in a comprehensive approach including economic capacity, political consolidation and military power. Concretely speaking, economic capacity mainly includes three factors: GDP, Per Capital GPD, and GDP growth rate. GDP (Gross Domestic Products) reflects the basic economic quantity of a state; Per Capital GDP reflects the extent of individual development and accordingly the quality of

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the state economy; and GDP growth rate reflects the relative change in the process of economic power distribution. Political consolidation is related to Waltz’s concept of political stability and competence, which, when applied to a region, mainly refers to coordinating or negotiating capability. If an organization can make decisions on critical issues through efficient means, the regional organization is consolidated. This is also a very important part of measuring power. The evaluation of military power mainly includes military expenditure and working efficiency. Working efficiency here refers to the use of the budget, the capability for rapid reaction, and so on. These elements are fundamentally material and observable.

Economic capacity and military power cannot be divided in the long run, just as Gilpin and Waltz have emphasized, but their effect on international relations in given periods must be distinguished. The economic great powers will grow to be military great powers sooner or later, but under special conditions, they can continue as only an economic colossus for a long time, and that will relieve security competitions. Alliance politics under a hegemonic system is usually like that. Some powers will have a number of economic disputes with the hegemon, but they have given up developing huge military power under the hegemon’s protection. Thus, the alliance relationship can persist and balance of power does not emerge. Europe after World War II has been a typical example of this phenomenon.

(b) The Measurement of Institutional Conflict

According to hegemonic theories such as Hegemonic Stability Theory or Hegemonic Cycles Theory, there is the belief that the hegemon cannot maintain its high structural status forever and decline, whether absolute or relative, will happen sooner or later. Gilpin and Paul Kennedy contribute the fall of great powers to excessive external reach, which finally leads to a rising heavy burden of military and administrative spending. Another famous Realist has argued that “In a unipolar world, systemic constraints-balancing, uneven growth rates, and the sameness effect-impel eligible states to become great powers.” Newly rising states will challenge the existing distribution of international institutional power by such actions as acquiring more colonies.


Institutional conflicts follow the redistribution of international structures and will profoundly influence state relations. For instance, Germany strived to change the distribution of colonies in the late nineteen-century and that greatly damaged its relationship with the British hegemon. However, the US has avoided irritating Britain and has supported a liberal trade world order. Institutional conflicts between Britain and Germany ultimately led to World War One. As mentioned above, institutions often relate to the distribution of international resources. Therefore, rising countries are very likely to be dissatisfied with the existing order, especially when the order is relatively closed to them and minimizes their sharing in international gains.

Gilpin and other Neorealists also point out that territory and population have been less important since the industrial revolution radically changed military power. The coming of the nationalism era has also increased the cost of the traditional method for contesting international resources. States, especially the hegemon, have turned to establishing some favorable economic and political international institutions. The institutional conflicts are usually embodied in three ways: (1) states with a vested interest are inclined to decide institutional affairs through the marketing principle, that is to say, great powers own great voting powers. Other states will tend to support a multilateral and democratic method; (2) states with a vested interest are inclined to oppose changing the existing critical economic and political rules. Other states will make efforts to change the power distribution in existing international institutions; (3) states with a vested interest are not inclined to establish new institutions that they cannot dominate. Other states will try to sustain some favorable international institutions, especially when it will enhance their independency.

Since power gap and institutional conflicts can be specifically investigated, the synthetic Neorealist model is feasible.

(3) American Hegemony and the Hypotheses

Before applying the synthetic Neorealist model to the issue area, a task remains unfinished, that is, to examine the hegemonic power position and institutional position of the United States because this model is specifically concerned with hegemonic interests. If the United States is not the postwar hegemon and only an ordinary great power, a synthetic model cannot be directly applied to explain American strategy towards regional integration. Since the end of World War Two, America has been
the strongest power though undergoing challenges from the Soviet Union or its developed capitalist alliances. A number of states are antagonistic to the US’s leading status and its arrogantly unilateral behavior, but America has successfully rallied support for liberal international economic institutions and still enjoys dominance in most international institutions.

1) American Hegemony in the Postwar International System

(a) Postwar Hegemonic Structure

The Second World War totally destroyed the multipolar structure in Europe, resulting in new political power centers with the US in North America and the USSR on the Eurasian Continent. The war transformed the potential power of the Soviet Union and the United States into actual military power. As late as 1950, the US economy was three times that of the Soviet Union, five times that of Great Britain, and ten times that of Japan. At the end of the war, the United States had sixty-nine divisions in Europe and twenty-six in Asia, and had a monopoly on nuclear weapons. Although by 1948 the United States had cut back from 3 million to 100,000 troops in Europe, it still had predominance in many power recourses. William Thompson compares the British hegemony and American hegemony with an eye on the share of leading sector industrial activities. According to his measurement, Britain enjoyed a greater than 50 percent share after the Napoleonic Wars, and peaked at 64 percent around 1830, fell below 50 percent in the 1870s, and declined to 15 percent on the eve of World War I. He portrays the American share of leading sector production as 50 percent in 1910, 68 percent in 1920, 57 percent on the eve of World War II, 64 percent in 1950, and declining back to the previous level of 57 percent in 1960.

However, the Cold War era cannot be depicted as American preponderance on account of the check and balance of the Soviet Union. According to Nye, the Soviet Union had three major power resources: military force, geographical location, and soft power resources. Its conventional military force was enormous; even after two-thirds of the army was demobilized, the Soviets still had 175 divisions. Its location in the heart of Eurasia positioned it to be able to influence the key political stakes—Europe, China and Japan—in the postwar contest. Its soft power resources of transnational

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ideology and the political institutions of communism were attractive to many and gave the Soviets considerable influence on the domestic politics of critical states such as China, Italy and France.\textsuperscript{143} Hence, despite the US’s economic advantage and nuclear monopoly, the USSR had enough capability to set up an unbalanced structure in international politics in the aftermath of World War Two. The Soviet nuclear build-up in the 1960s further eliminated American nuclear superiority by the early 1970s, and its GDP (gross domestic production) increased to about half that of the United States. The hegemonic structure endured severe challenges in the 1960s and 1970s because of the relative decline of the US and the rapid rise of the Soviet Union.

It would be an error to mistake the distribution of capabilities in the 1960s-70s as a balanced bipolar structure. On the contrary, a hegemonic feature remains the highlight of postwar systemic characteristics. Even within the strategic nuclear issue, the situation is best described as a balance of asymmetries. The Soviet Union dominated an unstable East European empire and its economy suffered a serious deceleration of growth that previously allowed external expansion. In addition, Soviet defense is often estimated to have been 15 percent of GNP, more than three times higher than the proportion of US defense in US GNP. Nye insists that the natural decline after 1945 is often exaggerated.

Things radically changed in the 1980s. The United States under the Reagan administration reformed its domestic economic structure and put more emphasis on the economy while advancing the “Star Wars” plan to deplete its counterpart’s energy. The collapse of the USSR was dramatic; bipolar structure turned into unipolar structure. The primary status of the US was greatly reinforced by the information economy in the Clinton era, the government of which conducted “Strategic Trade Policy” that placed economic interest as the highest priority. The US didn’t need to sacrifice its economic gains for the sake of the pressing security competition with Russia. On the contrary, its long economic development ensured US hegemonic structural status that lead to the outcome of the US now not only being the hegemon in the international system, but the exclusive world power.

As for the primacy of the US in the post-cold war hegemonic structure, in Michael Mandelbaum’s opinion, the central feature of the world at the outset of the twenty-first century is the enormous U.S. power. “This country possesses the most formidable military forces and the largest

\textsuperscript{143} Joseph S. Nye, Jr., \textit{Bound to Lead}, p. 71.
and most vibrant national economy on the planet. From within its borders emanate the social and cultural trends that exercise the greatest influence on other societies. The United States is no longer a mere superpower; it has ascended to the status of hyper-power.” Stephen G. Brooks and William C. Wohlforth take the position that “in the military arena, the United States is poised to spend more on defense in 2003 than the next 15-20 biggest spenders combined. The United States has overwhelming nuclear superiority, the world’s dominant air force, the only truly blue-water navy, and a unique capability to project power around the globe. Also its military advantage is even more apparent in quality than in quantity. The United States leads the world in exploiting the military applications of advanced communications and information technology and it has demonstrated an unrivaled ability to coordinate and process information about the battlefield and destroy targets from afar with extraordinary precision. Washington is not making it easy for others to catch up, moreover, given the massive gap in spending on military research and development (R&D), on which the United States spends three times more than the next six powers combined. Looked at another way, the United States currently spends more on military R&D than Germany or the United Kingdom spends on defense in total. No state in the modern history of international politics has come close to the military predominance these numbers suggest. Additionally, the United States purchases this preeminence with only 3.5 percent of its GDP. America’s economic dominance, meanwhile—relative to either the next several richest powers or the rest of the world combined—surpasses that of any great power in modern history, with the sole exception of its own position after 1945 (when World War II had temporarily laid waste every other major economy). The U.S. economy is currently twice as large as its closest rival, Japan. California’s economy alone has risen to become the fifth largest in the world (using market exchange-rate estimates), ahead of France and just behind the United Kingdom.”

In conclusion, the postwar international structure has shifted from unbalanced bipolar to unchecked unipolar, and the US maintains its hegemonic status. The power gap has been enlarging since the end of the Cold War, which satisfies the political elites of America. No state will declare war against the US; the threat comes from terrorism and the non-state actor, and that won’t endanger

the survival of the lonely superpower at all.

(b) Postwar hegemonic institutions

After the Second World War, the US also established a mass of security and economic institutions to share the burden of managing the system and legitimizing the hegemony. These important institutions include the United Nations, NATO (North Atlantic Treaty Origination), and the Bretton Woods System in the world economic field. Here, the focus is on NATO and the WTO (World Trade Organization) that presently usually stand in the center of world politics.

I. Security Institution: NATO

In 1949, 12 countries from both sides of the Atlantic formed the North Atlantic Treaty Organization to counter the risk that the Soviet Union would seek to extend its control of Eastern Europe to other parts of the continent. Between 1947 and 1952, the Marshall Plan afforded the means of stabilizing Western European economies. NATO’s role as a political and military alliance was to provide for collective defense against any form of aggression and to maintain a secure environment for the development of democracy and economic growth. In the words of the then US President Harry S. Truman, the Marshall Plan and NATO were “two halves of the same walnut.” Lord Ismay, NATO’s first Secretary General, succinctly captured NATO’s purpose in his pithy statement that the alliance existed to “keep the Russians out, the Americans in, and the Germans down.”146 In other words, NATO was meant to keep the United States engaged in Europe, and it had a mission of dual containment: NATO had to prevent Soviet expansion and also prevent German resurgence. NATO successfully provided collective security for Europe throughout the Cold War. However, it has become a method for the United States to maintain a permanent military presence in Europe. During all this time, the U.S. insisted on having a U.S. military officer as commander-in-chief of the NATO forces, and this seemed acceptable to west Europeans, as both reasonable and as a guarantee that the U.S. would remain committed to the treaty.147

The security provided by NATO has been described as the “oxygen of prosperity” that laid the

foundation for European economic cooperation and integration. It also paved the way for the end of the Cold War and the division of Europe at the beginning of the 1990s.148 However, the United States remained the dominant member of NATO despite the amazing recovery of Western Europe. When the Cold War ended in 1991, it seemed like there was no reason for NATO to exist any longer. Concerns about renewed German aggression after reunification and about instability in Russia prevented NATO from being disbanded.149 With the end of the Cold War, the Alliance took on new fundamental tasks, including building security partnerships with democracies across Europe, through the Caucasus, and into Central Asia. In response to changes in the overall security environment, the Alliance has taken on additional responsibilities. These include addressing both instability caused by regional and ethnic conflicts within Europe and threats emanating from beyond the Euro-Atlantic area.

The United States also strongly backs efforts to expand NATO into central and Eastern Europe, despite strong Russian objections to this encroachment on their former sphere of influence. At the end of the Cold War, many of the former nations of the Warsaw Pact requested admittance to NATO. The path of NATO expansion has been one that slowly admits Russia’s neighbors while isolating Russia itself. In 1999, the Czech Republic, Hungary, and Poland were admitted to NATO. The most recent European effort came during the NATO action in Kosovo, when an EU Rapid Reaction Force was proposed. This force would engage in peacekeeping and other humanitarian missions where NATO—essentially the United States—chose not to participate. The American reaction to this proposal was quite hostile. The United States suggested that the Europeans were trying to destroy NATO.150

Recent reforms in NATO tend to enhance independence from member states, which actually broadens the American hegemonic effect on this organization. For instance, more decisions will be taken by subordinate committees, leaving the North Atlantic Council freer to concentrate on strategic issues, while retaining its overall responsibility for the decision-making process of the Alliance. NATO is a kind of typical hegemonic institution, contributing to the hegemonic influence, sharing

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the hegemonic burden, and legitimizing the hegemonic intervention. There are lots of other bilateral alliance regimes complementing NATO, all of which constitute a huge institutional network and promote hegemonic maintenance.

II. Economic Institution: GATT and WTO\textsuperscript{151}

The Bretton Woods System is commonly referred to as the international monetary regime that prevailed from the end of World War II until the early 1970s that mainly reflected the contribution of Harry Dexter White and John Maynard Keynes. Although a number of disagreements divided the American and British negotiators, the conference succeeded in achieving its three major objectives. The first goal of the conference was to formulate unifying principles that would be embodied in the institutions to comprise the BWS: the International Monetary Fund (IMF), the World Bank, and what would become the General Agreement on Tariffs and Trade (GATT). These guidelines included: (1) a commitment to trade liberalization via multilateral negotiations and the principle of nondiscrimination, (2) agreements that current account transactions should be freed from controls, but that capital controls were permissible, and (3) agreement that exchange rates should be fixed or pegged and that their adjustment was of concern to all.\textsuperscript{152} These fundamental principles and the international institutions reflected the US interest and advantage in the postwar hegemonic system.

The trade institution was born in conflict between the American and British negotiators at Bretton Woods. Reflecting American industrial supremacy, the American negotiators’ goal was to achieve free trade and to open foreign markets. Although the British were also committed to the principle of free trade, they were extremely concerned over the “dollar shortage”, the possible loss of domestic economic autonomy to pursue full employment, and a number of related issues. However, the eventual British-American compromise and agreement to create the International Trade Organization (ITO) to complement the IMF and the World Bank, proved futile. The American Administration itself rejected the ITO because it believed that the ITO would meddle in domestic economic affairs, resulting in the American government’s failure to ratify the agreement.


The United States and its principal economic partners created the GATT in 1948. The purpose of the GATT was to promote “freer and fairer” trade, primarily through the negotiated reduction of formal tariffs, which benefits the US hegemony greatly. The GATT did not have authority to deal with agriculture, services, intellectual property rights, or foreign direct investment; nor did the GATT have authority with respect to customs unions and other preferential trading arrangements. Successive American administrations and other governments became increasingly cognizant of these inherent limitations and, following the completion of the Uruguay Round in the 1980s, replaced the GATT with the World Trade Organization (WTO) whose responsibilities are much broader and which, unlike the GATT, is a full-fledged international organization rather than merely an international secretariat. The WTO and its defenders argue that it is democratic because all countries officially have one vote and decisions are usually made by what they call “consensus.” In practice, however, votes are almost never taken. Rather, the U.S. and other major powers work with the WTO Director General to broker “Green Room” decisions in secret among small, handpicked caucuses of compliant countries.  

Despite the limitations of its mandate and organizational structure, however, the GATT for many years played an important role in reducing barriers to international trade. Embodying the neo-classical economic commitment to free trade, the GATT provided a rule-based institution of trade liberalization founded on the principles of non-discrimination and Most-favoured-Nation treatment (MFN), unconditional reciprocity, and transparency (for example, the use of formal tariffs and the publication of trade regulations). Under GATT, markets were opened and new rules established by mutual agreement and negotiations carried out under its auspices. Agreements were based on balanced compromise or unconditional reciprocity rather than on unilateral actions by the strong and the type of “specific reciprocity” that, in the final decades of the twentieth century, became increasingly characteristic of international trade.

Although the early postwar period witnessed a number of agreements to lower tariff barriers, a significant shift in trade negotiations took place with the Kennedy Round (1967) that was initiated by the United States in response to a growing concern over the trade diversion effects of the European Economic Community. As a consequence of American pressure, the Kennedy Round

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resulted in an approximate 35 per cent reduction in trade barriers on nonagricultural imports and led to a number of basic reforms. Subsequent rounds of GATT negotiations cut tariffs by more than 75 per cent. Through GATT, the Reagan administration's Office of the US Trade Representative pressured several countries and regions—under threat of sanctions—to open their markets to American cigarettes: Japan in September 1986, Taiwan in late 1986, and South Korea in May 1988. These tariff reductions have had a profound impact on international trade in manufactured goods, but trade liberalization in agricultural products has developed much more slowly.

Promoting trade liberalization by the use of a surveillance regime of national trade policies is a fundamentally important activity running throughout the work of the GATT and WTO.\textsuperscript{154} At the center of this work is the Trade Policy Review Mechanism (TPRM). The Trade Policy Review Mechanism was an early result of the Uruguay Round, established at the Montreal Mid-Term Review of the Round in December 1988. Article III of the Marrakesh Agreement, agreed to by Ministers in April 1994, placed the TPRM on a permanent status as one of the GATT's basic functions. With the creation of World Trade Organization in 1995 the mandate of the TPRM was broadened to cover services trade and intellectual property. All WTO members are subject to review under the TPRM.

The Council of Economic Advisors published a report in 1999 that specified the importance of enhancing the WTO and launching a new round of negotiations. It stated in relevant part, “the prospect of another round of multilateral trade negotiations provides new opportunities to advance U.S. interests in opening foreign markets, establishing an effective rule of law, and promoting economic development internationally. Barriers remain high in agriculture and services, sectors in which we are highly competitive. In agriculture, for example, bound tariff rates average about 50 percent around the world compared with less than 10 percent in the United States. Average food and related prices in the EU and Japan are 34 and 134 percent higher, respectively, than in the United States. Moreover, the system of commitments and rules, though much improved, still requires further strengthening.”\textsuperscript{155} Therefore, though the American national economy is relatively independent from the world market, its gains from free competition reinforce the hegemonic

\textsuperscript{154} The following introduction mainly comes from WTO website: http://www.wto.org/english/tratop_e/trp_e/tp_int_e.htm.

capability superiority and the US is very concerned with that.\textsuperscript{156}

Just as John Ikenberry said, “there have been many great wars and many moments when newly powerful states were in a position to organize the postwar order. But never has a single state emerged so dominant after so consequential a war; and never has there been a great power that has sought to institutionalize the postwar order so thoroughly.”\textsuperscript{157} Thus, the postwar international system is a typical hegemonic system in which the United States has been the hegemonic state.

2) Hypotheses on American Strategy towards Regional Integration

Now, after having identified the American position in the postwar international system, hypotheses on US interest and strategy can be proposed. The postwar international system has been characterized firstly as a hegemonic one, though more accurately speaking, the structure shifted from bipolar to unipolar and international institutions enjoy an increasing impact in the daily-life of international affairs. Accordingly, the national interest of United States can be identified as maintaining its hegemonic position on both a structural level and institutional level. This synthetic concept of national interest is concrete and relatively stable. The positional hegemonic interests will continue until a radical change emerges in the hegemonic structure.

Since regional integration can directly influence the positional interests of the United States, we can clarify the conditions that will lead to a corresponding American strategy. If the power gap is so big that in the short term the integration process won’t prominently harm the US power position, and the regional great powers are supporters of the US-led hegemonic institutions, the hegemon will support the integration process because it will make the region a stronger partner or ally of the hegemon in international affairs. However, if the power gap is not very big, or the integration process prominently reduces the power gap, the hegemon will oppose or discourage the regional integration process to maintain its power position; and if the regional great powers attempt to challenge the US dominance in international institutions, especially when they try to “speak with one voice” and realize political integration, the US will oppose or discourage the process to maintain its institutional position. Under both of these two conditions, the regional integration process will


\textsuperscript{157} G John Ikenberry, \textit{After Victory}, p. 9.
cultivate a stronger competitor of the hegemon. The hegemon won’t support a regional integration process forever in which it is not a member and other potential great powers exist because the process will sooner or later lead to a challenger for its hegemonic power position and institutional position.

A concise model for the Neorealist hegemonic interests goes as follows:

\[
\begin{align*}
\text{Hegemonic State} & \quad \text{Hegemonic} \quad \text{ensure security} \quad \text{maintain the power} \\
& \quad \text{power} \quad \text{wealth, and prestige} \quad \text{position} \\
& \quad \text{structural interest} \\
\end{align*}
\]

However, the regional integration process may affect the hegemonic interests from two aspects:

\[
\begin{align*}
\text{Regional Integration} & \quad \text{Increase in regional power} \quad \text{Reduction of the power gap with the hegemon} \\
& \quad \text{Enhancement of regional integrity and independence} \quad \text{Challenges to the hegemon’s dominance in international institutions} \\
\end{align*}
\]

Thus, The US strategy towards regional integration can be hypothesized through the following three steps:

1. **Conditions under which the US will support regional integration**
   - (a) Big power gap between the US and the region, **AND**
   - (b) The regional great powers support US dominance in institutions.

   Under such conditions, the region will become a stronger **partner** of the hegemon in international affairs after integration.

2. **Conditions under which the US will oppose regional integration**
   - (a) Integration prominently reduces the power gap; **OR**
(b) The regional great powers challenge the US dominance in institutions

Under such conditions, the regional will become a stronger rival of the hegemon in international affairs after integration.

Actually, as specified in the discussion regarding the relationship between structural interest and institutional interest, a change in power positions will unavoidably lead to a change in institutional positions; or in other words, reducing the power gap will unavoidably lead to increasing institutional conflicts. Thus, it is likely that the power gap is big, but the institutional conflicts are a great many. However, the condition in which the power gap is very small, but institutional conflicts are very few does not exist. Another point that bears noting is that even if the regional integration process won’t create a unitary regional state to balance the hegemon, the tendency will cause the region to become more independent and some kinds of regional common interests will emerge. Indeed, the integration process will enhance the power of the regional great powers, especially the leading country. The rise of these regional powers will also lead to a regional power center and a potential global challenger. Thus, the region is used as a whole here to describe the relationship between the hegemon and the process. Even before the integration process can completely challenge the existing hegemonic power position, this tendency will invoke sensitive reactions from the hegemon.

(3) Hypotheses for US strategy towards regional integration

Therefore, based on the synthetic Neorealist concept of national interest, we can simply conclude the hypotheses on American strategy towards regional integration processes as follows: (a) the US will support regional integration when the regional great powers support the hegemonic institutions AND the power gap is big; (b) the US will oppose regional integration when the regional integration prominently reduces the power gap OR the regional great powers attempt to challenge the hegemonic institutions. The following chapters will investigate the evolution of American strategy towards Western European, North American, and East Asian integration to examine the explanatory power of Neorealist theories. Based on the hypotheses of American strategy, some examples can be provided that demonstrate more specifically the empirical part of the hypotheses. Figure 2 clearly shows the hypotheses of US strategy and possible examples.
**Figure 2. The Hypotheses of US Strategy Based on a Neorealist Model of National Interest**

<table>
<thead>
<tr>
<th>Power Gap</th>
<th>Institutional Conflicts</th>
<th>The US Strategy</th>
<th>Examples of US Strategy Towards Regional Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big</td>
<td>Few</td>
<td>Support/promote</td>
<td>European integration before the mid-1960s; North American integration; ASEAN; SEATO</td>
</tr>
<tr>
<td>Big</td>
<td>Many</td>
<td>Oppose/discourage</td>
<td>European military integration since the mid-1960s</td>
</tr>
<tr>
<td>Small</td>
<td>Few</td>
<td>Oppose/discourage</td>
<td>(None, because a small power gap will inevitably increase institutional conflicts)</td>
</tr>
<tr>
<td>Small</td>
<td>Many</td>
<td>Oppose/discourage</td>
<td>EAEG (EAEC); European economic integration since the mid-1960s</td>
</tr>
</tbody>
</table>
Chapter Two:

American hegemony and Western European Integration:

The Evolution of Interest and Strategy

1. The European Integration Process and the U.S.-European Power Gap

Many scholars attribute postwar stability and integration in Western Europe to the emergence of American hegemony after World War II. As Charles Kupchan has pointed out, Europe has long suffered the effects of multi-polarity. The Napoleonic Wars, the Crimean War, the wars of German unification, and the two world wars are all testimony to the destructive potential of rivalry among proximate poles of power. The United States played a central role in enabling Europe to pursue unipolarity. America’s military presence essentially took security issues off the European agenda, buying time for economic and political integration to proceed.\(^{158}\) From this perspective, the famous Offensive Realist, John Mearsheimer, asserted “the departure of the superpowers from Central Europe would transform Europe from a bipolar to a multipolar system. Germany, France, Britain, and perhaps Italy would assume major power status; the Soviet Union would decline from superpower status but would remain a major European power.”\(^{159}\) Therefore, if the US has to retreat from Europe because of the collapse of the Soviet Union, European politics will unavoidably turn “back to the future,” renewing great power competitions, not to mention the continuity of the integration process.

The viewpoint of Mearsheimer is highly controversial, but the relationship of American hegemony to European integration has been widely recognized. This chapter comprehensively examines the postwar European integration process and the evolution of American strategy, after which follows a general explanation and case studies of this tendency on the basis of the proposed synthetic Neorealist pattern of hegemonic interests.


1) Western European Integration Process

a. From the mid-1940s to the mid-1960s

Although a number of great thinkers and politicians had proposed various designs for the unification of Europe, none had been put into force before the end of World War II. Since the establishment of the 1648 modern states system, European politics has been at the center of the world stage accompanied by a lot of great power wars including hegemonic wars, colonial wars, state unification wars, and so on. France and Germany were the main counterparts in the European political conflicts with Russia and Britain deeply involved. The emergence of a bipolar international structure radically changed the international environment of the Western European states. They faced common threats and had to seek security protection from another great power outside of the Continent. Meanwhile, they tried to enhance themselves for defending their sovereignty and independence. It was impossible for one state to accomplish this task after the war; thus, in the end, they chose the road of regional integration.

The French politician, Jean Monnet, conceived the major thoughts about the postwar European Community. In 1943, Monnet became a member of the National Liberation Committee, the Free French government in Algiers. On August 5th, he addressed the Committee: “there will be no peace in Europe if the States rebuild themselves on the basis of national sovereignty, with its implications of prestige politics and economic protection ...The countries of Europe are not strong enough individually to be able to guarantee prosperity and social development for their peoples. The States of Europe must therefore form a federation or a European entity that would make them into a common economic unit.”

In 1950, when international tensions were noticeably increasing, he felt that the time had come to attempt an irreversible step towards uniting Western European countries. Prepared by Monnet, French Foreign Minister Robert Schuman proposed placing all the Franco-German production of steel and coal under a common High Authority open to other countries in Europe. He declared, “through the consolidation of basic production and the institution of a new High Authority, whose decisions will bind France, Germany and the other countries that join, this proposal represents the

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first concrete step towards a European federation, imperative for the preservation of peace,” 161 Germany quickly welcomed this plan, and in 1951, the European Coal and Steel Community (ECSC) was set up with six members: Belgium, West Germany, Luxembourg, France, Italy and the Netherlands. The power to make decisions concerning the coal and steel industry in these countries was placed in the hands of an independent, supranational body called the “High Authority.” Jean Monnet was its first President. Therefore, the ECSC was, in nature, a response of Western Europe to the changed international situation.

The ECSC was not only a powerful international regime for constraining state behavior, but also for alleviating the fundamental sources of European political conflicts through the control of two war resources—coal and steel. In modern history, France and Germany had launched several important wars for the purpose of seizing the other’s industrial materials. The ECSC came into effect on the 23rd of July 1952, and for the first time, one of the central areas of policy passed into the hands of a supranational organization. This comprehensive economic integration of the coal and steel industries was intended to lead eventually to a political union. The ECSC made great progress in promoting the cooperation level and utilization efficiency of critical resources among Western European countries. More importantly, this step enhanced mutual trust and therefore contributed to the recovery of the European economy. It was such a success that within a few years, these same six countries decided to go further toward integrating other sectors of their economies. In 1957 they signed the Treaties of Rome, creating the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC).

The establishment of the EEC was another milestone for Western Europe in the integration process. The major states of Western Europe set about removing trade barriers between them and forming the Common Market. In practice, what was finally created was a customs union facilitating massive commercial interchanges, and in July 1968 the internal frontier tariffs among member states were removed. At the same time, a common customs tariff for all those products that came from other member states was established. According to the Treaty Establishing the European Economic Community, the new single market should permit the free movement of goods and workers, the free movement of services, and the free movement of capital. In fact, the real impact was the free

161 Ibid.
circulation of goods. Another essential aspect recognized in the treaty was the establishment of the CAP (Common Agriculture Policy). It provided for the free movement of agricultural products inside the EEC, and the adoption of strong protectionist policies so that the communities’ farmers would achieve a sufficient level of income through subventions of agriculture prices by preventing competition from products from other nations outside the EEC. 162 This policy evoked a large number of trade disputes between Western Europe and the United States. From the 1960s to the early 1990s, about 80 percent of the conflicts were related to the agricultural sector. The EURATOM was designed to encourage the development of the nuclear industry in the six member states. It obliged these member states to use atomic fission exclusively for peaceful goals and also ensured supplies of the necessary raw materials.

After nearly two decades of existence, the European Community (EC) has completed its internal elimination of tariffs, established a customs union, preceded well on the way towards setting up a common agricultural policy (CAP), and pursued an active commercial policy with countries outside the market. 163 Hence, from 1950 to 1968, the European Economic Community had fundamentally come into being and was acting as a unitary entity in international relations. The Rome Treaty itself empowered the Community to negotiate on the level of tariffs with third countries during this transitional period. Between 1963 and 1967, the Commission represented the Community’s viewpoints at the Kennedy Round of tariff negotiations. This time span could be considered the first stage of European integration.

b. From the mid-1960s to 1992

Although European integration made great process in the 1950s and early 1960s, internal conflicts regarding the transition of decision-making power met with severe setbacks. France, which was greatly sensitive to its sovereignty and leadership in Western European politics, refused to participate in the EEC meetings, seeking to prevent the adoption of qualified-majority vote in important areas through its “empty chair policy.” At the January 27, 1966 Luxembourg Conference,

the Community reached a compromise that consensus should be sought in areas of disagreement. France insisted that if a member’s vital interests were affected, it had the right of veto if it proved impossible to obtain a consensus. As a consequence, many promising lines along which a dynamic integration policy could have developed were cut off in the Council of Ministers.164

However, there had also been some pieces of good news. Three European communities (the ECSC, the EEC, and the EURATOM) were merged into a unified European Community according to The Merger Treaty of April 8, 1965, which came into force on July 1, 1967. Accordingly, a single Commission and a single Council of Ministers, as well as the European Parliament, were established. In 1968 the last customs barriers were eliminated in the Community. The EC went a long way in assuring the free movement of workers within its boundaries. The treaties guaranteed Community workers equal treatment in terms of employment, wages, and other working conditions. The movement of capital was liberalized. The Community developed a comprehensive policy regarding research and technology.165 The creation of the European Parliament was originally conducted through choosing the national parliaments. However, since 1979, direct elections have been held that allow the citizens of these member states to directly vote for candidates every five years. This further enhanced thought-exchanging and European identity among the common people. In international relations, the 1970s witnessed the consolidation and extension of the role of the European Community. “The power concept is by no means anti-American, but implicit in the theory is the idea of an ‘independent’ Europe situated between the super-powers, able to take her own decisions and not having to conduct herself, in the last resort, like a client state.”166

The period between the mid-1960s and the early 1990s was full of changes that primarily originated from two historical factors. One was the relative decline of American hegemony that continued as the Bretton Woods system collapsed during the early 1970s. The United States lost its predominance not only because of the rise of Soviet military power in the mid-1960s, but also because of the relative ascension of the European Community and Japan in the economic arena. Another factor was the dispersing trend in the world economy with the result that Europe and Japan

grew rapidly to be economic great powers. Although the European Community experienced periods of economic stagnation, as a whole, it became a dominant force in the global economy as its process of integration continued with increasing membership, the European Monetary System, and the 1985 “White Paper.” The Community grew in size with successive waves of accessions. Denmark, Ireland, and the United Kingdom joined in 1973 followed by Greece in 1981, and Spain and Portugal in 1986.

c. Since 1992

The 1957 EEC treaties promoted the free circulation of goods, but other barriers on services, labor, and capital still remained to be removed in order to further liberal economic interchanges in a genuine single market. The Single Market was accepted in 1987 and formally completed at the end of 1992, though there was still work to be done in some areas—for example, to create a genuine single market in financial services. During the 1990s it became increasingly easy for people to move around in Europe, as the requirements for passports and customs checks were abolished at most of the EU’s internal borders. One consequence was greater mobility for EU citizens and labor. Since 1987, for example, more than a million young Europeans have taken study courses abroad with support from the EU.167 The 1992 Treaty of Maastricht introduced new forms of cooperation between the governments of member states—for example on defense, and in the areas of justice and home affairs. By adding this intergovernmental cooperation to the existing Community system, the Maastricht Treaty created the European Union (EU).168

There were also great proposals in the 1992 Treaty for economic affairs, the most important of which lay in the plan for a unitary currency managed by a European Central Bank. The new currency with the name Euro came into being on January 1, 2002 replacing the currencies of 12 European states. The introduction of a single currency was not only an economic project. It was also a very important step forward in the long process of European integration at a political, symbolic, and psychological level. A national currency is often seen as an important symbol of national identity, though national identity is much more than a state’s currency. The fact that national currencies were replaced by a pan-European symbol—the euro—is hardly a change in the national identities of the

member states, but it is certainly helpful in promoting pan-European thinking.\textsuperscript{169}

Austria, Finland, and Sweden became member states of the Union in 1995, and the European Union welcomed ten new countries in 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Bulgaria and Romania are expected to follow in 2007, while Croatia and Turkey started membership negotiations in 2005. To ensure the working efficiency of the enlarged Union, the Treaty of Nice instituted new rules governing the size of the EU institutions and the way they work. This treaty came into force on February 1, 2003. If all the EU states approve the new Constitution, it will be replaced in 2006. The enforcement of the Constitution will constitute another landmark in European integration that will fundamentally transform this supranational organization.\textsuperscript{170}

In the fields of political and military integration, the 1992 Treaty establishing the European Union created the Common Foreign and Security Policy (CFSP) as a further enhancement of the EPC (European Political Cooperation). The CFSP competence includes almost all the foreign affairs issues of a sovereign state such as arms control, humanitarian interventions, non-proliferation, UN peacekeeping operations, and relations with the Soviet Union and the United States. The Maastricht Treaty declared: “the common foreign and security policy shall include all questions related to the security of the European Union, including the eventual framing of a common defense policy, which might in time lead to a common defense.”\textsuperscript{171} Also at Maastricht, the Western European Union (WEU) members announced that their organization would act as the “defense component of the European Union and as the means to strengthen the European pillar of the Atlantic Alliance.”\textsuperscript{172} Real steps toward a European Security and Defense Identity (ESDI) had finally begun.

In a breakthrough agreement, the WEU members in 1992 adopted the \textit{Petersberg Declaration} that listed the types of missions the WEU might pursue on its own, specifically humanitarian and rescue tasks, peacekeeping tasks, and tasks of combat forces in crisis management – including

\begin{itemize}
\item \textsuperscript{169} See Sirkka Hämäläinen, “The Euro and European Integration,” at the Official Website of the European Central Bank, \url{http://www.ecb.int/press/key/date/2001/html/sp010212.en.html}.
\item \textsuperscript{170} At the EU Official Website, \url{http://europa.eu.int/abc/keyfigures/eu_work_progress/index_animated_en.htm}.
\item \textsuperscript{171} \textit{Maastricht Treaty}, Article D, paragraph 1, at the EU Official Website, \url{http://www.europa.eu.int/eur-lex/en/treaties/dat/EU_treaty.html}.
\end{itemize}
peacemaking. In 1996, in Berlin, NATO leaders approved the Petersberg tasks as appropriate for the WEU and offered the possibility of the use of NATO staff and equipment. Since then, policies and procedures such as the Combined Joint Task Forces (CJTF) have been developed to facilitate autonomous WEU operations; i.e., performing missions where the United States would not play a leading role. The plan for military integration was very careful in avoiding the fields of high priority for the Untied States, but Western Europe could take up the issues it felt to be important. However, European military integration still remains at a low level since military security has been the primary concern of nation states.

2) Europe-US Power Gap Evolution

   a. Quantitative Analysis: Economic Aspect

   The Europe-US economic power gap has been shrinking since the end of World War II. Mainly because of the war effect, the US took such a tremendous advantage of Western Europe in the late 1940s and early 1950s that even the total economic power of Western Europe seemed irrelevant. Even during the late 1950s, by which time Western Europe had fully recovered and had indeed become much richer than in prewar days, the US remained the world’s economic giant. It took the lead by far in the ownership of cars, television sets, telephones, energy production, steel output, and a multitude of other economic indicators. America’s per capita income of $2572 was more than twice that of Great Britain, about three times that of Western Germany, and five times that of Italy. The US dollar was dominant in the world’s currency market. However, the greatest American miracle was its growth in population. Within a single decade, from 1950 to 1960, the US population grew from 150,100,000 to 179,390,000. Some 41,000,000 Americans were born during the decade, which is nearly as many people as lived in the whole of England in 1961.

   As we noted above, European integration greatly promoted European economic capability in the 1960s and 1970s, during which Germany and Japan renewed their economic great power status. By 1984, 40 years after the Normandy invasion (and before Spain and Portugal joined), the EEC’s

The general tendency has continued. The EU has grown to be an equal economic partner of the United States and exceeded the latter by some indicators. Between 1990 and 2000, the EU’s total trade with the rest of the world doubled in value. The European Union is now the world’s leading exporter of goods: over €985 billion in 2001, almost a fifth of the world total; the world’s leading exporter of services: €307 billion in 2001, nearly a quarter of the world total. Services include things such as tourism, banking, insurance, and transport. As shown in Figure 1, from 1970 to 2000, European GDP exceeded that of the United States, and as of 2001, its share of total world trade was very approximate to that of the United States.

### Figure 1. Estimates of the EEC/EU15-US GDP at current prices in Million US Dollars

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EEC/EU15</td>
<td>704,844</td>
<td>1,573,999</td>
<td>3,170,279</td>
<td>2,582,735</td>
<td>6,203,409</td>
<td>8,448,443</td>
<td>7,738,516</td>
</tr>
<tr>
<td>United States</td>
<td>1,025,000</td>
<td>1,624,000</td>
<td>2,768,900</td>
<td>4,187,500</td>
<td>5,757,200</td>
<td>7,342,300</td>
<td>9,764,800</td>
</tr>
</tbody>
</table>

### Figure 2. The EU’s share of the world’s total trade in goods and services, 2001

<table>
<thead>
<tr>
<th>Country</th>
<th>Share in goods</th>
<th>Share in services</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-15</td>
<td>19.4%</td>
<td>24.67%</td>
</tr>
<tr>
<td>United States (US)</td>
<td>20.0%</td>
<td>20.56%</td>
</tr>
<tr>
<td>Japan (JP)</td>
<td>7.7%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Unequal interdependence has become an important power source for great powers. The EU’s status as a major trading power contributes to its great influence in shaping the future of the

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177 All the data from 1990 to 2001 come from the official website of European Union, at the EU Official Website, http://europa.eu.int/abc/keyfigures/economy/trading/index_animated_en.htm.
178 Source from: United Nations Statistics Division, the Basic Data Selection of Statistical Database, at: http://unstats.un.org/unsd/snaama/selectionbasicFast.asp. Calculated by the author. Because Austria, Sweden and Finland joined the EU in 1995, so their data would be calculated into that of total Western Europe since then.
globalization process. It seeks to use its influence within the World Trade Organization and other economic organizations that results in its having a great impact on the Third World and other states. In 2000, the EU-15 imports from developing countries were worth €432 billion—doubled the figure of 1990. The European Union imports more agricultural products from developing countries than the combined totality of the United States, Canada, Australia, New Zealand, and Japan. It is the world’s biggest importer of goods of all types from the least-developed countries. Moreover, regional integration has enhanced the interest coherence of European states and the cohesion of the European Union, which has enabled Europe to be able to speak with a single voice. For instance, trade between EU countries is also very important. Intra-EU trade in goods nearly doubled in value between 1990 and 2000. In the case of Ireland it nearly quadrupled. Most states (Belgium, Spain, Luxembourg, Netherlands, and Portugal) of the EU-15 export over 70% to the other European members, and to some other major economic entities such as France, Germany, Austria, and the United Kingdom, it is more than 55%.

The following 2005 statistics list the main economic indicators of the EU25, the EU15, the Euro-Zone, the US, and Japan in detail. The GDP of the EU25 is a little bigger than that of the United States, but after a continuing economic revival of more than ten years, most economic indicators of America are better than those of Europe. Europe’s unemployment rate is much higher in comparison to America’s, but both the GDP per Capita and World import/export share are only half that of the United States.

**Figure 3. Newest Statistics of EU25, EU15, Euro-Zone, US, Japan in 2005**

<table>
<thead>
<tr>
<th></th>
<th>EU25</th>
<th>EU15</th>
<th>Euro-Zone</th>
<th>US</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Rate 2003</td>
<td>9.1%</td>
<td>8.1%</td>
<td>8.9%</td>
<td>6.0%</td>
<td>5.3%</td>
</tr>
<tr>
<td>GDP (2003, current prices, USD billions)</td>
<td>11,017</td>
<td>10,522</td>
<td>8,209</td>
<td>11,000</td>
<td>4,301</td>
</tr>
<tr>
<td>GDP increase, 2002-03</td>
<td>0.9%</td>
<td>0.8%</td>
<td>0.5%</td>
<td>3.1%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

179 EU-25: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom. The 10 additional countries joined the European Union on May 1st 2004.

180 EU-15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom.

181 Euro-Zone: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain.
<table>
<thead>
<tr>
<th>GDP per Capita 2003</th>
<th>24,027</th>
<th>27,511</th>
<th>26,595</th>
<th>37,756</th>
<th>33,720</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rate (Annual 2003)</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.1%</td>
<td>1.6%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Total Imports (2003 USD billions)</td>
<td>1,047 *</td>
<td>1,570</td>
<td>2,848</td>
<td>1,517</td>
<td>477</td>
</tr>
<tr>
<td>Total Exports (2003 USD billions)</td>
<td>1,250 *</td>
<td>1,633</td>
<td>3,025</td>
<td>1,021</td>
<td>597</td>
</tr>
<tr>
<td>World Import Share</td>
<td>14.0%</td>
<td>22.4%</td>
<td>40.6%</td>
<td>22.9%</td>
<td>6.8%</td>
</tr>
<tr>
<td>World Export Share</td>
<td>13.1%</td>
<td>23.3%</td>
<td>43.1%</td>
<td>13.8%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

* Note: Figures provided in euros by the Trade Directorate General and EUROSTAT were converted into dollars with the average exchange rate (euro-dollar) for the year 2003, or 1 euro = 1.117883 USD.

The demographic trend has also been used by some international relations scholars to predict the power gap between the US and European states. They found that the American population was growing faster and becoming younger than the European population. According to *The Economist*, if the present trend continues, by 2050, the American economy will be two times the size of Europe’s and the American median age will be 36.2 compared to Europe’s 52.7. As *The Economist* observed, “The long-term logic of demography seems likely to entrench America’s power and to widen existing transatlantic rifts” on account of the “contrast between youthful, exuberant, multi-colored America and ageing, decrepit, inward-looking Europe.” Therefore, since the mid-1990s, the power gap between the EU and the US has been tending to expand, but with the EU25’s coming enhancement of the gross economic scale of Europe, this trend will not impact the immediate future, and hence these two colossi will enjoy equal status in the economic field over the short term.

**b. Quantitative Analysis: Military Aspects**

The big military gap between Western Europe and the United States has not been reduced too much during the postwar half century. Although Europe established its Joint Task Forces, the military integration level remains very low. Some individual states, such as Britain and France, stepped into the nuclear power club in the 1960s, but their nuclear weapons count for little compared to those of the two Superpowers. The European military performs poorly in comparison to American

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troops by most accounts—an update of the historical and well-known disputes on burden sharing. As American Secretary of Defense William Cohen has said, “there was no disparity in courage or will in [the] Allied Force. But the disparity in capabilities, if not corrected, could in fact threaten the unity of this Alliance.”

Javier Solana, High Representative and head of the European Defence Agency, said that, “the need to bolster Europe's military capabilities to match our aspirations is more urgent than ever. And so, too, is the need for us to respond better to the challenges facing our defence industries. This Agency can make a huge difference.”

According to NATO figures, the United States spends about 3.2% of its gross domestic product on defense, down from 6% during the Cold War; France and Great Britain 2.8 and 2.6%; while Germany and Spain only 1.5 and 1.4%. Britain and France have credible, but relatively small deployable reaction forces while Germany’s large conscript army has no such capability. Additionally, the EU countries have almost 2 million members in their armed forces, but could deploy less than 2.5% of them to the Kosovo region if needed. The United States supplied 80% of the aircraft and 85% of the munitions for the Kosovo air campaign and spent four times more than EU countries on defense research and development. A report by the US Department of Defense noted that European deficiencies in command, control, information systems, communications, precision weapons, and support operations such as in-flight refueling and transport aircraft, shifted “a disproportionate burden of responsibility for combat operations to the United States and impeded our ability to operate more effectively with NATO allies.”

European defense spending on research and development (R&D) remains far behind that of the US according to the report issued by the Organization for Economic Cooperation and Development (OECD). The OECD’s “Science, Technology and Industry Scoreboard 2005” indicates that after a decline in the early 1990s, the US government’s defense R&D budget “has increased as a share of GDP and reached 0.63 per cent in 2005.” “In 2003,” the report continued, “the United States accounted for more than 80 per cent of the overall OECD-area budget for defense R&D.” This represented more than five times the EU total.

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184 At the Official Website of European Defence Agency, at: http://www.eda.eu.int/.
The military power gap has been demonstrated by the Bosnia air strikes, the Kosovo war, and the Iraq war since 1992. The former US Ambassador to NATO, Nicholas Burns, identified the military capabilities gap between Europe and America in a speech to Brussels policy makers. “The majority of our allies have not transformed,” he told a Center for European Policy Studies meeting in the Belgian capital. “Many of the allies—well over half of NATO’s members—have seen flat or declining defense expenditure. At a time when the need for military forces is growing, this is a disturbing trend.” The United States spent over $420 billion on defense in 2005. NATO’s 25 other members only managed to come up with half that amount between them. In GDP percentage terms, the contrast was equally clear. In 2002, the majority of alliance members spent less than 2 percent of their gross domestic product on defense, with Luxembourg only managing 0.8 percent and Spain 1.2 percent. By comparison, the United States spent 3.2 percent and Turkey 5 percent. The alliance’s 24 European members have 2.5 million men and women in uniform—more than the United States’ 2.4 million servicemen and women. The problem is only 3 percent to 5 percent of European troops are deployable abroad compared to three-quarters of American land forces. “NATO’s biggest problem is its inability to generate large numbers of forces—not because they don’t exist—but because they are not properly trained, equipped or funded,” said Burns. “This is truly a problem of huge dimensions that Europe and NATO allies need to grapple with.” Part of the problem is that European states burn most of their defense budgets keeping soldiers on the payroll. Portugal spends a whopping 78 percent on personnel, while both Italy and Belgium spend more than 70 percent. By contrast, the United States earmarks 35 percent and Britain 39 percent. Spending so much on personnel leaves little for equipment and research and development. Portugal forks out 5.6 percent of its defense expenditure on hardware, compared to 25 percent for America.”

Furthermore, as the German Ambassador said, “the United States began adapting relatively quickly, moving toward lighter, more agile combat units and making great strides in developing ‘smart’ weapons. The result is that the disparity in capability – particularly the capability to project force afar – is greater than ever.” However, the Ambassador believed that European military integration would be the best way to reduce the US-EU gap. “On the broader question of military

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189 The speech of Burns and the data mainly refers to the Official Website of Washington Times: http://www.washtimes.com/upi-breaking/20050110-011653-8059r.htm.
capability—which would be a genuine concern even absent global terrorism—further integration is the key to progress.” Figure 4 shows the huge power gap between the US and the European main powers in terms of quantity.

**Figure 4. The comparison of Military Expenditure Between Western Europe and America**

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>EEC/EU15</td>
<td>206,707</td>
<td>201,660</td>
<td>194,718</td>
<td>184,274</td>
<td>188,757</td>
<td>199,369</td>
</tr>
<tr>
<td>United States</td>
<td>455,956</td>
<td>431,282</td>
<td>399,963</td>
<td>336,635</td>
<td>322,309</td>
<td>[414,400]</td>
</tr>
</tbody>
</table>

Notes: 1. Figures are in US$ m. at constant 2003 prices and exchange rates. 2. US$ m. = Million US dollars. 3. [ ] = the SIPRI estimate. 4. Austria, Sweden and Finland joined the EU in 1995, so their data could be calculated as part of the total for Western Europe since then.


Since 2003, US military expenditure has been rising to the level of 1988. According to the SIPRI (Stockholm International Peace Research Institute), the major determinant of the world trend in military expenditure is the change in the US, which makes up 47 per cent of the world total. US military expenditure has increased rapidly during the period 2002–2004 as a result of massive budgetary allocations for the “global war on terrorism,” primarily for military operations in Afghanistan and Iraq. These have been funded through supplementary appropriations on top of the regular budget. The supplementary appropriations for this purpose allocated to the Department of Defense for financial years 2003–2005 amounted to approximately $238 billion and exceeded the combined military spending of Africa, Latin America, Asia (except Japan, but including China) and the Middle East in 2004 ($193 billion in current dollars), that is, of the entire developing world. ¹⁹¹

Although military expenditure cannot solely decide a state’s military capability, it can tell us much if the state is highly efficient in deploying military resources and utilizing money for practical combat. US military expenditure is almost four times that of France, Germany, the United Kingdom, and Italy. The military gap is a very important factor to alleviate the worries of the US regarding the rise of new military great powers in Europe. If the US had been concerned with military challenges from Europe, it would have been much more difficult for them to continue political cooperation after

the Cold War. As will be discussed later, the military integration of the European Union for the purpose of developing an independent defense capability has encountered tough opposition from the United States.

c. Qualitative Analysis: EU Negotiating Capability

When researching the power gap between Europe and the US, one fundamental factor that should be emphasized is that the EU is not presently a unitary country, and thus the gross European economic capability cannot be directly used for comparison with other states. Whether Europe could effectively employ its collective resources for its integral interests depends, to a great extent, on its negotiating capability. The enhancement of negotiating capability is one outcome of the deepening regional integration; and in turn, the enhancement of negotiating capability would greatly contribute to Europe’s interests and its great power status.

“Let’s unite. And the world will listen to us” was an ad campaign used to mobilize the pro-European camp in France during the 1992 referendum on the Maastricht Treaty that proposed the establishment of the European Union. The integration process has greatly enhanced Europe’s negotiating capability with the United States and other countries in international relations. In order to achieve its goals, Europeans controlled many more instruments besides the unequal interdependence from 1985 than those in the 1960s and the 1970s after the 1985 Single European Act was adopted. However, the effort towards speaking with a single voice in trade affairs had begun with the 1957 creation of the European Economic Community. From then on, the EEC member states accepted the principle of a single external voice and therefore transferred their sovereignty over trade policy to the supranational level. However, the Treaties of Rome introduced unanimity voting to decide the common external trade policy, which was to begin in January 1966. However, this actually depressed the authority of the European Community when negotiating with other countries.

On account of French President De Gaulle’s strong opposition to abandonment of the veto, as mentioned in the discussion on the integration process, majority voting was not put into force in 1966 automatically after the transitional period as the 1957 Treaties prescribed. The crisis finally resulted in the “Luxembourg Compromise,” warranting the member state’s veto on decisions when

its vital national interests were at stake if consensus could not be arrived at. The integration process side-stepped its first severe frustration. The 1985 Single European Act attempted to establish the primacy of majority voting. With the exception of sensitive areas such as taxes, employee rights, and the free movement of persons, the member states agreed to use majority voting to legislate on all economic matters. The 1985 Act for the first time made it possible for the European Community to form a common position in negotiations on traditional trade issues (exclusive of services and intellectual property) through the decision-making rules of a qualified majority system. This is a procedure under which member states are assigned different voting weights, based approximately on the size of their populations, and by which roughly two-thirds of the votes are needed in order for a proposal to be accepted. Obviously, the qualified weighted vote has rendered it easier to reach a common trade position during US-European negotiations.

The Europe-US negotiations on public procurement is a good example for understanding how the majority voting system and Single Market Act reinforced Europe’s negotiating capability. The 1990 “Utilities Directive” opened up public contract competition in previously excluded sectors such as energy and telecommunications. After a long time and tense debates, Europe decided to introduce controversial Article 29 (also known as the “reciprocity clause”) that mandated a price preference for European firms. The provision states that purchasing entities ‘might’ reject an offer for a supply contract if more than 50% of the value of the contract is of non-Europe origin, and this provision will be applied to all potential suppliers whether European or non-European suppliers. Additionally, European producers would receive a mandatory 3 percent price preference in the award of public procurement contracts. The Commission was responsible for negotiating the Government Procurement Agreement on behalf of the member states, who had given European negotiators some latitude in order to obtain concessions from the US side. According to the treaties, the voting rule governing issues of public procurement was that of a qualified majority.

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194 Currently Germany, France, Italy and the United Kingdom each have ten votes; Spain has eight votes; Belgium, Greece, the Netherlands, and Portugal have five votes; Austria and Sweden have four votes; Ireland, Denmark, and Finland have three votes; and Luxembourg has two votes. Sixty-two votes out of a total of eighty-seven need to be case in its favor for a Commission proposal to be adopted. In other cases, the qualified majority remains the same, but he the sixty-two votes must be case by at least ten member states.

The US has been accustomed to using the “divide and rule” strategy to weaken the negotiating capability of the European Union. Mickey Kantor, the United States Trade Representative, announced his intention of prohibiting awards of US federal contracts for products and services to the EU in February 1993. In reaction, the EU discussed the possibility of counter-retaliation, and its Danish president argued, “it is important that the Community speak with a single voice during the bilateral contacts due to take place in the following days.”196 The EU and US made a partial deal in April 1993. For most public procurement sectors, the EU successfully kept the reciprocity clause. Since the retaliatory strategy did not divide up the Western European states, the US administration attempted to disintegrate the unification of the EU from the inside. Accordingly, Germany was chosen for a telecommunications deal in the field of which the US was concerned most on the basis of a 1954 German-U.S. treaty prohibiting trade discrimination. The US thought this deal would be a heavy blow to the EU common position because Germany was one of the engines in the European integration process. As one analyst wrote at the time, “if the American’s plan was to try to erode Europe’s admirable yet shaky unified stance on trade policy, they succeeded.”197 However, contrary to US expectations, the betrayal of Germany did not lead to the collapse of the EU negotiating capability. In fact, the EU did not have to be unanimous to pursue its common position. The Commission expressed strong reaction to the US-German deal and acted as if the deal were illegal and therefore void.

The conflict was ended in 1994 with the US accepting several demands of the European Union. The qualified majority system enhanced the negotiating capability of the EU, and thus defeated the US strategy of “divide and rule.” Professor Joseph Juppille, commenting on the EU, stated, “analysts of the European Union and international bargaining have generally failed to appreciate how the shift within the EU from unanimity to qualified majority voting has affected European bargaining positions and international outcomes. The EU can decisively shape international outcomes by concentrating the weight of its fifteen member states on a single substantive position and rendering that position critical to any internationally negotiated agreement.”198 In conclusion, the European

196 “Council Unanimously Denounces Latest U.S. Trade Decisions.” Agence Europe, 3 February 1993 (emphasis added.)
integration process has greatly reduced the power gap between the EU and the United States. European economic scale rose to act as a counterweight to that of America; geography and population are roughly the same as well. Furthermore, the integration process improved coordination and enhanced the integrity of the European community. Hence, Europe has grown to become an obvious threat to the US power position or structural interest. However, EU military power remains relatively weak and after all, it is not a unitary state.

2. American Strategy towards Western European Integration

Although the United States continues to proclaim its support for European integration, its strategy toward that trend has changed according to its national interest identification. In the 1950s, the US actively supported European integration through the Marshall Plan. Since the early 1960s, trade disputes caused by CAP (Common Agriculture Policy) and other integration institutions resulted in the US beginning to worry about the emergence of a “Fortress Europe.” US-EU relations deteriorated after the end of the Cold War, and the US government has been pursuing its “Strategic Trade policy” that places a priority on economic issues. The US strategy towards European military integration was minimally supportive in the early 1950s, and it insisted that NATO should be the center of security cooperation in Europe. That is to say, the US did not support independent European military unification. Actually, the Western European states fixed their attention on Economic cooperation. Only after the establishment of the European Union did military integration commence in earnest.

1) Economic and Trade Aspects

a. Actively Supporting European Economic Integration in the 1940s-50s

As mentioned above, Western European integration formally began as a result of the 1950 ECSC Treaty, but this process would not have happened without US assistance to postwar Europe that provided some fundamental conditions for subsequent cooperation. The United States offered up to $20 billion in relief, but only after the European nations got together and drew up a rational plan on how they would use the aid. For the first time, they would have to act as a single economic unit; they would have to cooperate with each other. Aside from helping to put Europe back on its feet, the Marshall Plan led to the Schuman Plan, which in turn led to the EURATOM, then the Coal and Iron
Community and the Common Market, and pointed to what may yet evolve into an economically and politically united Europe.\textsuperscript{199}

According to Professor Michael J. Hogan, the European nations had all but exhausted their foreign reserves during the war, and the aid provided by the Marshall Plan was their sole means of importing goods from abroad. At the beginning of the plan, these imports were mainly much-needed staples such as food and fuel, but later the purchases turned towards reconstruction needs as was originally intended. In the following years, under pressure from the United States Congress, and with the outbreak of the Korean War, an increasing amount of the aid was spent on rebuilding the militaries of Western Europe. Of the $13 billion allotted by mid-1951, $3.4 billion had been spent on imports of raw materials and semi-manufactured products; $3.2 billion on food, feed, and fertilizer; $1.9 billion on machines, vehicles, and equipment; and $1.6 billion on fuel.\textsuperscript{200}

The Marshall Plan helped to avoid economic and social collapse, and Western Europe achieved tremendous economic improvement. In 1947, the European economies were still well below their prewar levels and were showing few signs of growth. Agricultural production was 83\% of 1938 levels, industrial production was 88\%, and exports only 59\%.\textsuperscript{201} The years 1948 to 1952 saw the fastest period of growth in European history. Industrial production increased by 35\%. Agricultural production substantially surpassed prewar levels.\textsuperscript{202} This was prominent in Germany. The Marshall Plan played a central role in the reindustrialization of Germany. In 1949–50, for instance, 40\% of the investment in the German coal industry was provided by the Marshall Plan.\textsuperscript{203} What gave encouragement to the idea that a peaceful world could actually come into being were the new political and economic institutions in Europe and in the Atlantic Community, which were both the cause and the result of the changes taking place. Self-help and mutual-help in Europe, promoted by American aid, were the threads out of which an integrated Europe was being woven. Although no specific reference was made to the objective of European unification, it was implicit in General

\textsuperscript{199} At the Official Website of the US Department of State, \url{http://usinfo.state.gov/usa/infousa/facts/democrac/57.htm}.
Marshall’s address in June 1947 at Harvard and in the Economic Cooperation Act of 1948. In 1949, however, “unification of Europe” thought was included in the amendments to the Economic Cooperation Act (ECA).

Through the Marshall Plan, both Americans and many European leaders felt that European integration was necessary to secure the peace and prosperity of Europe, and thus used Marshall Plan guidelines to foster this process. In some ways this effort failed, as the OEEC (Organization for European Economic Cooperation) never grew to be more than an agent of economic cooperation. The establishment of the OEEC in 1948 was the first significant step towards European economic integration. For its part, the US Congress established the Economic Cooperation Administration including the Office of the US Special Representative for Europe to work with the OEEC and the participating countries. However, the OEEC served as both a testing and training ground for the structures and bureaucrats that would later be used by the European Economic Community.204 In the early years of US assistance, the OEEC performed the critical job of recommending the distribution of Marshall Plan funds among the participating countries. Concurrently, this body worked with varied degrees of distribution of essential materials, promoted financial stability, and achieved more effective utilization of European manpower. The OEEC was also responsible for the development of a common outlook. Each country drew up national economy recovery plans and submitted them to OEEC for careful analyses and hammering into a joint program. In the Secretariat, hundreds of the best experts drawn from member countries learned to work together as Europeans rather than as nationals. The method, practice, and outlook developed in the OEEC were among the important foundation stones in the growing movement for the unification of Europe.205

It is not too difficult to find other American support for European integration. The United States and Canada became associate members of the OEEC in July 1950. When the OEEC created the European Payments Union, a multilateral clearing system for intra-European payments, the US made an initial capital contribution of $350 million to get it underway. The Marshall Plan also contributed to the creation of the Council of Europe. In May 1949, the European Movement called together in The Hague some 800 of the most eminent leaders of Europe and established the Council of Europe.

The US Congress not only gave encouragement to this development, but also, at the invitation of the Council’s Consultative Assembly, authorized representatives of the Senate and the House to meet representatives of that 14-nation body. This was the first occasion upon which an official delegation from the United States Congress participated in discussions of this kind.

The Europe-US Mutual Security Act of 1951 stated that the funds authorized for economic and military assistance should be used “to further encourage economic unification and political federation of Europe.” In the Act of 1952, the Congress “welcomes the recent progress in political federation, military integration and economic unification in Europe and reaffirms its belief in the necessity of further vigorous efforts toward these ends as a means of building strength, establishing security, and preserving peace in the North Atlantic area.” The Mutual Security Program, like the Marshall Plan, was a powerful instrument for promoting the development of European unification. Indeed, the United States sought unity primarily as a means of assuring effective actions in protecting the security of its allies and itself.

In August 1952, the United States was the first country to recognize the European Coal and Steel Community. The American Secretary of State, Dean Acheson, sent a diplomatic dispatch on behalf of President Truman to Jean Monnet on his very first day on the job as president of the Community’s High Authority that included the following statement: “it is the intention of the United States to give the Coal and Steel Community the strong support that its importance to the political and economic unification of Europe warrants…The six-nation Coal and Steel Community represents the first major step toward the unification of Europe.” One year later, the United States was the first country to establish a full-fledged embassy in the Community. Fifty years later, the EU ambassador to Washington reviewed the US aid to European integration and concluded that, “as we recognize these milestones in the European project, we also honor the transatlantic partnership. None of the events we commemorate today could have been achieved without the active support of the United States.”

Regional integration has often been considered the outcome of an internal, natural development

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such as the Functionalists have asserted. However, as the most developed regional organization, the
discovery of European integration has revealed a different source to us. If there had been no support
from the US hegemony, Europe could not have survived through the 1950s, not to mention realizing
the coordination of economic and foreign policies.

b. Counterattack to Fortress Europe From the 1960s to the 1980s

With the relative decline of hegemonic power, the US became more and more intolerant toward
the policies of Europe and Japan that discriminated against the US, and its commitment to
liberalization was also somewhat compromised by the demands from several important sectors such
as steel, automobiles, and mostly agricultural products. The US found that the Community had
grown to be a powerful competitor of American products and services in the international market.
On the one hand, a number of trade disputes and retaliations emerged in the 1960s and 1970s
between the US and the EC; on the other hand, during this period, preferential trading arrangements
began to rise in prominence as a policy instrument, as evidenced by many bilateral FTAs.209 The
US-Canada FTA in 1989 could be understood as a direct and competing response to the regional
integration in Europe, which later evolved into the largest Free Trade Area with the inclusion of
Mexico in 1993.

The 1960s saw the first round of US actions against European agricultural policy under the
GATT regimes. The “chicken war” is a famous example from this decade. At that time, US exports
accounted for a growing share of the European poultry market, particularly the West German market.
In 1956 approximately 1.1 percent of West Germany’s poultry imports were of US origin; by 1962
that figure was nearly 25 percent.210 In 1962 the European Economic Community raised tariffs on
imported chickens, and thus effectively shutting American producers out of a growing and lucrative
poultry market. After 18 months of fruitless negotiations between U.S. and EEC trade officials,
President Johnson signed Proclamation No. 3564 on December 4, 1963. The resulting retaliatory
tariffs on trucks and other products were designed to pressure the EEC to reverse course on its
emerging protectionist CAP, and in particular on Regulation 22. The products targeted were carefully

209 Robert G. Blanton, “Diminished Giant or Vanguard for Liberalization? The U.S. and the Regionalization of
210 Ross B. Talbot, The Chicken War: An International Trade Conflict between the United States and the European
selected to affect industries most important to the EEC (and in particular to West Germany and France) while minimizing the impact on exports from other trade partners.211 This measure was thus a direct response to the formation of the Common Market. The European Community requested a panel to determine whether the level of retaliation was appropriate; it was lowered to $26 million.212 The US exporters quickly lost the European chicken market.

It bears noting that since the mid-1970s, the US has been inclined to use the GATT regimes to resist the negative impact of European economic integration. American officials often talked about “Fortress Europe” and tried to submit the disputes to multilateral institutions. This was different from the US strategy in the 1950s. In 1972, the United States complained against France and formally requested that the GATT endorse retaliation. France promised to comply thereby rendering a GATT panel unnecessary, but the United States was dissatisfied with the temporary measures on imported tomato products and pursued deterring future temporary actions by the European Economic Community through the formal GATT panel. The United States won the case. Despite this defeat, the European Union imposed new measures that achieved the same effect as the previous restrictions. That policy was a broader subsidy scheme that became the subject of a 1982 complaint by the United States over canned fruit. A GATT panel ruled against the European Union, but it blocked the adoption of the panel report. Retaliation was threatened, and a negotiated agreement was reached in December 1985.213

As Professor Hanson observed, “one of [the] most striking features of the international economy since the mid-1980s has been the proliferation and intensification of regional trading arrangements around the world. Among the most prominent developments, the European Union (EU) implemented a program to create the world’s largest single market, embarked on creating a common currency, added five new member states, and is contemplating the further addition of ten or more countries.”214 The US-Canada FTA Treaty in 1989 was another American strategy to compete with

212 A dispute over chicken occurred again in 1980 when the United States complained about a poultry processing regulation in the United Kingdom that it believed violated EU obligations. However, US exporters quickly adjusted, and the United States withdrew the complaint when industry pressure subsequently diminished.
the rising influence of the European Community.

During the second Reagan Administration, attention among policy makers shifted from the domestic to the international economy. The USTR (US Trade Representative) wanted to secure more open markets for US goods and investment flows. The US treasury, coming off the experience of bilateral financial market discussions with Japan, wanted to secure national treatment for financial services firms overseas. Since the European countries had enhanced their economic status and negotiating status in international exchange, the United States decided to consolidate its postwar advantage through the same means—establishing a regional bloc—to compete with Europe and promote American national interest. Whether from a geographic or economic level, Canada was the best choice. Politically, Canada is an important ally of the United States. There were no security worries between the two states. By the end of the 1950s, defense integration was sufficiently advanced that Canada seemed to be prepared to accept a higher degree of control from Washington on defense matters than had ever been the case in its relations with Great Britain. Accordingly, one of America’s goals through the US-Canada FTA concentrated on countering the rising negotiating force of the European Community and giving the Uruguay round of negotiations a push.

The US did a good job. Trade between the two countries has steadily increased since the implementation of the US-Canada Free Trade Agreement (FTA), which went into effect on Jan. 1, 1989. Under the FTA, many tariffs were eliminated immediately, with most others to be gradually phased out during the following years. Since 1990, US food and farm product exports to Canada have increased at an average rate of 6.5 percent a year. Growth was strongest in the first four to five years following the formation of the FTA. Between 1989 and 1996, US exports to Canada of products of the most affected industries increased 70 percent. The tariff cuts, reducing the barriers to goods from the United States, accounted for three quarters of that increase. Also, the tariff cuts explain about a third of the increased share of imports from the United States in total Canadian

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imports from all countries, from 85 percent to 90 percent.\textsuperscript{218} Through the 1989 Treaties, the US found another strategy—North American Free Trade Union—to alleviate the pressure from European integration besides the GATT strategy dealing with trade conflicts.

c. Transatlantic Economic Integration Strategy since the mid-1990s

The analysis of US-European relations was shaped predominantly by the security debate. This was appropriate considering the preeminence of the security challenge during the Cold War. After the USSR breakup, the issue of leadership—whether the United States could continue to fulfill a leading role or whether there should be a joint leadership with the Europeans—was given continuing prominence, as was the question of whether the US would remain engaged in Europe, pursue a policy of ‘selective engagement,’ or become disengaged.\textsuperscript{219} It would no longer suffice to minimize US-European tension after the Cold War by appealing to common interests or common values because their interests had been profoundly transformed from basic coherence to the coexistence of competitiveness and coherence, which resulted from the disappearance of their common security threat. Therefore, the 1990s EU-US economic relationship tended to be more in conflict than that of the Cold War period.

During the early 1990s, the United States continued pursuing the GATT regime and promoting North American cooperation to resist the negative impact of European integration. Two new steps were adopted in this process. One was the Transatlantic Declaration in November 1990 that addressed multilateral methods for resolving US-EU trading disputes. One of the common goals of the EU and the US was to “promote market principles, reject protectionism and expand, strengthen and further open the multilateral trading system.” As stated in the Transatlantic Declaration, “both sides recognize the importance of strengthening the multilateral trading system. They will support further steps towards liberalization, transparency, and the implementation of GATT and OECD principles concerning both trade in goods and services and investment. They will further develop their dialogue, which is already under way, on other matters such as technical and non-tariff barriers to industrial and agricultural trade, services, competition policy, transportation policy, standards,

\textsuperscript{219} Phil Williams, Paul Hammond and Michael Brenner, “Atlantics lost, Paradise regained? The United States and Western Europe after the Cold War,” \textit{International Affairs}, Vol. 69, No. 1, January/1993, pp. 1-17.
Another step was the formation of the North American Free Trade Area (NAFTA) in 1994 as the result of the expansion of the US-Canada FTA Treaty of 1989. Canadian Prime Minister Brian Mulroney and US President George H. W. Bush worked hard to create and sign the agreement. There was considerable opposition on both sides of the border, and the Clinton administration made passage of the agreement its major legislative initiative in 1993. The emergence of NAFTA was primarily promoted by the 1992 European strive for a comprehensive union. Since implementation of the US-Canada Free Trade Agreement, US agricultural exports to Canada have nearly doubled. Canada is now the No. 1 market for US agricultural exports, which climbed from $5.3 billion in 1993 to $9.3 billion in 2003 and on to $9.7 billion in 2004. Also, since NAFTA’s approval in 1993, US agricultural exports to Mexico have more than doubled. Mexico is now the second largest market of the US, taking over that rank from Japan in 2004. In 1993, Mexico imported $3.6 billion worth of U.S. agricultural products compared to $7.9 billion in 2003 and $8.5 billion in 2004. The establishment of NAFTA consolidated the future power position of the US in international structure.

However, the regional competition strategy could not promote the national interests of the US to the greatest extent. After the mid-1990s, the American economy revived from the relative decline of the 1970s and early 1980s. The “new economy,” mainly benefiting from information technology, radically reformed the traditional American industrial sectors and enhanced their competitiveness in the world market. Against this background, the United States introduced the strategy of transatlantic economic integration by creating the transatlantic marketplace. In December 1995, The New Transatlantic Agenda was reached between the US and the European Union that formulated the transatlantic integration strategy:

“We are determined to create a New Transatlantic Marketplace, which will expand trade and investment opportunities and multiply jobs on both sides of the Atlantic. Without detracting from our cooperation in multilateral fora, we will create a New Transatlantic Marketplace by

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progressively reducing or eliminating barriers that hinder the flow of goods, services and capital between us. We will carry out a joint study on ways of facilitating trade in goods and services and further reducing or eliminating tariff and non-tariff barriers.”

“We will strengthen regulatory cooperation, in particular by encouraging regulatory agencies to give a high priority to cooperation with their respective transatlantic counterparts, so as to address technical and non-tariff barriers to trade resulting from divergent regulatory processes. We aim to conclude an agreement on mutual recognition of conformity assessment (which includes certification and testing procedures) for certain sectors as soon as possible. We will continue the ongoing work in several sectors and identify others for further work.”

Since the 1970s, the beginning of each decade has witnessed a torrent of trade measures by the US and Europe seeking to protect their domestic producers from each other and from third-country producers. “The voluntary restraint agreements of the 1970s and 1980s were replaced in the 1990s by antidumping and countervailing measures that have now been supplemented by safeguard measures.” Today both the EU and the US have respectively established their own regional economic blocs through regional integration processes, and resolving their trade disputes constitutes most of the work of World Trade Organization. The Europe Union doesn’t need to depend on American assistance to acquire an impetus for pursuing the integration process; and on the US side, though repeatedly claiming support for European integration, its practical strategy has been changeable and complicated. There are not only conflicting interests, but also cooperative temptation in the critical bilateral relationship. Tensions can be expected to increase with increased interdependence, and thereby make the establishment of anything like an Atlantic single market an unlikely scenario.

2) Security and Military Aspects

As mentioned above, the military integration of Europe remains at a very low-level because of

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the sensitivity of nation states to security affairs, and the capability gap between the EU and the US in the military field has also been discussed. Although European independent defense could not challenge the American hegemonic power position, it has already evoked explicit opposition from the United States. The conflicts originated from the different roads taken by the EU and the US in approaching European security. European states have been attempting to establish regional defense forces independent of the United States and NATO, but the United States has insisted that NATO should be the core of military integration in Europe without exclusion of America. The NATO regime has been the primary strategy of the US to maintain its hegemony in Europe.

a. **To European Defense Community: From Support to Oppose**

The first step in the military integration of Western Europe was the signing of the Brussels Treaty in 1948 by the United Kingdom, France, Belgium, the Netherlands, and Luxembourg. These states not only promised to defend each other in the event of armed aggression, but also agreed to coordinate their economic policies and activities. The European military force was really too weak to share the burden taken on by the United States, so military integration might be a good way to mitigate the heavy tasks of the US military in Europe. The US, which was already providing assistance to these countries and was therefore interested in the effective utilization of all resources, gave active encouragement to the Treaty.

The outbreak of the Korean War in 1950 convinced Western leaders of the growing threat of the Soviet Union. The United States began to encourage the Europeans to pursue their own defense and rearmed Western Germany. The success of the Schuman Plan paved the way for the establishment of the European Defense Community (EDC). The ECSC member states signed a treaty establishing the EDC in which basic national units of troops (around 12,000), including German troops, would be integrated at the army corps level. It was also intended to guarantee the coordination of member states’ foreign policies. The idea came from Rene Pleven, the French Prime Minister. This step had very far-reaching implications for notions of state sovereignty, since the armed forces are an essential aspect of a nation state. Efforts were being made to achieve a complementary political agreement: the constitutional model. However, during subsequent negotiations, the Foreign

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Ministers failed to reach agreement on the extent to which nations were to cede sovereignty, and in August 1954 the European Political Community Plan was defeated in the French parliament. The American support for European military integration stopped by the early 1950s. Beginning in the mid-1950s, the US began to directly approach the military and security problem posed by the Soviet Union that instead encouraged Western Europe to pursue independent defense.

In the 1960s, Western European states also tried to develop the untried defense organization in the Community for military integration. French President Charles De Gaulle played a very active role in this process, but his principles included the exclusion of American participation in the integrated European military institutions. His efforts proved unsuccessful in the debates of the 1960s on a Communities-based defense authority to counter US military and political predominance in Europe. Like the British and his own predecessors who launched France’s atomic program, de Gaulle considered nuclear force to be at least a steppingstone toward independence for France and Europe. Renouncing an independent nuclear force would mean resignation to permanent dependence on outsiders and submission to small-power status for France. Building such a force, on the other hand, would amount to giving France a lever against America’s nuclear monopoly and predominance in strategy-making, namely America’s hegemony with the Alliance. 226

The United States tried to prevent the European states from becoming nuclear great powers. This was demonstrated in 1963 when the Soviet Union, the United Kingdom, and the United States agreed to the Partial Test Ban Treaty (PTBT)—also known as the Limited Test Ban Treaty (LTBT)—that prohibited nuclear testing in the atmosphere, in outer space, and underwater. This meant that future testing by those states signing the PTBT had to be conducted underground, but France resisted joining the treaty and stepped into the nuclear power club.

During the early negotiations, the United States made plans for a Multilateral Nuclear Force (MLF) under the auspices of NATO. Such a force would consist of nuclear-armed naval vessels under a multinational NATO military command. The MLF program was meant to reassure its NATO allies of the credibility of the US nuclear guarantees. The American strategy remained on paper because of debates on political control and military command. De Gaulle was sticking to creating a French striking force. The American point of view was well known: such a force would be both

ineffective (because it would be too small and too obsolete to deter the Russians from anything whatever) and dangerous to the extent that it would unbalance an already fragile international system, encourage the proliferation of nuclear weapons, make a coherent Western military policy impossible, and upset a strategy that was intended to delay and to limit the use of the ultimate weapons. However, the French government wouldn’t accept that. Although Washington would, naturally enough, tend to emphasize those institutions in which the United States was a member, such as NATO, the Western European tendency was equally, and naturally, focused first and foremost on specifically European bodies, such as the EC and the WEU.

The increase of economic power would ultimately lead to the aspiration for political dominance in international affairs and institutions. By the early 1970s, Europe had established a set of intergovernmental meetings and an information sharing process to coordinate its foreign policies referred to as European Political Cooperation (EPC). As Europe struggled during the 1973 oil crisis and the ensuing economic recession, the EPC languished along with other integration concerns in the 1970s. European dissatisfaction with, and worried about, the US manner of dealing with the intermediate-range Nuclear Force crisis in the late 1970s and early 1980s related directly to European security without Europe’s voice in the US-USSR negotiations. West Germany pursued its “New Oriental Policy” to reconcile its relationship with the USSR and Eastern European states. Other initiatives such as the Genscher-Colombo and Spinelli proposals explicitly called for defense cooperation and political union among the European states. Spinelli was the founder of the European Federalist Movement. His group introduced the main thought of the European Union, and the draft treaty was adopted by a large majority in 1984.

As Krupnick pointed out, European defense cooperation was further encouraged by the US Strategic Defense Initiative and the Reykjavik summit between Presidents Reagan and Gorbachev, which seemed to some Europeans to be a decoupling from the US strategic defense efforts. This led to the Hague Declaration of 1987 that committed the WEU members to move toward a more European organization for security and defense. At the same time, France and Germany decided to create a multinational military unit outside of NATO, the 4,000-man Franco-German Brigade. In the

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late 1980s and early 1990s, fiscal cooperation, the Single European Act, and the Europe 1992 project signaled a vigorous return of integration activity, just as the Soviet bloc was falling apart. The WEU also showed signs of life by conducting actual military missions involving mine clearing and surveillance operations during the 1980s Iran-Iraq War and the 1991 Gulf War.\textsuperscript{229}

Since the end of the Cold War, France, Germany, and the leaders of Belgium and Luxembourg have been pushing for the EU military planning and command structures to be separate and independent from the US-led NATO alliance. Officials in Washington make no secret of their suspicions of the EU’s defense moves, especially since the four countries leading the initiative opposed the Iraq war and are refusing to take part in the country’s postwar reconstruction effort. Americans are especially worried about signs that British Prime Minister Tony Blair—America’s staunchest European ally and a strong opponent of any non-NATO based European defense cooperation—may be starting to sympathize with his continental counterparts on EU defense plans. US Defense Secretary Donald Rumsfeld used a NATO meeting in October 2003 to warn Europeans of his opposition to the Union’s military ambitions. A few weeks later, the US envoy to NATO, Nicholas Burns, told the alliance’s 19 members in Brussels that an independent EU defense represented “one of the greatest dangers to the transatlantic relationship.” NATO Secretary General George Robertson has cautioned EU governments on wasting resources by duplicating alliance structures and capabilities, telling the four EU defense pioneers that what Europe needs are “more usable soldiers and fewer paper armies.”\textsuperscript{230}

As two international relations scholars observed, “there are limitations to the US encouragement, support and even push for European integration. This has to do with handling and managing the security issue. Any European attempts to interpret the new international and European order after the cold war in the direction of identifying a European security stance independent of the US—for instance to strengthen the WEU as a forum distinct from NATO, or later to establish an autonomous European security identity or a kind of sovereign European military force inside CFSP or ESDP— were more or less obstructed by the Americans.”\textsuperscript{231}


\textsuperscript{231} At the Official Website of European Community Studies Association (ECSA):
b. NATO Military Integration Strategy

In April 1949, the North Atlantic Treaty has signed in Washington. NATO brought about great changes in the relationship of the United States to its allies in Europe because the US could directly participate in European political and security affairs through such a transatlantic organization in the single command of an American General. Since the establishment of NATO, the US has been emphasizing the central status of this organization in European military integration and thereby rendering independent European defense irrelevant. NATO created a direct linkage between the military power of the United States and the ideals that underlay the US role in the world. As Kaplan has noted, “what distinguishes the alliance from others is not just longevity, or even the military balance, but the promise of a genuine community as outlined in the treaty’s preamble.” For the United States, NATO has been a legitimate affirmation of its values as well as an instrument of diplomacy, leadership, and defense in European affairs through its close ties with the Britain and other security-craving friends in the organization.

Britain has been a powerful European supporter of NATO. Tony Blair has been a passionate supporter of the Bush anti-terrorism agenda since 2001, and sided with the US against France and Germany. Indeed, the transatlantic contradiction regarding the Iraq war made it difficult for the UK government to choose while it wished to be seen as a bridge between Europe and the US. Until now, it seems, however, that when the chips are down in the security arena, if not in other areas, the UK opts for its US ally. Because of the important military capability of Britain in Europe, a kind of military integration lacking the presences of the UK will prove to be fruitless. The United Kingdom is both a nuclear power and the only state with well-trained conventional troops for quick reaction. As long as Britain elects to stay in NATO and makes its security cooperation with the US its first priority, European overall military capability will be unable to challenge the US hegemonic power position.

Another important reason for the US’ emphasis on NATO lies in the nature of this
organization’s political and security functions. It is easier for a state to join NATO than to become a member of the European Union. There are also partner countries and the NATO-Russia Council around the transatlantic regimes. Western Europe’s voice might face checks and balances from the eastern European members or non-member states. The Czech Republic, Hungary, and Poland have been NATO members since 1999, while the other five states along with Bulgaria and Romania were invited to enter in November 2002. These states manifested their loyalty to the United States when “Core Europe” strongly opposed the American Iraq policy. This invoked the rigorous warning from French President Jacques Chirac that they missed a good opportunity to “shut up” as candidates for EU member. The US Defense Secretary thus talked about the “New Europe” and the “Old Europe,” which further deteriorated the transatlantic relationship.

The division of new and old Europe might affect the European integration process and its CFSP (Common Foreign and Security Policy) stance. According to International relations scholar Marian Tupy, the EU enlargement was unambiguously good for the US. “The new countries joining the EU are more pro-American—not necessarily the public, but their governments,” he said. The US continues to be the biggest player in NATO. These countries see NATO as the main counterbalance to Russia in the region, which continues to be these countries’ main foreign policy concern. Mr Tupy said, “they look to the US for security guarantees, and they will oblige the US when it comes to foreign policy.”

American strategy met with some setbacks in the 1960s. Charles de Gaulle removed French armed forces from NATO’s integrated military command to pursue its own nuclear defence programme. All non-French NATO troops were forced to leave France. This precipitated the relocation of the NATO Headquarters from Paris, France to Brussels, Belgium by October 16, 1967. But this frustration did not change the primary role of NATO as a security provider for most Western European states. The distrust of NATO continued. During the 1990s Bosnia crisis, there were as many criticisms of NATO from the Europeans as from the American side of the alliance. The United States was more willing than the Europeans to identify the Bosnian Serbs as aggressors, but remained paralyzed by its own reluctance to put US military forces in danger in Bosnia unless a

peace had been negotiated. French foreign minister Alain Juppe apparently expressed widespread European frustration with the US policy towards Bosnia when he said, “the conflict in Bosnia has shown the necessity to move beyond NATO and American guarantees to build a credible European defense that could back up our common foreign policy interest.” Juppe’s comments reflected a long-standing French belief that, ultimately, Europeans could not count on the United States to defend “European” interests.

American politicians often expressed the strong intention to enhance its leadership in NATO. On December 5, 2000, US Secretary of Defense William S. Cohen claimed that, “if NATO and the EU with its ESDP are seen as autonomous and competing institutions, rather than integrated, transparent and complementary ones, then NATO and collective security are likely to suffer, leaving North America and Europe alike to rely on uncoordinated, inefficient and ad hoc responses to destabilizing threats.” Hence, we can clearly understand the opposition of Americans to an independent ESDP. What is more, Cohen reiterated the US support for NATO integration strategy. Though “the United States strongly supports the EU’s efforts to create a rapid reaction capability that can deal swiftly and effectively with local challenges to Europe’s security, where NATO itself is not engaged militarily,” “every European member of NATO will have only one set of forces and one defense budget, not one force and one budget for NATO and another force and military budget for the EU. Therefore, I proposed, as part of the close NATO-EU link, a common defense planning process involving all 23 NATO and EU countries as the only logical, cost effective way to ensure the best possible coordination of limited forces and resources.” “It would [be] highly ineffective, seriously wasteful of resources, contradictory of the basic principles of close NATO-EU cooperation that we hope to establish if NATO and the EU would proceed along the path of relying on autonomous force planning structures.”

Besides a large number of governmental announcement and documents, the support for NATO comes from extensive social groups in America. An example is the “Contract with America,” the agenda for the new republican leadership in the House of Representatives that addressed the NATO


issue directly. In the Contract’s proposed “National Security Restoration Act,” the Republican authors called for “renewing the US’s commitment to a strong North Atlantic Treaty Organization (NATO)”.

The main focus of this recommended renewal process is adding new members to the alliance. Specifically, signatories to the Contract argued that the United States should help Poland, Hungary, the Czech Republic, and Slovakia prepare to join the alliance. The Contract went on to argue that the United States “should join with its NATO allies to redefine the alliance’s role in the post-Cold War world” and in so doing, should take into account the dangers of proliferation of weapons of mass destruction. In addition, the Contract said that the United States “should reaffirm that NATO military planning includes joint military operations outside of NATO jurisdiction.” All these goals should be pursued with what the Contract calls “active” US leadership in the alliance.

In short, NATO has become a useful instrument of the US for maintaining its hegemonic power position in the military field, especially in Europe.

3. Explanation of American Strategy Evolution

The first section examined the process of European integration and then concentrated on the shrinking power gap between the US and Europe. The second section elaborated on the historical evolution of US strategy towards European economic and security integration. Generally speaking, the US attitude has changed from being initially supportive to a subsequent negative stance: economically organizing the regional blocs and amalgamating the EU into transatlantic unity; insisting on the military primacy of NATO for European security, and segregating the European states into “New and Old Europe.” This section provides an explanation of American strategy evolution by using the Neorealist model of hegemonic interests. Actually, the empirical study of the first section has paved way for the structural analysis here.

1) Structural Cause and US Strategy towards European Integration

As mentioned in Chapter One, the US has been the hegemon on both the structural level and institutional level, and this position has survived through the bipolar era with the result that the

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Soviet challenge was defeated while also confronting competition from Europe and Japan in the unipolar world. The US hegemonic power position has varied with the evolution of international structure, which has led to changes in US strategy. Here the analysis will be closely related to the power gap between the US and Europe. Some observers suggest that the EU’s apparent progress to date in the foreign policy and defense fields has given the organization and its member states a new self-confidence. Furthermore, the EU member states are increasingly assessing foreign policy decisions with an eye towards establishing a larger role for Europe on the world stage. The EU members consult with each other on foreign policy concerns to a greater degree than ever before, and often before consulting with Washington. As a result, Washington does not hold quite the same influence over its European allies as it once did, and the EU members are perhaps quicker to challenge the US policies with which they do not agree.241

US president Franklin D. Roosevelt conceived a beautiful blueprint of “Four Policemen” during the Second World War, in which the US, the United Kingdom, the Soviet Union, and China would cooperate to manage international affairs.242 Therefore, Roosevelt responded coldly to Winston Churchill’s speech shortly after the Stalingrad War that presented a bold sketch of the steps to be taken after the defeat of Italy and Germany. Churchill confessed that the “glory of Europe” could not rise again without the “cordial and concerted agreement and direct participation of Britain, the United States and Russia.”243 During that period, American political leaders tended to anticipate that Britain would resume a dominant position and the chief task of the United States in the postwar era would be to mediate the relationship between the United Kingdom and the Soviet Union. President Roosevelt’s attitude at Yalta clearly showed the impact of such ideas. Also consistent with this belief, the United States thought France would quickly recover from problems of internal cohesion and come to possess a significant posture in international affairs; thus, insisting on making France a member of the group of Big Five powers.244 Hence, the US did not show much concern regarding

European integration mainly because of its wrong recognition of the power distribution between Britain, the USSR, and France.

But a growing awareness of Soviet strength and its policy in Eastern Europe greatly changed the US position on postwar world politics. US support of European integration in the 1950s was, to a great extent, rooted in the bipolar structure. In the wake of the victory over Germany, the relations among America, Britain, and another great power, the USSR, rapidly transformed from a wartime alliance to that of geopolitical competitors on the European Continent. The Soviet Union annexed and occupied almost a third of old Europe through the Red Army’s march to Berlin. The United States, another great power outside of Europe, controlled Italy, France, and part of Germany. Historically, European politics have primarily been an instrument of outside great powers for strategic transactions. World politics entered the bipolar period: the United States being the hegemon with a leading power position and the USSR being the global challenger with huge military power.

From then on, the structural interest of the US was clearly defined as maintaining and enlarging the power gap between the Western Group and the USSR Group. Because the Western European states met great difficulties in reestablishing their internal economies and stability, which had threatened US security interests in Europe, Americans chose to strengthen the foundations of Europe’s economy and social structure through the Marshall Plan, and actively encouraged European unification. The enforcement of the Marshall Plan itself required European economic unification, for the American funds could not be used for all the states simultaneously because it would deteriorate the competition for the small market. Nor could dollar aid be distributed where European resources were available. Therefore, the Marshall Plan directly led to the birth of many initial integration agencies such as the Organization for European Economic Cooperation, and the European Payment Union of 1950. European integration really enhanced European economic power and social stability, and thus contributed to the US’s “Containment Policy.”

However, great powers are always sensitive to their power positions, including the gap between allies and themselves. From the 1960s to the 1970s, America and the USSR underwent several severe conflicts indirectly both in Asia and in Europe. However, “detente” and US-USSR co-governance had actually started with the negotiation and subscription of the CTBT in the 1960s. The Soviet Union developed a huge nuclear weapon stock and its economy also boomed in those
decades, approaching to almost two thirds of the US GDP. In the 1972 ABM Treaty (Anti-Ballistic Missile Treaty), the United States and the Soviet Union agreed that each might have only two ABM deployment areas, so restricted and so located that they could not provide for a nationwide ABM defense. Through this treaty, America finally admitted the equal strategic power position of the Soviet Union and “detente” appeared between the two superpowers. Therefore, the United States could put more energy on the economic competition with Western Europe.

Of course, the primary structural interest of the US still remained: containing the development of the Soviet Union, towards which it had decided that the US and Europe would generally stand together. That is to say, cooperation would be the mainstream in the US-European relationship as long as the USSR existed. However, “detente” unavoidably rendered the US more concerned with the challenge to its economic power position by the European Economic Community, which led to the “Dillon Round” and “Kennedy Round”—multilateral trading negotiations mainly aimed at eliminating the trade tariffs of “Fortress Europe.” The increase in trade disputes became a prominent characteristic of the 1960s and 1970s inside the Western Capitalistic Group. It bears noting here that the Western allies of the US achieved a great power economic position in the 1970s, and their combined economic power surpassed that of the Soviet Union. It seemed that the USSR should have been the most dangerous military enemy, but the EEC and Japan became the major economic threats to the US hegemonic power position. As mentioned above, the US became very sensitive to the discriminating trade policies of the EEC and Japan, which indeed caused massive pressures on the balance of payments in the United States and directly contributed to the collapse of the Bretton Woods System.

In the first decade of European integration, America actively supported military integration efforts such as creating the European Defense Community and rearming Germany. Since the US gradually recognized the equal strategic position of the Soviet Union, it didn’t need to promote European military integration in order to confront the USSR; thus, the Western Group could take advantage of Russia. The development of European military capability might someday develop into one that could parallel that of the United States. Hence, during this period, the US opposed the efforts of France and other Western European countries to establish independent defense forces, and

also tried to integrate the nuclear weapons of France and Britain into the centralized controlling system of NATO in which the US played a decisive role. However, the power increase of Western Europe reinforced its confidence and ambition for political great power status. De Gaulle, in 1968, retreated from NATO as an integration institution and that compelled NATO to move its headquarters out of France. Thus, the transatlantic security relationship met with a severe setback.

From the mid-1980s, Soviet development decelerated and in fact the economic growth rates of some years were minus both because of the extensive economic developing mode and the heavy budgetary burden of military competition with the United States. The new General Secretary of the Soviet Communist Party, Mikhail Gorbachev, assuming the highest leadership in 1985, confessed that the USSR was facing a severe economic crisis and decided to put “New Thinking” into practice. The “New Thinking” proposed a “global harmonious co-existence” plan for states with various state institutions and actively advocated Nuclear and Conventional disarmament. With the warming up of West-East relations, the security pressure on US foreign policy was greatly alleviated. At the same time, the trading wars between the EEC and the US attracted much attention in the Western Group. In the US, there was a lot of worry about a Japanese economic challenge in the 1980s and rising discontentment with “Fortress Europe.” As mentioned above, the US not only used multilateral instruments such as the GATT to counteract the EEC’s preferential arrangements, but also signed the US-Canada Treaty in 1989. Regional competition thus came into being.

With the power gap between Europe and the US shrinking, Western European states also tried to achieve more equal status when dealing with the United States. The Transatlantic Declaration of 1990 brought forward a “Transalaticism” framework for their relationship with the result that the US recognized the equal political status of the EEC. This institutional framework included “bi-annual consultations to be arranged in the United States and in Europe between, on the one side, the President of the European Council and [the] President of the Commission, and on the other side, the President of the United States; bi-annual consultations between the European Community Foreign Ministers, with the Commission, and the US Secretary of State, alternately on either side of the Atlantic; ad hoc consultations between the Presidency Foreign Minister or the Troika and the US Secretary of State; bi-annual consultations between the Commission and the US Government at [the]
That is to say, the unequal alliance relationship in the Cold War era must be replaced with equal and normal great power relationships. Europe had been pursuing its great power status since World War II, and essentially it would be a challenge to American hegemonic power and institutional position in European affairs and World politics.

However, only after the end of the bipolar structure would the US-European relationship completely step into a normal great power relationship. The collapse of the USSR meant that it couldn’t be a global challenger to the hegemonic position of the United States. The international structure changed from a bipolar hegemonic structure to a unipolar hegemonic structure; the US maintained its hegemonic position, but the threats to its positional interest were not mainly from the USSR, but from other great powers or great powers’ groups such as the EU and Japan. Under the bipolar structure, the US and Europe had shared the primary security interest of containing the Soviet Union, and almost all the important diplomatic actions surrounded this objective. However, this common strategic basis disappeared under the unipolar structure. The US enjoyed great privilege from its preponderant status since the 1990s, and maintaining its unipolar hegemonic power position became one of its core national interests.

Therefore, the EU-US relations in the 1990s were dominated by a number of trading disputes and political dissentions. The United States has actively promoted the North American integration process and frequently used the WTO regimes to confront the European regional bloc. Political field seems much worse. The Europeans insist on the importance of many liberal international institutions and the negative effect of the unipolar world, which are in direct conflict with the US hegemonic interest. The shrinking power gap also contributed to the contradictory attitudes of the United States in the security field in which the US, on the one hand, complained that Europe should share more of the military burden and modernize their troops, but, on the other hand, strongly opposed the efforts of European countries to establish military integration organizations independent of the US and NATO. If military integration is realized among the European Union members, the EU will sooner or later develop into a world great power. Professor Samuel P. Huntington of Harvard University predicted that the further integration of the European Union would be the “single most important move” in a worldwide reaction against American hegemony and would produce a “truly multipolar”

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The rivalry culminated before the Iraq War in 2003, and led to the “New and Old Europe” claim of the US Secretary of Defense. Washington maximized its power by taking advantage of European disunity on important questions (one administration official even defined the new policy towards Europe as one of “disaggregation”), and preferred dealing with a single European country on a bilateral basis where its relative power is greater. The transatlantic relationship dropped to the bottom after World War II. The US originally thought France would change its stance, as it did at the critical moment during the Cold War, but it met with disappointed this time. As examined in section one, the EU promoted its cohesion through internal trade (more than 60% percent of trade was among EU members) and the circulation of a common currency—the Euro. The EU also enhanced its negotiating capability and consolidated its CFSP institution. Therefore, the EU was becoming more and more confident and capable of pursuing its own foreign objectives rather than complying with the hegemon’s positional interests.

Fortunately, the revival of the American economy to some extent relaxed the tensions between the EU and the United States. The US was very sensitive to the shrinking gap in the 1980s when it had to focus its main attention on the military competition with the USSR. After the Clinton administration came to power in the early 1990s, the US government took “democracy,” “economy,” and “security” as three pillars of its foreign policy. Economic matters were considered to be of the up-most importance; more so than during any other period with the exception of the Cold War. Hence, the trading disputes greatly increased in the 1990s. However, with the long economic renewal of the US and stagnating EU and Japanese economies, the economic challenge of the latter seemed to be not so pressing a matter. The US remains dissatisfied with the EU’s stance on many issues, but it seems that the EU cannot challenge the US hegemonic power position in the short term.

Another important factor, the military power gap, also contributes to the stability of the EU-US alliance relationship. If Europe exerts its huge economic power and establishes an independent and mighty force, the security competition will be intensified and that will lead to a sharp deterioration in their mutual relations. Actually, the huge military gap provides a basis for
US-EU cooperation on other issue areas; the space for their collaboration will change with the sensitivity of the evolution of the military power distribution. However, with economic success and the rising aspiration of independence, European states won’t be satisfied with dependence on US security protection forever. Anarchy and nationalism decide that great powers will struggle for independence and prestige. Regional integration will finally make Europe a stronger competitor of the hegemon.

In short, the US actively supported European integration in the 1950s because it contributed toward the US structural interest of containing the Soviet Union. As European power grew, the US gradually became passive and sometimes antagonistic towards European integration.

2) Institutional Cause and U.S. Strategy to European Integration

As pointed out in Chapter One, hegemonic states establish international institutions to promote their security, wealth, prestige, and other interests. Accordingly, the US is more likely to support the regional integration process when regional great powers approve hegemonic institutions. European integration has influenced US strategy from several perspectives: firstly, integration required Europe to create some institutions that might have a negative impact on the existing hegemonic institutions; Secondly, integration enhanced the negotiating capability of the EU in reforming existing international institutions. Thirdly, the integration process increased the confidence of the EU to dominate some international institutions, which directly challenged US leadership in the postwar world institutional arrangement. The coherence and conflicts between US-EU institutional interests has greatly affected US strategy towards European integration.

a. The Coherence of the US and EU Institutional Interest

During the Cold War era, the US and the EU not only shared a strategically structural interest, but also enjoyed the common institutional interest of preserving capitalistic political and economic institutions. Generally speaking, Western European states tended to support the liberal international economic order and their domestic regimes were also similar to that of the United States. That is to say, they shared a democratic political system, market-dominating economic institutions, and liberal, individualistic values that were very different from those of the Soviet Union. The USSR refused to
participate in the Marshall Plan, opposed postwar international economic organizations, and tried to establish another kind of world order on the basis of the Communist system. Naturally, Europe stood with the United States and supported the postwar hegemonic institutions. The US actively supported European integration in the 1950s partly because of the coherence of US-EU institutional interests.

This consistent institutional interest inside the Western Group won’t disappear as long as the conflicts between the Capitalistic system and the Communism system remain. There might be various disagreements between the US and Europe, but will count for little when compared to the survival of Western liberal democratic institutions. After the Cold War, the primacy of this coherence has become less important than in the bipolar era, but it still constitutes a fundamental basis for transatlantic relationships. For instance, in the 1990 Declaration, the US and the EC solemnly reaffirmed their determination to strengthen their partnership in order to: (1) support democracy, the rule of law, respect for human rights and individual liberty, and promote prosperity and social progress world-wide; (2) safeguard peace and promote international security by cooperating with other nations against aggression and coercion, by contributing to the settlement of conflicts in the world and by reinforcing the role of the United Nations and other international organizations; (3) pursue policies aimed at achieving a sound world economy marked by sustained economic growth with low inflation, a high level of employment, and equitable social conditions within a framework of international stability; (4) promote market principles, reject protectionism and expand, strengthen, and further open the multilateral trading system; (5) carry out their resolve to help developing countries by all appropriate means in their efforts towards political and economic reforms.249

The New Transatlantic Agenda of 1995 restated the common institutional interests between the US and the European Union, “for over fifty years, the transatlantic partnership has been the leading force for peace and prosperity for ourselves and for the world. Together, we helped transform adversaries into allies and dictatorships into democracies.” “Today we adopt a New Transatlantic Agenda based on a Framework for Action with four major goals: Promoting peace and stability, democracy and development around the world; responding to global challenges; contributing to the expansion of world trade and closer economic relations; and building bridges across the Atlantic.”250

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250 See “New Transatlantic Agenda,” at EU’s Website:
After the 9·11 incident, the US and the EU found another common institutional interest in preventing terrorist attacks on the existing order. Two agreements were signed at the June 2003 EU-US Summit: (1) the EU-US agreement on extradition, which aims to reduce the delays in the handling of requests and broadening the range of extraditable offences through an alleviation of legalization, and (2) the EU-US agreement on mutual legal assistance allowing EU and US law enforcement authorities access to bank accounts in each others respective jurisdictions and improving practical co-operation by reducing delays in mutual legal assistance. The coherence of US-EU institutional interests alleviated the tensions of their political power competition and thus sustained the postwar US-EU alliance after the Cold War. There have been a large number of trade disputes and political dissensions, but none transformed any of the member states of the alliance into enemies. That could also explain why the American government never openly opposed regional economic integration in Europe though the process to some extent threatened US hegemonic interests.

b. The Challenge of the EU to the US Institutional Interest

European integration has also, in some respects, challenged US institutional interests as a result of both the different philosophical views and pragmatic necessity. As well as the structural interest, the difference in institutional interests has had a great impact on US strategy towards European integration.

_Different philosophical views_. There exists profound disparity in the institution’s role between these two economic colossi. For American leaders since President Theodore Roosevelt, institutions have been only instruments for realizing liberty and justice, if power is needed, they will use it without any hesitation. However, things are different in Europe where the balance of power and international institutions have been at the center of the political stage for a long time. To the Europeans, checks and balances are prerequisites for justice and freedom in domestic life and international society. As the British scholar-statesman Robert Cooper argued, “the difficulty with the American monopoly of force in the world community is that it is American and will be exercised,
necessarily, in the interests of the United States. This will not be seen as legitimate.”  

Even in the Cold War era, the difference caused the European states to criticize the transatlantic military integration organization. In the early 1980s, there were proliferating initiatives on both the left and the right for moves to “Europeanize” NATO both by generating a western European pillar within it and by ending its unipolar decision-making structure.  

According to Robert Kagan, “Europeans insist they approach problems with greater nuance and sophistication. They try to influence others through subtlety and indirection. They are more tolerant of failure, more patient when solutions don’t come quickly. They generally favor peaceful responses to problems, preferring negotiation, diplomacy and persuasion to coercion. They are quicker to appeal to international law, international conventions, and international opinion to adjudicate disputes.”  

“It has been suggested that the US and the European Union represent, not just two different social and political models, but two different phases in [the] history of political development. The US, according to this argument, is a classic modern (i.e. 19th century) nation-state, increasingly obsessed with national interests rather than with global governance, and with military power as the ever-ready instrument for imposing them on the rest of the world. The EU, by contrast, is said to be a new type of post-modern ‘state’, less reliant on military capability and the opportunities for conflict with the rest of the world, and more focused on law, negotiation, contract and multilateral stability.”  

Another international relations scholar, John H. Dunning, pointed out that “the spirit and course of democratic capitalism in North America, particularly in the US, has followed a rather different trajectory to that of most Western European nations.” “I would further assert that world events of the closing years of the twentieth century are not only leading to much deeper transatlantic connections, but to a re-evaluation of the tenets of individualism and communitarianism.”  

Undoubtedly, European integration has further enhanced the confidence for this European

approach. For instance, an analyst pointed out, “the essence of the European Union is all about
subjecting inter-state relations to the rule of law,” and Europe’s experience of successful multilateral
governance has in turn produced an ambition to convert the World. Europeans feel very
dissatisfied with America’s refusal to sign or ratify a host of important treaties and legal conventions,
including the Land-Mine Treaty, the Kyoto protocol on Global Warming, the Comprehensive Test
Ban Treaty (CTBT), and the Treaty establishing the International Criminal Court (ICC). The
different views on world order and international institutions finally led to their breakup before the
Iraq war. The US enthusiastically welcomed the support of Britain and Eastern Europe, but claimed
that France and Germany were “problems.” Actually, the difference didn’t cause so many difficulties
during the Cold War because of the importance of protecting fundamental Western institutions.
However, potential conflicts have unavoidably broken out after the collapse of the bipolar structure,
the deterioration of the US attitude towards European efforts to achieve independent military
integration, and the increasing competition between the two largest economies.

Establishing new institutions. European integration also led to the establishment of new
institutions such as preferential trading arrangements that were in conflict with the hegemon’s
institutional interest. The elimination of tariffs on intra-EEC trade and the granting of essentially
similar treatment by the Community to imports from associated overseas members, while
maintaining a common external tariff, introduced an element of discrimination against third
countries. As a result of the removal of trade barriers within a customs union, a member country
replaces its imports from nonunion sources with imports from within the union, and shifts its exports
from extra- to intra-union destinations. As mentioned above, Western Europe has had formal
jurisdiction over trade policy since 1969. In practice, member states frequently used national policy
measures to protect sensitive sectors during the 1970s and 1980s. Policy reflected this analysis, and
national non-tariff barriers soared across the EU from the mid-1970s to the early 1980s.

257 Steven Everts, “Unilateral America, Lightweight Europe? Managing Divergence in Transatlantic Foreign Policy,”
258 Erik Thorbecke, “European Economic Integration and the Pattern of World Trade,” The American Economic
Association, May 1963, pp. 151-152.
4, Sep., 1959, p. 615.
number of known voluntary restraint agreements increased five-fold from 1970 to 1980.\textsuperscript{261} The sectors most affected were electronics, motor vehicles, steel, and agriculture. The number of import surveillance and monitoring measures jumped from seven in 1971 to ninety-seven by 1985.\textsuperscript{262} The number of antidumping measures in force in Europe shot up from 5 in 1973 to 187 by 1984.\textsuperscript{263} In the textile and apparel sectors, quotas were dramatically tightened with the implementation of the first set of bilateral agreements under the 1973 Multi-fiber Arrangement (MFA) that extended the trade regime from cotton to also include woolen goods and all synthetic fibers. The MFA was further tightened with its renewal in 1978 and 1982.\textsuperscript{264} Even West Germany, the relatively free-trade-oriented state, adopted protective measures for sensitive sectors such as automobiles and textile.

After the climax of Fortress Europe, the circulation of the Euro profoundly transformed international monetary institutions. The Bretton Wood System has usually been considered to be the token of the postwar American hegemony. Relative decline led to the collapse of this dollar-standard institution, but the US dollar retained its dominant position in the international monetary system in which other currencies such as the German Mark and Japanese Yen are not strong enough to challenge the basic configuration. The appearance of the Euro was the result of European integration and unavoidably challenged the Dollar hegemony. In 1970, the Werner Report (named after the Luxembourg Prime Minister) proposed a plan for economic and monetary union within the Community. As the first step, the currency “snake” (a set of upper and lower limits of exchange rates) was established in 1972. Central banks of participating countries pledged to intervene in the currency market to keep the value of their currencies within fixed limits.\textsuperscript{265} In 1979, the European Economic Community created the European Currency Unite (ECU) to replace the “snake.” The ECU was the Community’s budget and accounting unit, created by member states depositing 20\% of their gold and US dollar reserves with the European Monetary Cooperation Fund. After more than 20

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265 See “Background Note: European Community (EC),” \url{http://dosfan.lib.uic.edu/ERC/bgnotes/igos/ec9301.html}.
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years, the Euro was established by the provisions in the 1992 Maastricht Treaty, which established the European Union, and formally put into circulation in January 1999.

The Euro is the currency of the twelve member states of the European Union: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain, collectively known as the Eurozone. According to the EU’s website, the new currency zone covers some 300 million Europeans. At the moment of its inception, the Euro accounted for 19.4% of the world’s GDP, compared with 19.6% for the United States. The emergence of the Euro confirms the EU’s importance as a commercial power in the world with an 18.2% share of world trade, roughly equal to that of the United States. Shortly after the establishment of the Euro currency zone, its exports were 25% higher than those of the US and twice those of Japan.266 The euro is expected to play a growing role in international trade in the future.

Undoubtedly, the single currency institution of the international monetary system contributed to the hegemonic power position of the United States because before the Euro, 80% of the world’s currency reserve had been held in US dollars, which gave the US economy a huge subsidy in that reserve dollars were invested in US institutions or foreign institutions under US control, but that depended on the continued willingness of foreigners to acquire newly-issued, dollar-dominated US government bonds. The strength of the Euro relative to the dollar might encourage the use of the Euro as an alternative reserve currency. For instance, some governments such as those of India and China have switched some of their reserves from dollars to Euros. In 2004, the Bank for International Settlements reported the proportion of bank deposits held in euros rising to 20%, from 12% in 2001, and it is continuously rising. If the euro were to become either a hegemonic currency replacing the dollar or a co-hegemonic currency equal in reserve status to the dollar, some of the subsidy the US gains would be transferred to the EU. Treasury Secretary Robert Rubin and his deputy Lawrence Summers indirectly responded to the advent of the Euro and said that the dollar’s future would depend crucially on sound, growth-oriented policies in the United States.267 The US government officially, but cautiously, expressed support for the advent of the Euro, but at the same time emphasized the openness of the European market. However, the unofficial comments were much

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266 See the EU Official Website: [http://europa.eu.int/comm/external_relations/us/intro/docs.htm#core](http://europa.eu.int/comm/external_relations/us/intro/docs.htm#core).
more negative.\textsuperscript{268} It bears noting that after the outbreak of the Iraq war, many commentators talked about why the US was so impatient to resist any positive move of the Iraq government and concluded that the switch to the Euro might be a deeper source for the war.\textsuperscript{269}

\textit{Disputes over the existing institutions.} European integration also contributed to disputes over the existing institutions. Sometimes Europe supported some multilateral institutions such as the United Nations and at other times opposed existing institutions that were of more benefited to the US hegemony. The disputes over existing international institutions could also challenge the hegemonic institutional position of the US and its strategy towards European integration. As mentioned above, European states tried in the 1980s to change the decision-making process of NATO. Another example here is the dispute regarding the international shipping regime. Professor Cafruny has done detailed research on this issue and the relations among the US, Europe, and the Third World. His conclusion was that the principles of this regime were the result of a compromise between the divergent interests of the United States and the maritime powers of Western Europe. “As a basic infrastructure of international trade, shipping is a key source of influence in world politics. Historically, conflicts over shipping have reflected general rises of international political economy.”\textsuperscript{270}

After World War II, the United States found that the shipping system was favorable to the interests of Western Europe. In the bulk and tanker shipping sector, the US established a dominant influence through the provision of “Flags of Convenience,” which expressed America’s determination to control the transportation of raw materials. The US government recognized the importance of shipping to European reconstruction and accepted the “Side Payments” provision in the liner-shipping sector. This sector carried manufactured goods. The “benign neglect” shown by the United States to liner cartels throughout the 1950s and early 1960s gave European and Japanese


firms the leading role in the organization of the liner sector.\textsuperscript{271} The concessions to Europe were made in the quest for systemic stability. However, with the relative decline of the American economy and the deterioration of the US balance of payments, the advisability of these concessions began to be questioned in Washington. Western European states had recovered through regional integration and strongly opposed the demands of the US to reform the international shipping regime. They organized a “united front” in the UNCTAD (United Nations Commerce, Trade, and Development) committee. The negotiations disadvantaged the United States and in the early 1980s the UNCTAD passed the Code of Conduct, though the United States declined to accept.

The example of international shipping regimes clearly demonstrates the rise of institutional conflicts between the hegemon and the rising challenger, even in some less important areas. Although the US tolerated Europe in the 1950s for the sake of structural interest, the relative decline of the US and the increasing number of institutional conflicts has resulted in a struggle to maintain or change the existing institutions. Hence, American support for European integration has been decreasing since the mid-1960s, and after the Cold War, their differences on the existing international institutions such as the United Nations has caused much more trouble between these two powerful entities.

Conclusion

This chapter is focused on examining the explanatory power of hegemonic power position and institutional position for explaining US strategy towards Western European integration. It begins with a discussion of European integration history and its effect on reducing the power gap between the United States and Europe. The second section reviewed US strategy toward European economic integration and military integration. Generally speaking, their relationship has moved from the solid alliance that existed during the Cold War to normal great power cooperation in the unipolar era. The third section explained the change in US strategy towards European integration through the coherence and difference in structural interest and institutional interest between the EU and the United States.

The strong support from the US during the 1950s and mid-1960s was mostly based on the coherence of their structural and institutional interest. From the mid-1960s to the mid-1980s, these

\begin{footnote}{271}{Alan W. Cafruny, “The political Economy of International Shipping: Europe Versus America,” pp. 100-101.}\end{footnote}
two economic colossi still held fundamentally coherent interests, but conflicts had been rising with the growth and protectionism of the European Community. Since the end of the Cold War, the US has adopted a competing strategy toward European integration through NAFTA and new transatlantic integration, has tried to maintain its leadership position by preventing Europe from establishing an integrated military force independent of the United States, and divided Europe into a “New Europe” and “Old Europe.” The conflicts of structural interest and institutional interest have undermined US-EU relations. However, it bears noting that after the Cold War, with the disappearance of the Soviet threat, the EU and the US still share some common institutional interests such as promoting liberal and market world institutions. Also, the revival of the US economy since the mid-1990s has prevented the shrinking tendency of the US-EU power gap, which has also contributed to mitigating the negative impact of European integration and its independent inclinations. In short, the concepts of structural and institutional interest could be a powerful explanation of the source of American Strategy.

This study presents a convincing case for the explanatory power of hegemonic positional interests proposed in Chapter One. Because Europe has been a critical ally of the United States in international institutions, US policy towards it has remained relatively stable. The changes in US strategy towards European integration illustrate the importance of the relationship between US-European structural interest and institutional interest. Actually, the relative stability of US-European relations has stemmed from their coordination of interests on hegemonic institutions as abovementioned. Here, another point that bears noting is that the domestic politics of the United States will definitely influence US strategy towards European integration, but the primary objective of my article is explanatory, which concludes that the theory must be limited to the systemic level.  

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Chapter Four

American Hegemony and East Asian Integration:

The Evolution of Interest and Strategy

The postwar world is constituted by three major regions: Western Europe, North America and East Asia, which comprise of almost all the great powers in the international system. As the previous studies have revealed, both European integration and North American integration are embedded in a highly institutionalized framework: the former in the European Community and European Union, and the latter in NAFTA. Things are very different in East Asia from those of Western Europe and North America. The major members of European integration are critical allies of the hegemon, and the US itself is a participant in North American integration. Compared to these two regions, the integration process in East Asia has been going in another way: the formal institutions remain at a preliminary stage, but practical (informal) integration surpasses many other regional integration processes. Furthermore, there exist various organizations in this region: a number of bilateral treaties, weak regional arrangements and very open trans-regional forums (such as APEC and ASEM\textsuperscript{273}). Does the hegemon have a strategy towards East Asian integration? If this is the fact, how has the US strategy evolved after the Second World War? The most important issue is: can the synthetic Neorealist model be used to explain the evolution of American strategy? This chapter will focus on these critical issues.

Before examining the East Asian integration process, the scope of East Asia must be clarified. According to contemporary regional institutions, there are mainly three groups related to East Asian integration: ASEAN (Association of Southeast Asian Nations), APT (ASEAN Plus Three), and Asia Pacific. ASEAN was the most important multilateral political organization in this region during the Cold War. Asia Pacific emerged in the early 1990s and primarily focused on economic affairs. APT is the latest regional organization that is involved with both political and economic issues in East Asia. ASEM (Asia-Europe Meeting) is a trans-regional forum among East Asia and Europe. ASEM (the Asia-Europe Meeting) is an informal process of dialogue and cooperation bringing together initially 15 EU member states and the European Commission, with ten Asian countries (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). At ASEM 5 Summit in 2004, 13 more countries (10 new EU members and 3 Asian countries) become part of the process. See the Official Website of ASEM, “About ASEM,” http://www.aseminfoboard.org/About/.

\textsuperscript{273} ASEM (Asia-Europe Meeting) is a trans-regional forum among East Asia and Europe. ASEM (the Asia-Europe Meeting) is an informal process of dialogue and cooperation bringing together initially 15 EU member states and the European Commission, with ten Asian countries (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). At ASEM 5 Summit in 2004, 13 more countries (10 new EU members and 3 Asian countries) become part of the process. See the Official Website of ASEM, “About ASEM,” http://www.aseminfoboard.org/About/.
Asia. My definition of East Asia is basically consistent with that APT, but North Korea is also included. Specifically, East Asia should include Southeast Asia (ten member states of ASEAN\textsuperscript{274}) and Northeast Asia (China, Japan, South Korea, North Korea). The definition is based on geographical proximity, economic exchange intensity and power structure. ASEAN is a relatively mature subregional organization in Southeast Asia, but the economic integration inside it has not made any great progress. APEC indeed helps promote economic exchange in the Asia Pacific region, but its geographical size prevents it from developing into a tight regional community. APT has been considered the most promising regional organization on account of its geographical proximity, intense economic exchange, and the existence of powerful states as the leaders. Of course, all the major regional arrangements will be discussed because they are related to the regional integration process in East Asia. Actually, APT, or the East Asian Community, has been emerging on the basis of various organizations.

1. The East Asian Integration Process

(1) The Practical Integration Progress in East Asia

*East Asian economic integration started in the mid-1980s when the bipolar conflicts decreased and the USSR began to decrease its ambitions in world politics. Two important factors contributed to this process: the rise of the Japanese economy and the open door policy of China. Of course, some formal organizations like ASEAN also tried to facilitate economic cooperation among its members. After twenty years, the practical integration in this region has developed to a considerably high level while lacking powerful and formal integration institutions. It is not very difficult for us to find the data regarding East Asian integration. Actually, many graphs and tables are provided in the appendix to this chapter. Here, intra-regional trade is briefly described, and then the close integration networks in East Asia are specified, which could not be found in other regional integration process. These networks both embody deep economic integration and promote this process.*

*In the view of many economists, East Asian regional integration has indeed begun. According to three scholars of economics, East Asia has undergone fast economic growth after World War II. “The growth of per capita GDP averaged over 4 percent in China and*
the major East Asian economies (Indonesia, Korea, Malaysia, the Philippines, Singapore, Thailand) between 1960 and 1994, compared with less than 2 percent in other developing economies and 2.6 percent among industrial countries.\(^{275}\) Considering the “flying geese” model and the high interdependency of East Asian economies, the integration process seems inevitable. Overall East Asian exports have been the fastest growing in the world. Regional share in world exports has risen from 15% in 1980s to 25% in 2003.

The most important indicator for this argument is the fast increase of intra-regional trade in this region. For instance, Dajin Peng reviewed the viewpoints of many economists on this issue, and concluded as followed, “they point out that fast rise of intra-regional trade in East Asia: Intra-regional export rose from 30.9 percent in 1986 to 49.5 percent of total trade of East Asian economies in 1994, while the export dependency of East Asia on the US fell from 34 percent to 22.8 percent in the same period. If imports are also included, intra-regional trade in East Asia already exceeded 50 percent 1995.”\(^{276}\) Another illustrative data comes from Shamshad Akhtar. He found that, “intra-regional exports as a percentage of total regional exports has increased from over 33% in 1980 to over 50% in 2003. While this is lower than the share of intra-regional exports in NAFTA or the EU, the real story is that they have increased more than eleven-fold over the past 23 years.”\(^{277}\)

Osamu Watanabe is the Chairman of JETRO (Japanese External Trade Organization).

According to his estimate, about 53% of East Asia’s total trade is intra-regional—somewhat less than the 67% for the EU 27 (including Bulgaria and Romania, which are both scheduled to join in 2007), but higher than the 46% for NAFTA. The East Asia figure suggests that the region’s integration is rapidly intensifying.\(^{278}\)

Besides the growing intra-regional share in East Asia, the informal integration networks also clearly manifest the close economic relationships among East Asian countries. These informal institutions make up for the lack of powerful centralized organs in the region. There exist two special

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relationships or networks in East Asian integration: ethnic business networks and regional production networks (RPN). These two networks are based on the traditional ethnic ties and modern industrial linkages respectively. The regional production network (RPN), driven by foreign direct investment from Japan and based on a multi-tier division of labor, is stitching together the disparate economies of Asia, integration them with one another. 279

Mitchell Bernard and John Ravenhill were among the first Western scholars to realize the existence of RPNs in East Asia. They observed that efforts of the Japanese firms to regionalize their production had led to the emergence of hierarchical production networks linked both backward to Japanese innovation and forward to the American market. 280 Of course, Japanese firms have established a large number of useful business networks while expanding the “flying geese” model into East Asia. Richard Doner argues that Japan is exerting “leadership from behind” in East Asia through an efficient network for informal exchange and policy coordination. These networks are mechanisms of coordination among formally independent firms involving long-term collaboration based on a distribution of technological skills and production practices. 281 Actually, the United States has found that many American firms could not compete with their Japanese rivals under these informal institutions, especially in the 1970s and 1980s.

The idea for regional production networks initially came from Japanese economist Kaname Akamatsu, who found that the process of industrialization in the Japanese Empire at the time followed three stages: import of new products, import substitution and export. This process appeared on the graph in an inverse “V” shape, resembling the wild flying geese pattern. 282 The Japanese government used his theory to justify the division of labor in the “Greater East Asian Co-Prosperity Sphere,” though Akamatsu confined his activities to those of a scholar. 283 After the Second World War, Japan resumed economic great power status in the mid-1960s, and achieved a leadership position in East Asian economic integration not through the coercive division of labor, but in the

form of regional production networks. Toshio Watanabe used “Asia’s structural transformation chain” to describe the multi-tier division of labor, which is what Saburo Okita called a flatter flying geese pattern.\textsuperscript{284}

According to this pattern, East Asian economic development can be divided into three stages in terms of differences of technology intensification: labor-intensive economies, capital-intensive economies, and technology and knowledge-intensive economies. As an economy’s industrialization advances and the income level rises, some of its products will lose their competitive advantage, and the economy has to shift its products to other economies in a lower tier and upgrade itself to more advanced products. The continual “outsourcing” to lower tier states inevitably leads to the evolution of an export-oriented production network spread throughout East Asia.\textsuperscript{285} In this pattern, Japan is regarded as the leading goose and is placed in the first tier, EANIEs (East Asian Newly Industrializing Economies) in the second tier, and ASEAN plus China in the third tier. The relationship among the three tiers is a constant relay of mature industries from higher tiers to lower ones.\textsuperscript{286}

The RPN is both a clear description for East Asian practical integration, and at the same time a major means for Japanese leadership in this process. Japanese companies have established efficient linkages among other countries in the absence of formal integrative regimes, especially during the Cold War. Of course, “the head offices of large companies are located in the Japanese megalopolis. Industrial and commercial firms, laboratories, banks and insurance companies work according to global strategies progressively elaborated at the group’s head office.”\textsuperscript{287} However, close economic exchanges will inevitably lead to higher institutionalization. Thus, since the late 1980s, East Asian integration has been increasing institutionalized by formal regional organizations, which has led to drastic responses from the hegemon. The RPN enhanced Japanese leadership and control of the East Asian market caused tense conflicts on trade policy between America and Japan. But this informal institution is unable to organize East Asia into a really political and economic unity. With ASEAN,
especially Malaysia, pursuing the establishment of an East Asian Community managing regional political and economic affairs, it is very likely that the international political structure may tend to be more multi-polar as a result of East Asian integration and European integration. Thus, it is important to trace the political and economic institutionalization in East Asia integration.

(2) The Preliminary Formal Economic and Political Integration

The earliest multilateral economic organization in East Asia is the Colombo Plan for Cooperative Economic Development in South and Southeast Asia, which was established in 1951. Now there are 24 members and one provisional member, Mongolia. The original formulators of the plan were a group of seven Commonwealth nations. Presently, Australia, Japan, New Zealand, and the United States are the largest donors. Assistance is given in the form of educational and health aid, training programs, loans, food supplies, equipment, and technical aid. Arrangements for assistance are made directly between a donor and a recipient country.\(^\text{288}\) It initially aimed at promoting economic development in Southeast Asia, mainly through technological cooperation and exchanges of views. After the extension of its membership, the purpose of this organization was enlarged to “promote interest in and support for the economic and social development of Asia and the Pacific.”\(^\text{289}\) Actually, the Colombo Plan lacks enough authority to steer the integration train.

1) From ASA to ASEAN and AFTA

ASA (Association of Southeast Asia) emerged in July 1961 as the first formal multilateral political organization in East Asia. However, at that time only Malaysia, the Philippines, and Thailand were included. For many observers of Southeast Asian politics, the 1961 Bangkok Declaration foreshowed the beginning of real economic cooperation in this sub-region. The Preface of the Bangkok Declaration exalted “the ideals of peace, freedom, social justice and economic well-being,” and urged a new beginning for “common action to further economic and social progress in Southeast Asia,” with a disclaimer of any connection “with any outside power bloc,” and the

assertion that it was “directed against no countries of Southeast Asia.”

As for the political meaning to other great powers, ASA was considered subordinate to US interests in East Asia. One American political commentator gave a following conclusion to the political inclination of ASA, “they may have taken another first vital step toward the consolidation of all the defense arrangements of the Far East, from Japan to New Zealand, into a single sort of Pacific NATO, able to concert its defense efforts effectively. Such a consolidation could be the greatest victory for freedom since the creation of NATO back in 1949.”

The leading country in ASA, Thailand, to some extent, admitted the anti-Communist tendency of the organization. Thanat Khoman, Thailand’s Minister of Foreign Affairs, implicitly talked about the objective of ASA, “we achieve political, economic and social progress at home, we strengthen our ability to withstand political subversion, economic penetration, and outright attempts at domination.” However, as specified in the second section, the US did not pay much attention to this organization. ASA was not a powerful centralized institution; it just provided channels and opportunities for the member states. Actually, ASA ran into difficulties among its member states. Similarly, Maphilindo, an acronym composed of the names of its members, included Malaya, the Philippines, and Indonesia, but the concept was aborted even before it was formally launched because of the hostilities among its members.

In 1967, Indonesia and Singapore joined ASA, and thus turned this organization into a broader regional economic and political organization, namely ASEAN (Association of Southeast Asian Nations). ASEAN was formed as a non-provocative display of solidarity against communist expansion in Vietnam and insurgency within their own borders. Like ASA, ASEAN also strictly limited its tasks and rights as a consultative institution rather than a supernational entity. This limitation made ASEAN unable to effectively manage the internal contradictions in the organization. East Timor is a good case in point. It was Australia, not ASEAN that advocated and executed peace keeping actions. According to the former Philippines President Ramos, “in every one of these crises,
ASEAN’s non-interference principle prevented it from taking purposeful action. Ultimately, ASEAN must be measured against the goals—and the limitations—it has set for itself. ASEAN is not—and was not—meant to be a supranational entity acting independently of its members. It makes no laws and it has neither powers of enforcement nor a judicial system.”

However, ASEAN has indeed succeeded in political affairs by playing the role of balancer among the regional great powers. For instance, it took the lead in creating a promising multilateral dialogue mechanism, ARF (ASEAN Regional Forum), and ASEAN was also the primary advocate of ASEM. ARF is an informal regime of 25 members that seek to address security issues in the Asia-Pacific region. ARF met for the first time in 1994. The current participants in ARF are: ASEAN, Australia, Canada, China, the European Union, India, Japan, North Korea, South Korea, Mongolia, New Zealand, Pakistan, Papua New Guinea, Russia, East Timor, and the United States.

ASEAN actually played the leading role in this multilateral security regime before the emergence of APT (ASEAN Plus Three). Meanwhile, it cannot be denied that ASEAN has contributed to sub-regional stability after its establishment. The internal members learned to reconcile their interests and views inside the organization during the Cold War.

After the Cold War, ASEAN hoped to put more emphasis on subregional economic integration, and this ultimately lead to the conception of AFTA (ASEAN Free Trade Area). The AFTA agreement was subsequently endorsed by the 1992 ASEAN Summit, and transformed ASEAN from a loose forum for policy dialogue and coordination into an institutional mechanism for trade liberalization. However, trade liberalization under the AFTA agreement is limited to particular industrial sectors. Scheduled tariff reductions apply to intra-regional exports of manufactured goods only (provided they have at least 40% ASEAN content). Trade in agricultural products, unprocessed raw materials, and services are not covered. According to the quantitative restrictions of ASEAN in 1999, “member States, except Cambodia, Lao PDR, Myanmar and Viet Nam, shall eliminate all quantitative restrictions on sensitive and highly sensitive products by 1 January 2010. Viet Nam shall eliminate all quantitative restrictions on sensitive products by 1 January 2013. Lao PDR and

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Myanmar shall eliminate all quantitative restrictions on sensitive products by 1 January 2015. Cambodia shall eliminate all quantitative restrictions on sensitive products by 1 January 2017."\textsuperscript{299}

However, what has ASEAN achieved since 1967 to promote regional economic cooperation in the area of trade?

Shee Poon Kim is an expert on ASEAN economic integration. According to his research, East Asian economic integration actually appeared among Japan, China, Korean, and ASEAN, not inside ASEAN. In 1967, ASEAN’s total intra-regional trade volume was 16.7\%, whereas ASEAN’s trade with the rest of the world was 83.3\%. In 1974, intra-ASEAN trade dropped to 12.8\%, whereas trade with the rest of the world jumped to 87.2\%.\textsuperscript{300} After examining the intra-ASEAN trade volume (exports) without Singapore, he concluded that there had been a low volume of trade interaction within ASEAN. In 1970, for instance, the total intra-ASEAN trade amounted to only 3.9\%. In 1992, it increased to 4.7\%. However, with Singapore included, the total intra-ASEAN trade in 1970 reached 19.8\%, but then dropped to 18.2\% in 1992.\textsuperscript{301} Although ASEAN declared the birth of AFTA in 2002, the prospects for an increase in intra-regional trade in the immediate foreseeable future are likely limited, because of the still existing tariff and non-tariff barriers.\textsuperscript{302} As Imada and Naya wrote with respect to AFTA, “although ASEAN’s accomplishments in the political arena have been significant, its achievements in the area of economic cooperation have been limited. Neither its preferential trading arrangements nor its attempt at industrial cooperation have done much to increase intra-regional trade and investment.”\textsuperscript{303}

2) Asia Pacific Economic Cooperation (APEC)

Besides the relatively mature sub-regional organization, there is a trans-regional organization in East Asia that has been aiming at Asia Pacific economic cooperation before the Southeast Asian financial crisis in 1997. This organization is Asia Pacific Economic Cooperation (APEC), which now includes 21 members from the East Asian and American continents. Although the Japanese

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government has been advocating Pan-Pacific cooperation since the 1970s, cooperation has been limited at the unofficial level. PECC (Pacific Economic Cooperation Council) is indeed composed of officials and businessmen from various countries, but it is a very open forum. APEC as an intergovernmental regime also experienced a complicated process until the formal organizational structure was created in 1992. Australian Prime Minister R. J. Hawke brought forward a proposal on “Asia Pacific Economic Cooperation” in 1989. Twelve countries attended the first meeting of APEC in the same year. Because it was very troublesome to identify the geographic scope and membership criteria, the future of APEC remained indeterminate for a long time. After three years of consensus building, the formal objectives of this new organization were finally established with the signing of the Seoul Declaration.  

It was only at the fourth APEC ministerial meeting in Bangkok in 1992 that the decision was taken to establish a modest secretariat based in Singapore. The APEC Secretariat was assigned responsibility for providing logistical and technical services, and financial management for APEC sponsored activities. The APEC Fund is fairly modest in financial magnitude, with an initial appropriation of just US $1 million from contributions by member governments.

Since the 1993 APEC summit in the United States, the organization entered fast developing period up until 1998. The US strategy at this time is specified in the next section, so just one point will be emphasized here. The United States played an active role in establishing the liberal trade goal for APEC, for it was encountering difficulties in global multilateral trade negotiations with the Europe. The Bogor summit in 1994 set up the concrete agenda of Asia Pacific economic integration, namely “free and open trade and investment in the Asia Pacific by 2010 for developed economies and 2020 for developing economies.” In the 1997 Vancouver summit, APEC leaders agreed to a proposal for Early Voluntary Sectoral Liberalization (EVSL) in 15 sectors and decided that Individual Action Plans should be updated annually. Among the fifteen, there were nine priority sectors: environmental goods and services, the energy sector, fish and fish products, toys, forest products, gems and jewelry, medical equipment and instruments, chemicals, and a telecommunications mutual recognition agreement (MRA). The six remaining sectors were oilseeds.

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304 http://www.apec.org/content/apec/about_apec/history.html.
and oilseeds products, the food sector, natural and synthetic rubber, fertilizers, automotive, and civil aircraft. 308

The United States actively advocated the EVSL plan, but it did not have the fast-track authority that it did in North American integration. It also avoided putting the sensitive sectors on the liberalizing agenda. Japan and other countries, especially the Southeast Asian states, which were severely hurt in the financial crisis, were strongly opposed to the American proposals. Ultimately, the ministers agreed in 1998 that the EVSL should be negotiated within the WTO, not as an APEC initiative, and APEC should contribute to promoting global free trade through seeking an EVSL with non-APEC members in the WTO. 309 From 1999 to 2000, APEC made little substantial progress in Asia Pacific integration. Its actions were limited in irrelevant issue areas such as electronic trade. After the “9·11 attack”, the US began to use APEC as a political instrument for an anti-terrorism war. In the 2003 Bangkok summit, APEC dedicated itself not only to promoting the prosperity of member economies, but also to improving the security of the peoples of the Asia-Pacific region. The summit pledged to take specific actions to dismantle terrorist groups, eliminate the danger of weapons of mass destruction, and to confront other security threats. 310

The failure of the EVSL illustrated that it was impossible to realize trans-regional integration in the short term although the hegemon tried to do that. However, APEC has been a useful instrument for the United States to compete with Europe and to fight terrorism. Also, it bears noting that APEC has indeed promoted free trade and integration in East Asia.

3) From EAEG to EAEC

Some East Asian countries worried about the negative impact of the APEC process on their independence and East Asia’s position in world politics. They were inclined to develope a preferential regional trading arrangement similar to that of the European Community. Malaysia walked first in this long march for East Asian regional integration. In 1990 Mohamad Mahathir, the Prime Minister of Malaysia, brought forward a proposal called “East Asian Economic Group

(EAEG),” in which the members are conceived to include ASEAN, China, Japan, and South Korea. The United States, Canada, Australia and New Zealand were excluded in the EAEG plan. That was to say, Malaysia intended to create a regional trade bloc to counterbalance American (including other Western countries) dominance in East Asia. Soon after that, the Malaysian Minister of International Trade and Industry visited other ASEAN countries to explain the EAEG idea. Of course, the proposal received drastic opposition from the hegemon. China was the first country to support the EAEG. South Korea also expressed a positive attitude to the plan. Japan felt that it might be a good chance for it to play the leading role in the East Asian economy, but at the same time it worried that its support would cause a negative impact on US-Japan relations.311

What finally frustrated the EAEG plan was not the opposition of the United States, but the contradictions inside ASEAN. The exclusive plan was amended to be a seemingly more benign and inclusive conception, namely “East Asian Economic Caucus (EAEC).” In March 1991, ASEAN called a special meeting to discuss the EAEG plan for the first time, and then in the 23rd AEM (ASEAN Economic Ministers) meeting, Prime Minister Mahathir stressed the need to work together with the East Asian economies through the formation of the EAEG, because ASEAN member countries alone were not strong enough to make a difference in world trade. He said that the EAEG would be GATT-consistent; it would not be a trade bloc because it would stand for free trade, and it would not be detrimental to ASEAN’s cohesiveness.312 The 23rd AEM meeting agreed to an EAEC (East Asian Economic Caucus) instead of the EAEG. The modified proposal for an EAEC changed the EAEG from an exclusive regional institution to a more open forum including ASEAN, the Asian NIEs (Newly Industrializing Economies), China, and Japan for purposes of policy discussions, information sharing, and consensus building. The US, Canada, Australia, and New Zealand still excluded.

The Singapore summit tended to treat the EAEC as a means of enhancing regional cooperation as well as APEC. In the Singapore Declaration, ASEAN leaders stated that, “with respect to an EAEC, ASEAN recognizes that consultations on issues of common concern among East Asian economies, as and when the need arises, could contribute to expanding cooperation among the

region’s economies, and the promotion of an open and free global trading system.” 313 The Joint Communiqué of the 1993 ASEAN Ministerial Meeting further specified the position of the EAEC, “In this context, the Foreign Ministers consider that the ASEAN Economic Ministers Meeting (AEM) would be the appropriate body to provide support and direction for the EAEC, taking into account that the prospective members of EAEC are also members of APEC. Pursuant on this, the Foreign Ministers agreed that the EAEC is a caucus within APEC.”314

The EAEC had not played a significant role in East Asian integration before the financial crisis in 1997. After 1993, even ASEAN itself has seldom talked about the achievements or its working agenda. The financial crisis resulted in the East Asian countries feeling an urgent need to establish more powerful regional organizations such as the AMF (Asian Monetary Fund). The conception of the EAEC regained attention and contributed to the emergence of APT (ASEAN plus Three).

4) APT and the EAC

APT (ASEAN Plus Three) is the most promising regional institution in East Asia. As mentioned above, East Asian intra-regional trade and investment indeed experienced rapid development since the 1980s. Compared to the lack of great power leadership in ASEAN, the participation of China, Japan, and Korea could make the institution more effective. Of course, ASEAN countries have been insisting on their leading role in this process. The 1997 financial crisis produced a “dramatic change in thinking among both political and business leaders in Northeast Asia and a growing realization of the urgent need for the creation of a formal regional mechanism to deal with any similar crisis in the future and to maintain the economic growth of the region.”315 The APT regime began in December 1997, with the convening of an informal summit among the leaders of ASEAN and their counterparts from East Asia, namely China, Japan, and South Korea. The process was institutionalized in 1999 when the leaders issued a Joint Statement on East Asian Cooperation at their 3rd ASEAN Plus Three Summit in Manila. Since then, a number of key documents have been adopted to set the direction for

ASEAN Plus Three cooperation. In practical terms this process turned the EAEC “within APEC” into a functioning East Asian regional cooperative arrangement.

The APT regime has indeed promoted the East Asian integration process, among which the financial cooperation should be highlighted. In May 2000, the finance ministers of the APT members met in Chiang Mai, Thailand, and arrived at the “Chiang Mai Initiative” (CMI). According to a commentator, the CMI was the first and significant step in official financial cooperation for the whole region that enables the region to better cope with potentially disruptive currency fluctuations and international capital movements so that the countries within the region can protect themselves from volatile and unpredictable capital movements. Out of the Chiang Mai Initiative (CMI), APT has developed three tracks. The first consists of a series of bilateral currency swap agreements. The second track is an agreement to exchange information on short-term capital movements in East Asia and institute an early warning system to apprise governments of any potential problems. The final track entails an exchange of views among APT members on the reforms that are needed to the international financial architecture.

APT and the CMI provide a basis for the development of an Asian Currency Unit (ACU). In May 2006, the finance ministers of South Korea, China, and Japan agreed on the concept of a single Asian currency called the Asian Currency Unit (ACU). It is a notional unit of exchange based on a “basket” or weighted average of currencies used in the 10 member states of the Association of Southeast Asian Nations plus South Korea, China, and Japan (ASEAN plus 3). These three countries will establish a joint taskforce of government officials and experts from public and private research institutes, and come up with a framework for the ACU. It is very clear that great powers, instead of ASEAN, have played the major role in establishing such a highly integrated institution. In addition to financial cooperation, trade integration has also made great progress in APT. For example, at the 2001 meeting in Brunei, China and ASEAN formally announced their intention to establish a free-trade zone within 10 years.

EAC (East Asian Community) has become the focus of the East Asian integration process recently. The EAC conception was firstly brought forward by the EAVG (East Asian Vision Group) in November 2001. The East Asian Vision Group (composed of academics) was created in October 1999 at the APT summit. The EAVG submitted an ambitious plan for a regional bloc to APT. In this report, it wrote as follows, “throughout a comprehensive series of five meetings over the past two years, we have reached a consensus that we should envision East Asia as evolving from a region of nations to a bona fide regional community, a community aimed at world rig towards peace, prosperity and progress. We are agreed on the necessity of such cooperation in all aspects of society including economic, political, security, environmental, social, cultural and educational areas.”

The APT leaders thought some proposals of the report was bold yet feasible such as establishing an East Asian Free Trade Area and liberalizing trade well ahead of APEC’s goals, and warmly thanked President Kim Dae Jung for launching the initiative in 1999. The EASG, established in November 2000, is mainly composed of governmental officials from APT. The EASG found that the recommendations of the EAVG would be useful and focused on identifying areas in which concrete progress could be made to achieve the vision of East Asia. The EASG selected 26 implementable concrete measures with high a priority. The measures included not only economic and financial cooperation measures, but also political, security, institutional measures, and so on.

The first East Asian Summit was held in December 2005. The three great powers have not been guests of ASEAN since then. It was indeed the first step for an “East Asian Community” that the EAVG and the EASG had conceived. The direction of the EAC is still not very clear because outside great powers such India and Australia have been admitted by some countries to balance the Chinese influence. However, this measure has endangered the basis of East Asian regional integration, and made the summit not so East Asian.

(3) The Short-lived Loose Military Integration: SEATO

SEATO (Southeast Asia Treaty Organization) was the only formal multilateral military organization related to this region, though there have existed a number of bilateral security treaties signed by the United States and East Asian countries. SEATO, also named the Southeast Asia

Collective Defense Treaty, emerged in September 1954 when the Korean War had been over for a year and Vietnam was still separated. The earlier hope that all nations in the area would be party to the treaty gave way to the actual participation of only eight: Australia, France, New Zealand, Pakistan, the Philippines, Thailand, the United Kingdom, and the United States. Thus it was not a pure East Asian regional organization. The purpose of SEATO was to foster a system of mutual support to protect Southeast Asia against Communist expansion. Because of the commitment and performance of the United States in the Korean War, all the signatories eagerly accepted the SEATO pact.

The headquarters of SEATO was seated in Bangkok, Thailand. In a document annexed to the treaty, protection was extended to South Vietnam, Cambodia, and Laos, but they were not themselves allowed to join the organization in accordance with the agreements reached at Geneva. SEATO relied on the military forces of member states and joint maneuvers were held annually. SEATO functioned by unanimous vote only, which led to its inability to interfere with Southeast Asian security affairs. The Pacific Charter was signed at the same time to affirm the rights of Asian and Pacific peoples to equality and self-determination, and promote economic, social, and cultural cooperation between the member countries. Because the organization could not effectively arrive at unanimous policies, the member states gradually lost confidence and patience. Pakistan withdrew from SEATO in 1968, and France suspended financial support in 1975. By 1975 the Communist rebellions in Indonesia and Malaysia had been put down, and the Vietnam War was over. The SEATO agreement formally ended on June 30, 1977.

2. American Strategy towards East Asian Integration

(1) During the Cold War

Before the end of the Vietnam War, the US considered the USSR and Communist China as the major challenges of its hegemonic interests in Southeast Asia. It executed the same Containment policy as that in Europe, but in a different form: Cold War in Europe, but “Hot War” in East Asia. The hegemon tried to limit the influence of the USSR through establishing bilateral security

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alliances and supporting subregional organization. After the Vietnam War, China and the US had normalized their relationship and united to contain the Soviet expansion in East Asia. Thus, the US could pay more attention to the economic field, and it found that Japan had become one of its major economic challengers. The late 1970s and 1980s witnessed increasing US conflicts with the Japanese economic policy.

1) Supporting ASA, ASEAN, and SEATO from 1945 to 1977

During this period, the hegemon explicitly or implicitly supported political cooperation in Southeast Asia. This strategy was basically established by the famous Realist George F. Kennan, who at that time served as the director of the Policy Planning Staff of the US Department of State. In Kennan’s opinion, the US should collaborate with the Philippines, the Commonwealth countries (dominated by Britain), and treat the Southeast Asian area as a whole. The hegemonic interest of the United States was to contain the Soviet influence in this region. Based on this national interest identification, the strategy of the hegemon was to cultivate regional cooperation against Communism in this area. Because of the cultural and political diversity of Southeast Asia, the US avoided pursuing the same fast integration as that in Europe. Thus, the initial effort was directed towards “collaboration on joint or parallel action and then, only as a pragmatic and desirable basis for more intimate association appears, should we encourage the area to move step by step forward formal organization.” The Policy Planning Staff paper formed the basis of a report finally issued as National Security Council Paper 48/1 of December 23, 1949.

According to NSC paper 48/2 of December 30, 1949, President Truman agreed with George Kennan on the US hegemonic interest identification in East Asia. The basic security objective was to contain and eventual eliminate the Soviet impact in this region. The US would encourage the formation of non-Communist regional cooperation and regional regimes indirectly. That is to say, the United States was to “help within our means to meet such threats by providing political, economic and military assistance and advice where clearly needed to supplement the resistance of the other

327 Ibid., pp. 128-129.
governments in and out of the area which are more directly concerned.” The paper also decided to “program” $75 million for the area. The United States and Britain both thought that it was very difficult to promote a west-leading fast regional political integration in East Asia because colonial domination had just ended and most East Asian countries put considerable emphasis on their sovereign independence. Thus the US support for regional cooperation before 1965 was relatively prudent.

The US support for East Asian regional cooperation mainly concentrated on cultural and economic matters. The American government thought, in terms of economics, a Marshall Plan would be both too big and too small for Asia: too big because it would undertake to do a tremendous job in a few years of concentrated effort which Asia could not digest; too small because, in devoting a primary emphasis to reconstruction, it would not undertake enough. In the statement of “Point Four,” President Truman placed primary emphasis on technological and organizational assistance to the underdeveloped countries. “The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.” The United States sent a mission under Robert Allen Griffin to develop a program of economic assistance on an emergency basis to remove impediments to economic development in Southeast Asia. Its recommendations were accepted and implemented.

When the ASA emerged in 1961, the hegemon did not pay much attention to this organization. That is to say, the US underestimated the ASA's political influence for containing Communism. The response of the US was mainly caused by Indonesia’s anti-Western stance in the 1950s. Indonesia tried to play a leading role in the developing world. Another factor might be the Vietnam situation. Vietnam was a very important country in Southeast Asia considering its geographical position and economic power. However, it was also possible that Washington had tentatively concluded that the ASA was not particularly germane to the achievement of US foreign policy goals in East Asia.

However, after the United States became directly involved in the Vietnam War, it found that it bore the burden virtually alone, with minor support from Australia, New Zealand, Thailand, and

328 Ibid., pp. 1215-1220.
331 FRUS, Vol. 6, 1950, pp. 87-92.
Korea. In order to reduce its burden and legitimize its participation in the war, the hegemon paid increasing attention to ASA and later to SEATO. Before August 1967 (when ASEAN came into being), the ASA’s relationship to a “loose bipolar” international system was articulated more clearly and more often by both the ASA and the US. The US considered the ASA as a useful and major instrument in East Asia to maintain its hegemonic interest. For instance, US Vice President Humphery and Thailand Prime Minister Thanom Kittaka-Chorn specified the particular relationship of the ASA and the US in a joint statement. “The Prime Minister concurred with the principle underlying the Declaration of Honolulu: that the war in Southeast Asia must be waged on two fronts simultaneously—the military front and the struggle to improve the social, economic and physical well-being of the people.” “It was agreed that organizations such as the Association of Southeast Asia could play a valuable role in fostering new cooperative institutions and stimulating the ideas that would make dramatic economic transformations possible.”

In an address to the influential Council of Foreign Relations in May 1966, US Secretary of State Dean Rusk used the ASA as an example of how Western-aligned Southeast Asian nations could begin to do for themselves what the United States had been trying to do overtly for some time and by itself. Secretary of State Rusk reiterated his earlier views on the ASA and recognized its key role in the background to the October 1966 “All-Asian” Conference on the Vietnam War—one of many attempts to “de-Americanize” the war. He declared, “we will see substantial advantage in the development among the Asian nations themselves of systematic machinery for consultation on political problems and security questions in which they are all involved. We have been greatly encouraged by what has happened in the last several months in just that sort of direction, the recent meeting of the ASA countries which led to the formal proposal by these nations that there be an Asian Conference to take up the question of Vietnam.”

SEATO, directly dominated by the United States, originated from the “United Action” plan of American Secretary of State Dulles. Dulles declared in a speech to the Overseas Press Club of America on March 29, 1954 that “the imposition on Southeast Asia of the political system of

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communist Russia and its Chinese communist ally...should be met by united action." However, after drastic debates and negotiations, neither the French, nor the British, nor the American governments came down in favor of “United Action” as the appropriate response to solve Vietnam’s problem.337 After the failure of the “United Action” plan, Eisenhower suggested a means by which the long-term security of Vietnam could be guaranteed. He suggested that Vietnam could appeal to its neighbors and Western powers to form a set of defensive alliances. This would have the added benefits of removing the “taint of French colonialism” and allow the United States to share the burden of protection with its allies.338 In establishing SEATO, the United States tried to increase the memberships of this alliance to make it more “Asian”, but did not succeed. From its creation to 1977, SEATO was a major instrument of the US in East Asian political affairs. The Vietnam War became the focus of American politics during this period.

2) The US-ASEAN Dialogue and the US-Japanese Trade Disputes

After the disbanding of SEATO in 1977 and the normalization of Sino-US relations, the United States enhanced its support to and relationship with ASEAN though it was not so emergent a task to counterbalance the Soviet influence. The first meeting of the US-ASEAN dialogue was held in September 1977. In the Joint Communiqué of this meeting, the attitude of the US towards ASEAN was appreciated by ASEAN countries. “The United States welcomed the success of ASEAN as a regional organization which has paralleled and reinforced the rising world importance of its members. In that regard, the meeting noted the importance of ASEAN as a positive force for peace, development and prosperity in the region.”339 Since security affairs were not the critical concern of the hegemon in East Asia, the United States and ASEAN talked much about economic cooperation. The US representative emphasized the opposition to protectionism, and tried to unite ASEAN for its efforts against Europe and Japan.

In the meeting, “Under Secretary Cooper presented a U.S. overview of the world economic situation as well as an outline of U.S. foreign economic policies. He stressed the importance of

promoting world economic recovery and resisting the threat of protectionism.”  “The meeting agreed that all countries should reject protectionism. The US recognized ASEAN’s need to seek improved access to the US market. Both sides underscored the importance of the Multi-Lateral Trade Negotiations.”340 As for the ASEAN preferential trade agreement, on the one hand, the United States expressed its appreciation of trade liberalization, but on the other hand, worried about a possible trade bloc tendency. “ASEAN outlined the Agreement on ASEAN Preferential Trading Arrangements and informed the U.S. that ASEAN has submitted its notification to GATT. The US delegation welcomed the objective of trade liberalization within ASEAN and, while it reserved its rights under the GATT, recognized the ASEAN Preferential Trading Arrangements as a useful step in that direction and for strengthening intra-ASEAN economic cohesion. It expressed the hope that ASEAN in pursuing this goal would not be creating trade barriers vis-a-vis third countries.”341 Thus, the United States prudently supported ASEAN internal integration.

With the increasing trade disputes between the hegemon and Japan, the United States tried to establish an FTA with ASEAN to counterattack Japanese protectionism and enhance the American position in the East Asian economy in the mid-1980s. There was no doubt that Japan played an actual role in informal economic integration since the early 1980s. The US government was under pressure from a growing trade deficit with Japan despite the depreciation of the US dollar, and tried to promote exports through open market arrangements. In the opening remarks of the sixth US-ASEAN Dialogue in 1985, the US Secretary of State “stressed the importance the United States attaches to the countries of ASEAN and the value of the dialogue process.”342 ASEAN member economies, for their part, had been focused on developing export industries through free trade zones while largely protecting their domestic markets and, therefore, were not ready for drastic trade liberalization with the United States.343 The sixth Dialogue finally established the US-ASEAN Business Council to deal with the issue of their economic cooperation.

During this period, the US hegemonic interest in East Asia was to contain the Japanese

economic challenge. Japan regained its economic great power status in the 1970s, and its trade behavior caused most of the American trade deficit. The US turned out to be the biggest debtor while Japan became the biggest creditor. As professor Robert Ross observed, Japan’s buildup could lead to a US-Japan conflict. Unlike in US-China relations, the US and Japanese capabilities could become competitive—between two maritime powers an offensive strike can be decisive, as Japan almost showed with Pearl Harbor. Another scholar noted the Japanese economic leadership and its political implication for the United States, “Japan has been using its growing economic and technological potential to strengthen its position in Asia. Japanese diplomacy has been expertly using cooperation with the US to expand its economic and political involvement in Asian affairs. At the same time, it is obvious that Japan’s broad economic and political involvement in Asia carries a high potential for future conflicts between the US and its Japanese partner in Asia.”

Indeed, Japan’s expansion of its business networks throughout East Asia during the 1980s underscored the extent to which common historical experiences provided a basic backdrop for the increasing interest in regionalism. That is to say, Japan used the regionalism sentiment to facilitate its economic expansion in East Asia. As we discussed at the beginning, this expansion mainly took the form of informal networks. The interests of the US and Japan in the integration process in East Asia are not identical. The United States tries to promote the global liberal trade framework and maintain an open market in Southeast Asia for American merchandise. Japan was establishing an actual leadership to ensure its materials sources and political influence. The US-Japan tense trade disputes were also related to the US concern with the Japanese potential domination of East Asia.

(2) After the Cold War: APEC Strategy

After the Cold War, economic affairs increasingly became the center of world politics. Because both Western Europe and North America have developed highly institutionalized organizations, East Asian countries are also inclined to enhancing regional cooperation to compete in a world of trade blocs. Generally speaking, the hegemon supported APEC as a useful instrument for its leadership in

East Asia and strongly opposed the EAEG before the “9 • 11 attack”. APEC is a trans-regional organization based on two principles: open regionalism and voluntary liberalization. The former means that APEC should be inclusive and open for the Pacific states. What is more, the negotiations and integration in East Asia should observe the GATT and WTO framework. The latter means APEC should not be a centralized institution like European Community or European Union. The process for free trade depends on the individual and spontaneous efforts. Thus APEC is a very loose trade organization. After the “9 • 11 attack,” the US tried to use APEC as a political instrument for war on terrorism. The US adopted a cold attitude to the East Asian Summit in 2005.

1) Supporting the APEC as an Economic and Political Instrument

The APEC proposal was brought forward by Australia in 1989 as an informal ministerial forum. Japan, South Korea, and ASEAN were invited to Canberra, but America was not initially included. The United States expressed its desire to participate and finally its request was accepted. The European Community (EC), which considered itself a significant stakeholder in Asia Pacific economic affairs, was refused. “The exclusion of Europe signaled APEC coming into its own as a mature and self-sustaining regional economic framework. The rejection caused the EC considerable consternation.” In the first two years, the function and future of APEC were not very clear. Japan wanted to create a relatively centralized organization like the Pacific Community, but the hegemon tended to use it as a loose forum for discussing trade issues in case Japan gained further dominance in East Asia. Japan and the Asian NIEs, for their part, were more inclined to emphasizing the implementation of projects designed to promote regional economic interdependence. They were skeptical that only exchanges of views on policy coordination could genuinely foster policy harmonization and institutional benefits for the region as a whole.

After Bill Clinton came into power in the early 1990s, the US strategy changed to be more active. On the other hand, Japan and other East Asian countries became more prudent. The Clinton administration used APEC as a useful instrument to counterattack European protectionism and of

course, enhance its domination in East Asia. The hegemon had renewed its confidence at that time. In 1991, China joined APEC and this greatly increased the importance of APEC. The third factor that promoted the change of US strategy was the emergence of the EAEG proposal. They are specify in the last section. In short, the United States believed that APEC was the appropriate way to maintain its presence in East Asia.

Most of important events of APEC happened from 1993 to 1995 when the hegemon actively participated in APEC activities. The United States held the first APEC summit in Seattle in 1993. Before the summit, the APEC ministerial meeting approved a Trade and Investment Framework expressing their intention to reduce barriers to trade and investment in a manner consistent with GATT principles following an American initiative. \(^{350}\) An APEC Trade and Investment Committee was established, in place of the earlier ad hoc Informal Group on Regional Trade Liberalization, and was given a broad mandate to explore avenues for improving the flow of goods, services, investment and technology across the region. \(^{351}\) In a bid to raise the political profile of APEC, President Clinton convened a “leadership conference” of APEC heads of government immediately after the ministerial meeting. The APEC Summit claimed that, “we urge APEC to expand its economic dialogue and advance its specific work projects. The entrepreneurial spirit and market-oriented policies that have driven our economic dynamism will continue to be fostered within APEC.” \(^{352}\) The Summit also decided to establish a Finance Ministerial Meeting and Pacific Business Council. This first-ever Asia Pacific summit was intended to symbolize a resumption of American presidential leadership in the Asia Pacific arena, while focusing high-level attention onto the priority issues of economic development and trade liberalization. \(^{353}\)

In 1997, the United States proposed the EVSL (Early Voluntary Sectoral Liberalization) plan as mentioned above. American Secretary of State Albright in a remark to APEC ministers emphasized that, “we must move ahead with the full package on Early Voluntary Sectoral Liberalization (EVSL).” \(^{354}\) The US tried to use the EVSL as an economic instrument for opening the Asia Pacific


market. For instance, in November 1998, Deputy US Trade Representative (USTR) Richard Fisher called on Japan to open its markets to fisheries and forest exports in accordance with the Asia-Pacific Economic Cooperation (APEC) forum’s nine-sector Early Voluntary Sectoral Liberalization (EVSL) initiative. “We are very anxious, as members of APEC, that the meeting that takes place in Kuala Lumpur be judged by the world markets to be a success. And in order to be a success, it is our judgment and strong feeling that in all the nine sectors that I mentioned—sectors that were identified by the APEC leaders the last time they got together which was in Vancouver one year ago—that there be full participation by the different economies in all nine sectors.”

APEC committed to a broad range of trade liberalization plans among the members in Bogor Declaration of 1995, but the results were never discussed seriously even in its goal year of 2005. Although the EVSL plan met great setback in the late 1990s, the hegemon has always been insisting that the primary role of APEC is East Asian integration. American Secretary of State Albright said in the 1997 APEC Summit, “I think, for us, APEC is a very important part of our policy. President Clinton is looking forward to coming in order to reiterate a message of restoring stability and restarting growth. Under the aegis of APEC, the United States is an Asian nation very proudly, and we want to make sure that APEC remains a cornerstone of America's engagement in the Asia Pacific.”

Christopher R. Hill, who is charge of the US policy toward East Asia, reaffirmed US support for APEC in 2006 as follows, “for the United States, APEC is the key institution for pursuing trade and investment liberalization and addressing issues that demand multi-lateral cooperation, such as confronting the threat of an avian influenza pandemic and regional security. At the annual APEC Summit in November 2005, President Bush affirmed that APEC is the premier forum in the Asia-Pacific region for addressing economic growth, cooperation, trade, and investment.”

After the “9 • 11 attack,” the US has been using APEC as a political instrument for countering terrorism. Security affairs have become a major topic at APEC summits since 2001. For instance, in

357 “Remarks following bilateral meeting of Secretary of State and Canadian Foreign Minister,” at: http://secretary.state.gov/www/statements/971121d.html.
the “2002 Leaders’ Declaration,” “we (APEC leaders) welcomed the efforts of member economies and APEC fora in response to the 2001 Leaders’ Statement on Counter-terrorism. We condemned in the strongest terms recent terrorist acts in the APEC region, and reaffirmed our determination to enhance cooperation on countering and responding to terrorism.”359 In October 2002, President Bush, together with other APEC leaders, launched “Secure Trade in the APEC Region” (STAR) designed to enhance security while increasing trade. The STAR initiative commits APEC economies to accelerate action on screening people and cargo for security before transit; increasing security on ships and airplanes while en route; and enhancing security at airports and seaports.360

2) Opposing Exclusive Regional Organization in East Asia

After the 1997 Financial Crisis, East Asian states felt very disappointed with the liberal policy of the IMF and the United States. Some countries complained that the hegemon was slow to respond to their crises, and Malaysia even attributed the crisis to the conspiracy of American imperialism. Thus the conception of the EAEC was revived and Japan brought forward a proposal for an Asian Monetary Fund. This trend finally led to the 2005 East Asian Summit. However, since the putting forth of the Malaysian proposal for the EAEG in 1989, the United States has been very passive toward an East Asian integration process without US involvement. An official of Southeast Korea recalled the US opposition to the EAEG, “The US pressure was especially strong in the late 1980s, when Malaysian Prime Minister Mohamad Mahathir proposed an exclusive Asian economic zone that evoked many sharp criticisms from the first Bush administration. Then Secretary of State James Baker ‘twisted the arms’ of the Korean and Japanese foreign ministers to make sure they rejected Mahathir’s plans.”361 The United States for its part was vigorously opposed to the Malaysian proposal, partly because of a long-standing irritation with Mahathir’s provocative foreign policy posturing, but mainly out of concern that an exclusivist East Asian economic grouping could “divide the Pacific region in half.”362

The United States exerted great pressure on Japan and South Korea to reject Mahathir’s EAEG

conception. Japan and ASEAN changed the strictly exclusive character of the EAEG into a more consultative forum, the EAEC. As mentioned above, in the 1993 ASEAN Ministerial Meeting, a compromising solution was arrived at that attached the EAEC to the US-leading APEC regime. The EAEC could still independently conduct its work, but it should be considered as a part of APEC. Thus, the EAEC would not develop to be an exclusive organization that the US strongly opposed. Actually, in order to decrease the importance of the EAEC regime, the Clinton administration actively promoted APEC cooperation and enhanced its institutionalization. For the Asian Monetary Fund, the hegemon tried to deny its necessity by emphasizing the role of the IMF. International Monetary Fund supported the attitude of Americans. The IMF managing director Camdessus once talked about this issue as follows, “the Asian Monetary Fund was an idea launched in September 1997. It did not have much support among the other major industrial countries, who were concerned about the risk of having a fund with softer conditionality which would not allow the IMF to do its indispensable job.”

American Secretary of the Treasury also expressed the same idea in another meeting. “We have a number of reservations about proposals for a Asian Monetary Fund because we have believed it is best for the response to financial problems and global financial markets to be a global response, because we have been concerned about issues relating to the greater intrusion of political factors in regional financial groupings to respond to crises.”

The United States also objected to the South-East Asian Nuclear Weapons-Free Zone Treaty signed in December 1995 because the treaty seemed to constrain US freedom of navigation in the region even though ASEAN was too weak to challenge American maritime hegemony. After the 1997 crisis, regional integration in East Asia has been considered more and more in the form of APT. The outcome of APT cooperation was the first East Asian Summit in 2005. The United States requested observer status in the Summit, but its attitude was very negative. President George Bush did not even send an American mission to the inaugural meeting. However, after the inauguration of the Summit, the hegemon found that this summit was much broader and more open that it expected. Thus, it wanted to play a role in this new regime.

The US Assistant Secretary of State Christopher Hill, speaking at a conference in the Philippine

capital, articulated the US strategy towards the EAC. He said, “last year it was sort of a wait and
see.” “There was a concern this is going to be somehow just a Chinese venture but clearly it was
much broader than that.” Hill told the reporters that, Washington also expected to be part of the
evolving bloc. “I’m trying to get a sense of the opinions around the region,” Hill said, adding there
was enough time for Washington to decide on how intensely it could get involved in the East Asian
Summit before the group would hold its second summit in the Philippines in December.365

3) EAI and Enhancing Bilateral Relations

Besides advocating APEC and opposing exclusive organizations, the hegemon has also strived
to establish a web of bilateral security and economic relations in East Asia. Actually, after the Cold
War, the United States has consolidated its military alliance system in this region, in which most of
the important countries such as Japan, South Korea, Philippines, and Thailand, are included. Since it
is impossible to develop a highly institutionalized APEC for East Asian integration, the hegemon has
been trying to create bilateral FTAs in the region. These FTAs could ensure that the US won’t be
excluded from East Asian economic growth as this region develops into a closed community
competing with NAFTA. During the APEC meeting in Mexico in 2002, American President Bush
announced the Enterprise for ASEAN Initiative (EAI). This Initiative is aimed at strengthening US
economic and politico-security relations with Southeast Asia.366 According to the White House’s
comment, “The EAI offers the prospect of bilateral free trade agreements (FTAs) between the United
States and ASEAN countries that are committed to economic reforms and openness. The goal is to
create a network of bilateral FTAs, which will increase trade and investment, tying more closely
together our economies and our futures.”367 Under the EAI, the United States and individual ASEAN
countries will jointly determine if and when they are ready to launch FTA negotiations. The United
States and ASEAN also announced a Joint Vision Statement on the ASEAN-US Enhanced
Partnership just prior to President Bush’s meeting with ASEAN leaders on the sidelines of the

365 Associated Press, “US wants role in SE Asian group after initial reluctance,” at:
366 Hadi Soesastro, “The Evolution of ASEAN+X Free Trade Agreements: Implications for Canada,” Economic
367 White House, “Enterprise for ASEAN Initiative,” at:

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November 2005 APEC meeting in South Korea.368

The US-Singapore FTA was launched in November 2000, and the Agreement was concluded in January 2003. This was the hegemon’s first participation in an East Asia bilateral FTA. The US-Singapore FTA expanded the US access to Singapore’s market in almost all the fields. According to the comment of the USTR (United States Trade Representative), “Singapore guarantees zero tariffs immediately on all U.S. goods, and the FTA ensures that Singapore cannot increase its duties on any U.S. product. This Agreement will serve as the foundation for other possible FTAs in Southeast Asia under President Bush’s Enterprise for ASEAN Initiative (EAI).”369 The Second FTA of the US under the EAI was the US-Australian Agreement. The negotiations began in March 2003, and the US made it a priority for both countries to conclude the Agreement. The negotiations were concluded in February 2004. The Agreement eliminated more than 99 percent of manufactured goods tariffs between the two countries.370

In February 2006, the United States started negotiations with South Korea for a FTA. The hegemon put much importance to this agreement and linked it to the US presence in East Asia. “Few countries better represent the promise of open markets, democracy and economic reform than Korea,” USTR Rob Portman continued, “our countries have been allies for over a half century, and with this agreement, we can strengthen our alliance, reaffirm our commitment to remain vigorously engaged in Asia, and create new opportunities for prosperity and peace for the people of both our countries.”371 One month later, Rob Portman announced the Administration’s intention to negotiate a FTA with Malaysia. He said, “this FTA would be the third we are negotiating in the economically vibrant and strategically important Southeast Asia region and will advance the President’s Enterprise for ASEAN Initiative.”372 In addition to these bilateral actions, the United States agreed with Thailand in April 2002 to begin work on a Trade and Investment Framework Agreement that would

set up a permanent joint consultation system to study elements of a bilateral FTA and solve trade problems. The web of bilateral FTAs has constituted the cornerstone of the hegemonic access in East Asia.

3. Explanation on American Strategy Evolution

In this section, the synthetic Neorealist model of hegemonic interests is used to explain the evolution of American strategy towards East Asian integration. As mentioned above, political and military cooperation in this region preceded economic integration. The US has been supportive of ASA and ASEAN, and organized SEATO by itself. Since the 1980s, the informal economic integration, led by the Japanese production and business network, began to evoke the call for formal economic regimes. The United States changed its policy focus from political issues to economic issues after the Cold War and actively supported the APEC-led integration process. After the “9 • 11 attack,” the hegemon tends to use APEC as a political instrument for the anti-terrorism war. Can the synthetic model of hegemonic interests explain this complicated process?

(1) Structural Cause and American Strategy

When we discuss the structural cause of American strategy, both global and regional power distribution should be included. China and Japan are two regional great powers in this area, and their collaboration will render this regional community similar to that of Western Europe. Of course, this condition could not appear in the short term. During the Cold War, the structural interest of the hegemon was to contain the Communist influence, and thus the USSR and China before 1969 were the main objectives of the “Containment Policy.” From the end of the Second World War to the mid-1960s, there was no power that could challenge the US global hegemony. That is to say, the regional cooperation of Southeast Asian countries was not a threat to the hegemon, but the United States could support it to balance the influence of the USSR and China. Thus, the United States has been supportive of the ASEAN integration.

However, hegemonic power is constrained by two factors: geographical distance and traditional heritage. Geographically, hegemonic power can reach East Asia, but the cost is greatly increased by the Pacific Ocean. The USSR, China, and Japan enjoy much advantage as a result of

their geopolitical positions. Robert Ross even argued that a line of containment in East Asia making the region bipolar would be a source of stability, dividing the region into continental and maritime spheres presided over by the US and China.\footnote{Robert S. Ross, “The Geography of the Peace: East Asia in the Twenty-First Century,” \textit{International Security} 23:4 (Spring 1999), pp. 81-118.} Traditional heritage was another factor that constrained US hegemony in East Asia. Most of the Southeast Asian countries are pre-colonies of Western great powers, which led to their special emphasis on their sovereign independence. Asian countries are much more likely to devise their own rules, employing strategies beyond balancing and containment, such as engagement, mediating, binding, and distancing, in managing their relations with major powers, rather than simply bandwagoning.\footnote{Alastair Iain Johnston and Robert S. Ross, eds., \textit{Engaging China: The Management of an Emerging Power}, London: Routledge, 1999.} ASEAN states distrust both China and the US and prefer to rely on regional multilateral institutions to prevent the two powers from polarizing the region into opposing camps.\footnote{Amitav Acharya, “Containment, Engagement, or Counter-dominance,” in Johnston and Ross, eds., \textit{Engaging China}, pp. 129-51.} The hegemon worries about its overfull intervention in Southeast Asian regional affairs will invoke the contrary reaction. Thus, the structural interest of the hegemon during the Cold War was defined as maintaining the hegemonic power position and preventing the USSR from dominating the region.

Therefore, the support of the United States for the ASA and ASEAN was very prudent. It did not bring forward any concrete cooperation plan for the Southeast Asian countries. The hegemon just welcomed these two organizations and sent some assistance. The failure of SEATO to some extent reflected the conflicts of the hegemon and other Western powers, especially France, and the constraints on American power. The hegemon tried to use SEATO to legitimize its role in Vietnam War and counterattack the penetration of the Soviet Union. The United States worried that the loss of Vietnam would greatly enhance Soviet power and threaten American security. For instance, Secretary of State Rusk made his recommendations to the President in a memorandum dated November 11, 1961, in which he addressed the question of US national interests in specific terms, “the deteriorating situation in South Viet-Nam requires attention to the nature and scope of United States interests in that country. The loss of South Viet-Nam to Communism would involve the transfer of a nation of 20 million people from the free world to the Communist bloc. The loss of South Viet-Nam would make pointless any further discussion about the importance of Southeast
Asia to the free world; we would have to face the near certainty that the remainder of Southeast Asia and Indonesia would move to a complete accommodation with Communism, if not formal incorporation with the Communist bloc.” Rusk then recommended that: “We now take the decision to commit ourselves to the objective of preventing the fall of South Viet-Nam to Communism and that, in doing so, we recognize that the introduction of United States and other SEATO forces may be necessary to achieve this objective.” It was very clear that SEATO and ASEAN were useful instruments for American structural interest.

The setback in the Vietnam War made the hegemon recognize its power limitation and more strictly observe the policy of regional power balance. That is to say, the hegemon did not attempt to dominate the East Asia, but only prevent any other great powers from doing so. Two important factors also greatly influenced the power distribution. One was the normalization of the Sino-American relationship; the other was the rise of the Japanese economy. The former was favorable to the hegemonic structural interest because it meant that a regional power balance became much more likely to emerge through allying with China. The influence of the latter was to the contrary, and finally led to the US-Japanese tense trade conflicts in the 1980s. From the mid-1960s to the end of the Cold War, East Asia was rapidly becoming “too powerful to be either contained or controlled by the US.” During the postwar era the relative position of the US in the Asia-Pacific region has been transformed from preponderance to power balancer, exporter to importer, creditor to debtor.

Japan began to play the leading role in the informal economic integration process though it did not organize formal institutions.

Britain was the leading foreign capital investor in the Asian and Pacific areas from the end of the Second World War until the mid-1950s when the United States took over that position. The United States continued to increase and accumulate foreign capital investments thereafter. In the 1960s, Japanese capital, chiefly for manufacturing enterprises, made a remarkable advance in the region. Japan competed with the United States in fertilizers, medical supplies, mining materials, and so on. Machinery is divided into two parts; large-scale machinery is usually produced in the US,
while small-scale machines are Japanese-made.\textsuperscript{379} When the Asian Development Bank was founded in 1966 with an initial capitalization of $1100 million, $200 million was Japanese, making Japan, with the United States, the Bank’s largest contributor (and later the largest contributor to the Bank’s Special Fund, providing $20 million of $23 million to the Fund for Agriculture, and $80 million of $125.8 million to the multipurpose fund.). However, it was premature for wide Asian public acceptance of Japanese economic leadership, and Manila, rather than Tokyo, was the compromise site chosen for the Bank’s headquarters, although the Bank’s first president was Japanese.\textsuperscript{380}

Japan’s role in the East Asian economy has led to a lot of controversies. During the high time of Japanese FDI expansion, some asserted that a yen bloc was being or would be established in East Asia, citing the potential impact of rising Japanese trade and investment.\textsuperscript{381} For Japan, establishing a regional production network through the informal multi-tier division of labor is preferable to establishing a formal and exclusive regional free trade area in East Asia. However, this tendency has caused tense conflicts and suspicion in the alliance. As mentioned above, the United States and ASEAN established regular dialogue that has been focusing on economic liberalization. Actually, in the 1970s, the USSR was still the global challenger of the US hegemony, but in the economic field, the rise of Japanese power also threatened the US hegemonic power position. Thus, the transformation of regional structure evoked some changes of American strategy. The United States tended to emphasize economic relations with ASEAN, and tried to prevent Japan from dominating East Asian markets by informal networks. Compared to the competition with the USSR in political and military power, the competition between the US and Japan concentrated on the market and the economy. In short, US structural interest in East Asia during this period was to contain Soviet political power and Japanese economic power.

The evolution of regional structure continued with the growth of East Asian integration. The dynamic changes in trade relations between East and Southeast Asian countries also fostered a shift in the pattern of trade and investment flows between East Asia and the North American

economies. During the late 1980s, a so-called “triangular pattern of trade” emerged between Japan, the United States, and the NIEs (Newly Industrialized Economies) and ASEAN developing countries.\textsuperscript{382} China, Japan, and South Korea (ROK, Republic of Korea), as the three core states of Northeast Asia (NEA-3), accounted for only 4 percent of world GNP in 1960 (compared to 37 percent for North America). By 1992, however, the combined economies of East Asia (Japan, China, South Korea, Taiwan, Hong Kong, and Singapore, along with the states of the Association of South East Asian Nations (ASEAN) nearly matched those of either North America or Western Europe, each of the three accounting for about 30 percent of world GDP. By 2000, Japan, Greater China (China, Hong Kong, and Taiwan), and South Korea together produced about 25 percent of the world gross domestic product (GDP).\textsuperscript{383} The following figure shows the changes in East Asian regional structure.

We can clearly understand the rise of East Asian economic position in international structure.

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The changes in international and regional structure have led to the profound transformation of American strategy after the Cold War. The USSR is not a global challenger any longer. Japan and


Europe become the strongest economic rivals of the United States. Furthermore, the rise of East Asian economies also increased the significance of the integration process in this region. In the 1990s, most East Asian countries underwent fast economic growth and their market, labor, and cooperation become more and more important for the hegemon. That is to say, the political and security importance of East Asia declining, but the economic significance was rising. If this region developed into an entity like the EU, US economic power would be harmed and it would encounter another strong competitor. US companies would risk losing their competitive advantage in large Asian markets without US involvement in Asian integration. Some scholars think that US-East Asian economic relations have changed dramatically in the last fifteen years. Once dominated by US technology and capital, the market-oriented economies of the Asia Pacific region have become formidable competitors of US industry. East Asia’s intra-regional trade, investment, and aid flows have surpassed similar linkages with the United States. In other words, a EU-like group could potentially replace APEC as the main multilateral forum in Asia on trade and investment liberalization and economic integration. Therefore, the post-Cold War American strategy towards East Asian integration was mainly emphasizing the significance of APEC and opposing exclusive regional agreements such as the EAEC. APEC could ensure that the United States was involved in and dominated the integration process, and American companies could get more access to East Asian markets. As noted several times in previous chapters, the US has been going through a remarkable period of sustained economic growth. Concerns about a regionalized global economy appeared to have subsided. In addition, as Davis B. Bobrow has noted, the US government had no real objection to the inauguration of ASEM as it appeared to fit in well with Washington’s own economic and security policies as well as its interest in fostering the development of civil societies in East Asia. By this time the US and Australia had also toned down their opposition to a regional grouping. At the July 1996, ASEAN minister’s meeting, Joan E. Spero, speaking on behalf of the US administration,

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stated that the US would not oppose the EAEC so long as it did not split the Pacific Rim down the middle. However, the US attitude has been very negative toward the East Asian Summit. Its structural concern could not be relaxed over the long run. After all, Europe and East Asia are the only two regions that might develop into new poles in the World.

Compared to multilateral instruments, bilateral negotiations are more favorable to the hegemonic state for preventing East Asia from forming a closed community. Thus, since 2002, the United States has made great effort to establish bilateral FTAs with East Asian countries under the Enterprise for ASEAN Initiative.

(2) Institutional Cause and American Strategy

As the synthetic Neorealist model specifies, institutional interest is another critical concern of the hegemonic state because the favorable international institutions could benefit economic development, alleviate its international burden, enhance soft power, and increase the legitimacy of hegemonic domination of international system. It is closely related to the US structural interest whether East Asia will develop to be another pole; and American institutional concern regarding regional integration is whether the regional institutions will coordinate with the global hegemonic order. Both ASEAN and APEC are strategic instruments for the hegemon to maintain its global institutional interest. During the Cold War, the competition of Socialist institutions and Capitalist institutions was the primary concern of the hegemon. Based on this fundamental institutional interest, the ASA and ASEAN were useful for the United States to for expanding its hegemonic institutions into East Asia. As mentioned above, both the ASA and ASEAN considered Communism as the biggest threat and agreed on human rights, democracy, freedom, and market institutions. The coherence of global hegemonic institutions and Southeast Asian subregional institutions prompted the hegemon to support the cooperation process.

Although SEATO proved to be an ineffective instrument for the hegemon to interfere in Southeast Asian political affairs, it was indeed the hegemonic regional institution that helped to legitimate American intervention in Vietnam. Both NATO and SEATO were used by the US to relieve its security burden in the bipolar conflicts. Bilateral military alliance was another major

means for the hegemon in East Asia to supplement the ineffectiveness of SEATO. After the disbanding of SEATO, the hegemon tended to object to the organizing of a multilateral military system in East Asia because it feared that such regimes would offer an opportunity for the USSR to enhance its position in the region. In particular, Washington did not wish to give the Soviet Union an opportunity to place naval control on the regional security agenda. Washington rebuffed the proposal by Soviet leader Mikhail Gorbachev, in a major speech at Vladivostok in 1986, for a Pacific conference similar to the Helsinki conference on security cooperation in Europe. Since the Vietnam War, a power balancing system in East Asia could better contribute to the US impact in this system, and thus the hegemon had no interest in developing another multilateral regional security institution.

With regard to economic issues, the hegemon has been insisting on the primary role of the IMF and GATT (WTO) to deal with global trade and monetary issues. Both NAFTA and APEC are strategic instruments for America to open the European and Japanese markets. For instance, the US Trade Representative described the 2004 APEC Summit as followed, “under President Bush’s leadership, APEC agreed to take action to move the WTO’s Doha Development Agenda negotiations forward. Leaders welcomed the new momentum in the WTO Doha negotiations since the adoption of the July Package, and agreed to seek substantial results at the next WTO Ministerial Meeting in December 2005.” “The APEC Leaders further launched the Santiago Initiative for Expanded Trade in APEC, proposed by the United States. The Santiago Initiative will advance APEC efforts to achieve free and open trade and investment in the Asia Pacific region, as well as enhance APEC’s work to reduce transaction costs and red tape for businesses.” By autumn of 1993, Americans were warning that if European countries failed to achieve progress on GATT, then the US might even seek an alternative regional trading arrangement with its Asia Pacific partners. APEC had become, for the US, a shield and a foil in the stalled multilateral trade negotiations.

After the successful completion of the Uruguay Round and the establishment of the World Trade Organization (WTO) where the perceived threat of an APEC FTA played a constructive role in persuading EU to make a compromise, the trend toward regionalism was still intact. As for US

unilateral trade sanctions, the WTO mechanism of dispute settlement, instead of APEC, provided the solution. Thus, APEC is coordinated with the US institutional interest. In the regional economy, APEC has ensured that this region would not close its door to the hegemon. However, the hegemon’s APEC strategy has been not so successful in this respect. The limitations of the APEC mechanism for liberalization later became clear with the failure of the US-sponsored initiative of Early Voluntary Sectoral Liberalization (EVSL) in 1997. After the financial crisis, Japan and other Southeast Asian countries are reluctant to rapidly liberalize their trade and financial systems. The United States does not have fast track authority for trade agreements and is not able to apply pressure to exclude sensitive US sectors from liberalization either. Thus, since 2002, the United States has tended to regard APEC more as a political organization than a free trade instrument. As mentioned above, the EAI and bilateral negotiations have become the major strategy of the US to involve itself in East Asian economic integration.

Besides the effect in the economic field, APEC also could be considered an important political institution for the hegemon. Through the APEC regime, the US could legitimately participate in East Asian political affairs. Actually, the spirit and function of APEC are dominated by the United States. Since 2002, the anti-terrorism war has become a major topic of APEC. In the 2003 Leaders’ Declaration, the hegemon successfully rallied strong support for this trans-regional regime, “we agreed that transnational terrorism and the proliferation of weapons of mass destruction pose direct and profound challenges to APEC’s vision of free, open and prosperous economies. We agreed to dedicate APEC not only to advancing the prosperity of our economies, but also to the complementary mission of ensuring the security of our people.”392 That is to say, APEC itself is not only a useful economic instrument of the hegemon, but has actually become a major hegemonic political institution.

However, APEC and its open regionalism, is still very useful for the hegemon to resist developing a set of East Asian regional institutions such as EAC. Just as John Ravenhill perceptively notes, “it is more appropriate to regard APEC as a trans-regional rather than a regional body (in that) it is more akin to the Asia-Europe Meeting…than to the European Union”.393 The hegemon not only

worries that the development of the EAEC will lead to another compact regional entity that could compete with it, but also that the entity will be closed to American merchandise and investment. For the United States, an exclusive East Asian Community is absolutely contrary to liberal hegemonic institutions. Similarly, the creation of an Asian Monetary Fund (AMF) would also decrease the importance of the International Monetary Fund. In the 1997 Asian monetary crisis, the IMF’s policy of cutting public spending and allowing interest rates to rise and currencies to float freely simply ignored the unique characteristic of the Asian currency crisis. The region was plunged deeper into recession and had to endure major social upheavals before a revised set of IMF policies was implemented.\textsuperscript{394} The crisis produced a “dramatic change in thinking among both political and business leaders in Northeast Asia and a growing realization of the urgent need for the creation of a formal regional mechanism to deal with any similar crisis in the future and to maintain the economic growth of the region.”\textsuperscript{395} Although the initiative of the AMF was suppressed by the hegemon, the East Asian Summit, a landmark of this region’s integration, was held in 2005.

Since the development of a regional grouping regime is conflictive with the hegemon’s institutional interest, it is not very difficult for us to understand the US attitude to APEC and the EAC. For the hegemon, informal integration might enhance Japanese actual leadership in East Asia, but in essence this process would not threaten the fundamental power distribution (by developing to be a unitary country) and global trading institutions. If East Asia, like the European Union, develops into a highly institutionalized political and economic entity, the importance of global liberal economic institutions will be decreased and the hegemon will also lack a useful means to dominate East Asian political affairs. In Europe, NATO is a consolidated political and security instrument of the hegemon; but in East Asia, it is impossible to establish such an organ. Further more, some scholars have been discussing the difference of Asian capitalism and American capitalism. There are common cultural traits that may be identified as characteristic of the region. For example, as Lucian Pye, among others, has pointed out, and surveys confirm, there is a premium placed throughout East Asian societies on family, community, and social harmony as well as on duty, the acceptance of

\textsuperscript{395} Kevin Cai, “Is a Free Trade Zone Emerging in Northeast Asia in the Wake of the Asian Financial Crisis?” \textit{Pacific Affairs}, Vol. 74, No. 1, Spring 2001, p. 11.}
hierarchy, and a respect for authority. If the East Asian community could develop different kinds of capitalist institutions, the US global hegemonic order will lose much support. Therefore, bilateral economic and security relationships adding APEC compose the major strategies for the US to resist the development of an East Asian Community.

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