

The Paradoxes of Paramourncy: Regional Rivalries and the Dynamics of American Hegemony in East Asia¹

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In the 1970s and 1980s a number of observers argued that the United States had entered a phase of irreversible decline, in which its economy would not only be overtaken by Japan's,² but would prove incapable of underwriting its strategic ambitions.³ Yet, by the end of the 1990s, following the collapse of the Soviet Union and the seemingly terminal demise of socialism as an alternative to capitalism, to say nothing of the East Asian financial crisis and the remarkable renaissance of the US economy, pessimism was replaced by triumphalism,⁴ and expectations about the rise of Asia were eclipsed by visions of a new American century. American observers and strategists routinely talked of a new 'unipolar moment' in which American power was set to enjoy an unrivalled and enduring position of dominance at the heart of a broadly supported, stable international order.⁵ The new millennium, however, has witnessed yet another re-assessment of America's position.

The events of September 11th provided a dramatic illustration of the limits of US hegemony and encouraged a more general re-assessment of America's position in the post-Cold War world. It was clear that for all America's seemingly unchallengeable

¹ We would like to thank Alex Bellamy and this journal's anonymous reviewers for commenting on an earlier version of this paper. The usual caveats apply.

² Ezra F. Vogel *Japan As Number One: Lessons for America*, (Cambridge, Mass.: Harvard University Press 1979).

³ Paul Kennedy, *The Rise and Fall of Great Powers: Economic Change and Military Conflict From 1500 to 2000* (New York: Vintage, 1989).

⁴ Zuckerman, M B 'A second American century', *Foreign Affairs*, 77, 3 (1998), pp 18-31

⁵ William Wohlforth, 'The stability of a unipolar world', *International Security*, 24, 1 (1999), pp 5-41.

military, economic political, and even cultural pre-eminence, it was incapable of protecting the American mainland from opponents of the international order it had helped create. At the same time as major questions about the appropriateness and viability of America's contemporary security policies were emerging,⁶ another major pillar of America's resurgent post-Cold War position – its domestic economy – was about to suffer a major reversal of fortune.

The hyperbole that accompanied the emergence of the so-called 'new economy' rapidly gave way to more sober assessments of America's economic prospects. The confidence of American and foreign investors in the American economy had already been undermined by the collapse of the Nasdaq high technology market; a series of associated corporate collapses at Enron and WorldCom, coupled with allegations of corruption and regulatory failure, prompted a broader reassessment of America's economic performance. Indeed, if it had been an East Asian economy, America's debt burden, re-emerging budget deficits, and reliance on foreign capital, might already have seen it subjected to far more unfavourable market judgements and the attentions of external agencies like the International Monetary Fund (IMF). It is testimony to the enduring power of both the American economy, and the influence the US is able to exert over the transnational institutions that have assumed such a prominent role in the management of an increasingly integrated international economy that it has remained relatively immune to such forces thus far.

Despite its present problems the US plays a pivotal role in the contemporary international system and is able to shape that system to reflect its own interests in a way that is similar to, but distinct from earlier hegemonic powers such as Imperial Britain. At a time when the contemporary international order is in a period of flux, and when the position of the US itself is subject to a range of internal pressures and external challenges, it is useful to try and gauge both the character of, and limits to, US hegemony. We shall examine the dynamics of US power in the context of East Asia, which according to some observers of US foreign policy and international affairs, at

⁶ See Mark Beeson and Alex Bellamy (forthcoming) 'Globalisation, security and international order after September 11', *Australian Journal of Politics and History*.

least, is the region that is most likely to generate a challenge to US hegemony in the coming century.⁷

The first part of the paper considers the concept of hegemony. We argue that despite the differing ways the idea of hegemony has been utilised, the concept provides a very useful way of understanding US power and its relationship with regions like East Asia. Following this, we place America's relationship with East Asia in historical context, before considering its current relationships with China, Japan and the region as a whole. The central argument we advance is that the character of US hegemony is changing and this is closely connected to the wider transformation of the nation-state system. While this places limits on US hegemony, it also makes it far less likely that the sorts of challenges to US hegemony postulated by some scholars will actually occur in the way they envisage, if they occur at all. What an examination of relations with East Asia reveals is that US hegemony has become more diffuse in the post-Cold War era. While American hegemony remains a fundamentally important component of the contemporary system, it has become increasingly decentred, bound-up with processes of globalisation, and imbricated in the continuing and uneven reconfiguration of the nation-state system.

Theories of Hegemony

The use of the concept of hegemony to understand political and social phenomena is generally traced to the work of the early twentieth century Italian Marxist, Antonio Gramsci. However, it is now routinely employed by a range of diverse observers to describe America's place in the contemporary international order; when even *The Economist* describes the US as hegemonic, it is clearly become a relatively uncontroversial way of characterizing American power in the post-Cold War world.⁸ Yet such divergent perspectives highlight the contested conceptual status of notion of hegemony, and the different ways in which Gramscians, liberals, realists and even Marxist theorists of international relations have employed it. To understand the complex and changing status of hegemony, therefore, and as a precursor to analysing

⁷ Aaron Friedberg, 'Ripe for rivalry: Prospects for peace in a multipolar Asia', *International Security*, 18, 3 (1993/94), pp 5-33.

⁸ 'A survey of America's world role', *The Economist*, June 29th, 2002.

hegemony in East Asia, we need to distinguish more carefully between its various usages.

The popularisation of the idea of hegemony in mainstream North American scholarship began with Charles Kindleberger's influential explanation of the Great Depression.⁹ For Kindleberger, the economic collapse that marked the inter-war period could be explained by the absence of a hegemonic power willing to play the role of systemic stabiliser, providing key public goods to keep an 'open' international economic system functioning. The demise of British hegemony and the failure of the US to assume this role meant that countries rejected cooperation in favour of an unsustainable, mutually destructive autarchy, ultimately leading to a major – almost terminal - crisis of capitalism. The major lesson of this period as far as Kindleberger was concerned was that hegemony – especially the sort of liberal hegemony the US is associated with – was a good thing as it ensured a cooperative international order that was less prone to crisis and more stable. This basic orientation provided the rationale for the creation of a new post-war order that was explicitly designed to avoid the 'mistakes' of the inter-war period.

Although a detailed consideration of the emergence of this new regime is beyond the scope of this paper,¹⁰ a few brief comments are necessary. First, the post-war order and the development of the new Bretton Woods institutions – the World Bank, the International Monetary Fund, and the General Agreement on Tariffs and Trade – primarily reflected the views of America, the newly ascendant hegemonic power. The new regime was intended, first and foremost, to encourage the development or reconstruction of successful capitalist economies in opposition to what then appeared to be a formidable ideological opponent. Second, the creation of these institutions was an acknowledgement of the need for transnational mechanisms with which to manage an increasingly integrated international system. Importantly, and despite the US's normative preference for an open and liberal international order, the new institutions

⁹ Charles P. Kindleberger, *The World in Depression, 1929-1939*, (London : Allen Lane, 1973).

¹⁰ See, Barry Eichengreen and Peter B. Kenen, 'Managing the world economy under the Bretton Woods system: An overview', in Kenen, P.B. (ed.), *Managing the World Economy: Fifty Years After Bretton Woods*, (Washington: Institute for International Economics, 1994), pp 3-57.

were part of a highly regulated regime predicated upon a notion of ‘embedded liberalism’ that allowed a good deal of national economic autonomy.¹¹

In liberal understandings of both the theory and practice of hegemony, therefore, US hegemony is associated with the creation of a complex, interlocking institutional order that coordinates collaborative inter-state activities in mutually rewarding ways by reducing transaction costs and increasing certainty.¹² Although there is plainly a set of normative assumptions about the preferability of such an US-centric international order, John Ikenberry has persuasively argued that at least the Western states that compose this order are bound to American hegemony by its ‘constitutional characteristics’. Because America is constrained in the exercise of its overweening power by the very institutions it has helped create, because other countries derive benefits from an open international order, and because it is difficult to develop alternatives given sunk costs and path dependency, Ikenberry argues, other nation-states - including potential challengers to US hegemony – are effectively locked into the prevailing order.¹³

The essentially benign view of the contemporary international system outlined by Ikenberry and others is rejected by realists. The inherently conflictual assumptions realists make about the world are widely known and remain influential. Arguably, the most significant realist interpretation of hegemony has come from Robert Gilpin. For Gilpin, the essential contradiction of hegemony in general, and of America’s liberal hegemony in particular, is that it sows the seeds of its own downfall by creating the circumstances in which future rivals can prosper and grow.¹⁴ This zero-sum view of the world, in which one state’s gain is another’s loss, is a fundamental part of the realist view, and one which underpins its claims about the supposed universality of state behaviour. As a consequence of this sort of logic, John Mearsheimer argues, contra the liberal view, that not only do all states want to be hegemonic and dominate the

¹¹ John G. Ruggie, ‘International regimes, transactions, and change: embedded liberalism in the postwar economic order’, *International Organization*, 36,2, (1982), pp 379-415.

¹² Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, (Princeton: Princeton University Press, 1984).

¹³ G.J. Ikenberry, ‘Institutions, strategic restraint, and the persistence of the American postwar order’, *International Security*, 23, 3, (1998), pp 43-78.

¹⁴ Robert Gilpin, (1987) *The Political Economy of International Relations*, (Princeton: Princeton University Press), p 78.

international system, but they have no interest in preserving the status quo until they do.¹⁵ For Mearsheimer, realist logic leads him to conclude that the US has a ‘profound interest in seeing Chinese economic growth slow in the years ahead’.¹⁶ As we shall see in more detail later, both realist and liberal perspectives have shaped debates about how best to deal with potential challengers to US hegemony.

Theories of hegemony that derive their inspiration from radical or Marxist understandings of the world, while sharing some of realism’s assumptions about the conflictual character of international relations specifically and the world generally, reject both the state-centric focus of realism and what they would see as the ideological bias of liberalism. Indeed, when Robert Cox reintroduced Gramsci’s ideas about hegemony to a wider audience in the early 1980s, he famously observed that ‘theory is always *for* someone and *for* some purpose’.¹⁷ In other words, liberal and realist theories of hegemony are not just claims about how the world is ordered, but about how it *should* be ordered. By contrast, in Gramscian-inspired formulations, specific, historically conditioned configurations of power and interest are shaped by the dialectical interaction of material capabilities, institutions and ideas. In this context, hegemony refers not simply to the dominance of a particular state but to the dominance of a particular (capitalist) class and its ability to ‘create an order based ideologically on a broad measure of consent, functioning according to general principles that in fact ensure the continuing supremacy of the leading state or states and leading social classes but at the same time offer some measure or prospect of satisfaction to the less powerful’.¹⁸ There are striking echoes of Ikenberry’s liberal conception here, with the noteworthy caveat that for Cox the development of institutions associated with Bretton Woods is evidence of the dialectically-determined emergence of a global class structure that attempts to shape the world to reflect its own interests rather than some notion of the collective good.

¹⁵ John J. Mearsheimer *The Tragedy of Great Power Politics*, (New York: W.W. Norton, 2001), p 35.

¹⁶ Mearsheimer, *ibid*, p 402.

¹⁷ Robert W. Cox, ‘Social forces, states and world orders: beyond international relations theory’, *Millennium*, 10, 2 (1981), pp 126-55.

¹⁸ Robert W. Cox *Production, Power, and World Order: Social Forces in the Making of History*, (New York: Columbia University Press, 1987), p 7.

The key point to emphasise at this stage is that the end of the Cold War and the demise of socialism, combined with the increased integration of international economic activity, has transformed the context within which inter-state relations and the operation of any form of hegemony unfold, making the relationships between wealth, power and territorially-demarcated space less certain, and giving a much greater prominence to economic rather than military competition.¹⁹ Consequently, one of the most important contests of the last couple of decades, has neither been military, nor even an overtly class-based struggle about the fate of capitalism; rather it has been an intellectual debate about the precise form capitalism should take, and the structures that should govern it in an increasingly pervasive international economic order.²⁰

It is at this point that the possible contradictions of, and limits to, US hegemony begin to become apparent. Certainly, the US clearly enjoys a greater degree of what Susan Strange called ‘structural power’ than any other state.²¹ Whether it is measured by military dominance, control of the production and credit systems, or by its presence in key leading-edge knowledge industries that are central components of America’s economic and strategic dominance, the US clearly remains unrivalled. And yet, there are plainly limits to its influence. Although what has been described as ‘governance without government’,²² in which a range of actors other than states play a part is managing the international system, is emblematic of the new order the US has helped create, it inevitably places some constraints on American autonomy. More fundamentally, in an international system characterised by increasingly extensive, multi-dimensional, cross-border interdependencies in which the boundaries and the analytical utility of ‘national economies’ are not as obvious as they once were, then the very idea of a coherent and pursuable ‘national interest’ is problematic.²³

¹⁹ Barry Buzan and Richard Little (1999) ‘Beyond Westphalia? Capitalism after the “Fall”’, *Review of International Studies*, 25, pp 89-104.

²⁰ See, for example, J.R. Hollingsworth, J.R. and Robert Boyer, (eds.), *Contemporary Capitalism: The Embeddedness of Institutions*, (Cambridge: Cambridge University Press, 1998).

²¹ Susan Strange, *States and Markets*, (New York: Pinter, 1998).

²² See James Rosenau and Ernst-Otto Czempiel (eds.) *Governance Without Government: Order and Change in World Politics*, Cambridge University Press, 1992).

²³ Mark Beeson ‘Globalisation and international trade: international economic policies and “the national interest”’, in Boreham, P., Stokes, G. and Hall, R. (eds.), *The*

Although the present international system plainly retains important elements of earlier world orders, it continues to change in ways that set contemporary U.S. hegemony in the post-Cold War era apart from the structures and sinews that bolstered the Great Powers in an earlier era.²⁴ Consequently, we argue that if we want to understand the way that US hegemony operates we need to be conscious of the changing character of the wider international order in which it is embedded,²⁵ the impact this has on historically contingent constellations of class forces, and the potential influence it may have on the state itself, as it, too, is re-shaped by transnational forces that may determine the way national interests are conceived and constrain the way they are pursued. The changing character of hegemony generally and US power in particular can best be understood, therefore, by placing it in a specific historical context and considering alternative hegemonic powers. Consequently, we initially sketch US interaction with East Asia before moving on to consider the prospects for Chinese, Japanese and regionally based responses to US hegemony.

US Hegemony and the Cold War in East Asia

At the centre of U.S. hegemony in the Cold War era was an array of agencies and departments that made up the U.S. national security state,²⁶ dedicated to containing the Soviet Union specifically, and international communism more generally. This goal was closely connected to the maintenance and expansion of North American access to markets, investment opportunities and raw materials. In this context the U.S. had a crucial stake in the capitalist reconstruction of Europe and Asia in particular. By the end of the 1940s the US had embarked on a full-scale effort to facilitate the industrial rebirth of Japan, as part of what would become a wider effort to turn as much of Northeast Asia (and later Southeast Asia) as possible into a capitalist bulwark against

Politics of Australian Society: Political Issues for the New Century, (Frenchs Forest: Longman, 2000), pp 213-31

²⁴ Mark T. Berger, 'The Rise and Demise of National Development and the Origins of Post-Cold War Capitalism', *Millennium: Journal of International Studies*, 30, 2. (2001), pp 211-34.

²⁵ For an overview of the key issues see, Winfried Ruigrok, and Rob van Tulder, *The Logic of International Restructuring*, (London: Routledge, 1995).

²⁶ Melvyn P. Leffler, *A Preponderance of Power: National Security, the Truman Administration and the Cold War* (Stanford: Stanford University Press, 1992).

the Soviet Union and Mao's China.²⁷ With the Chinese Communist Party's (CCP) victory in October 1949 and the onset of the Korean War (1950-1953), the governmental and military institutions and bureaucratic structures of the U.S. national security state were increasingly consolidated as instruments of regional and global power.²⁸ The rise of the Chinese Communist Party and the Korean War were viewed by the U.S., and the European colonial governments seeking to regain or retain their possessions in Southeast Asia, as emblematic of a vigorous international communist movement that operated as a monolithic force under the direction of Moscow and Beijing and which was about to spread to Southeast Asia.²⁹ From the point of view of policy-makers in Washington, the emerging nation-states of Asia were interchangeable pieces on the chessboard of Cold War geo-politics and the major concern was with their stability and their role in the wider effort to contain communism.

America's initial involvement in Vietnam was emblematic of a wider orientation to the region. The U.S. build up in South Vietnam generated important economic benefits for Washington's allies in Asia. In the same way that the Korean War represented an important turning point for Japan's post-war economic take-off, the Vietnam War was a crucial stimulus for South Korea and Taiwan, which benefited from extensive American aid and investment. For Japan, the Vietnam War was also economically beneficial, pulling Japanese industry out of a slump it had entered in 1965. The deepening of the war in Southeast Asia lifted profits for major Japanese companies by more than USD\$ 1 billion annually between 1966 and 1971. It also directed funds to a number of crucial 'infant export industries' and facilitated increased access to both North America and Southeast Asian markets for Japanese manufactures.³⁰ Indeed, the successful reconstruction of the Japanese economy was the cornerstone of a more generalised process of economic development across the region that characterized the 'miracle' years of the 1970s and 1980s in Japan and the 1980s and 1990s for the region more generally.

²⁷ Bruce Cumings, 'Japan in the World-System', in Andrew Gordon, (ed.), *Post-War Japan as History* (Berkeley: University of California Press, 1993).

²⁸ Ronald L. McGlothlen, *Controlling the Waves: Dean Acheson and U.S. Foreign Policy in Asia* (New York: W.W. Norton, 1993).

²⁹ Nicholas Tarling, *Britain, Southeast Asia and the Onset of the Cold War 1945-1950* (Cambridge: Cambridge University Press, 1998), pp. 265, 310-311.

³⁰ Richard Stubbs, 'War and economic development: Export-oriented industrialization in East and Southeast Asia', *Comparative Politics*, 31, 3 (1999) p. 344.

By the end of the 1960s, meanwhile, there was a massive U.S. presence in Vietnam and Southeast Asia. Despite this, U.S. hegemony in Southeast Asia and beyond was uneven and contradictory. On the one hand, America was increasingly constrained by the limits imposed by its efforts to build a stable and modern South Vietnam.³¹ Not only was America ultimately unable to sustain domestic support for a deeply unpopular war, but the war's impact on the US budget and trade position meant that it would ultimately be forced to abandon the Bretton Woods-inspired system of fixed exchange rates, paving the way for a fundamental and far-reaching transformation of the international economic system.³² Even in a narrower diplomatic context, the limits of U.S. hegemony in the region were apparent in Washington's inability to gain or retain more widespread multilateral support for its involvement in Vietnam. And yet, despite the evident limits to US power, one of the most lasting consequences of the Washington's strategic engagement with the region was a network of essentially bilateral security alliances across the region that had the effect of inhibiting intra-regional development and cooperation for many years.³³ Paradoxically, therefore, and despite the US's military defeat and associated domestic financial and social trauma, its place at the centre of the region's overall security architecture was ultimately consolidated and the ability of rivals to challenge its position was constrained.

The Vietnam War and the crisis of US hegemony in Asia was central to the wider geo-political and geo-economic policies of the Nixon administration (1969-1974), which unintentionally laid the foundations for what would become the U.S.-led globalisation project by the 1980s. At the beginning of 1969, Nixon outlined what became known as the Nixon Doctrine, which redefined the US role in Asia and was primarily aimed at avoiding direct military intervention.³⁴ In the 1970s Washington sought to manage the

³¹ Gabriel Kolko, *Anatomy of a War: Vietnam, the United States and Modern Historical Experience* (New York: New Press, second edition 1994) pp. 303-337, 341-355.

³² Fred Block, *The Origins of International Economic Disorder*, (Berkeley: University of California Press, 1977).

³³ Bruce Cumings, 'Japan and Northeast Asia into the twenty-first century', in Katzenstein, Peter J. and Shiraishi, Takashi (eds.), *Network Power: Japan and Asia*, (Ithaca: Cornell University Press, 1997), pp 136-68.

³⁴ Richard M. Nixon, 'Excerpts from Nixon's Remarks at Guam, July 25, 1969' and 'Excerpts from Nixon's Address to the Nation, November 3, 1969', in Edward H.

numerous reformist and revolutionary challenges to U.S. hegemony, via increased reliance on covert activities, military aid and unquestioning support for authoritarian regimes. The Nixon Doctrine was explicitly aimed at avoiding another Vietnam; however, it did little to alter a deeply rooted Cold War outlook that was preoccupied with the ongoing rivalry between the US and the Soviet Union. Central to Washington's geo-political shifts and continuities in the 1970s were US overtures to China.³⁵

By the time of Washington's strategic re-orientation in the 1970s, the U.S. had been eclipsed by Japan as Asia's most significant source of foreign aid and investment. Between the 1940s and the 1970s, the Japanese government and Japan-based corporations had - with U.S. sponsorship - gradually re-built their linkages with Northeast and Southeast Asia.³⁶ By the first half of the 1970s, four times as much foreign direct investment (FDI) was going to South Korea from Japan as from the United States. In the second half of the 1980s, the amount of Japanese FDI spreading around the region underwent a further dramatic increase. The ratification of the Plaza Accord in 1985 encouraged a growing number of Japanese corporations to move their operations offshore, leading to major new investments in first Taiwan and South Korea, and subsequently Southeast Asia.³⁷ This geographical restructuring of the world economy was linked to the general rise of the U.S.-led globalisation project,³⁸ and to the simultaneous, but contradictory trend towards selective industrial protectionism in the 1980s. Protectionism was intended to curb Japanese exports into the markets of

Judge and John W. Langdon, eds., *The Cold War: A History Through Documents* (New Jersey: Prentice-Hall, 1999).

³⁵ Robert S. Litwak, *Détente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability 1969-1976* (Cambridge: Cambridge University Press, 1986), pp. 193-194.

³⁶ Dominic Kelly, *Japan and the Reconstruction of East Asia* (Basingstoke: Palgrave, 2002), pp. 67-105.

³⁷ The Plaza Accord represented a successful U.S.-led effort to reverse the mounting trade deficit with Japan by getting the major G-5 central banks to increase the value of the Japanese yen against the U.S. dollar. See Richard Leaver, 'Running on empty? Complex interdependence and the future of Japanese-American monetary coordination', in R. Higgott, et al (eds.), *Pacific Economic Relations in the 1990s: Cooperation or Conflict?*, (St Leonards: Allen & Unwin, 1993), pp 159-83.

³⁸ Immanuel Wallerstein, 'The Rise of East Asia, or the World-System in the Twenty-First Century', in Immanuel Wallerstein, *The End of the World As We Know It: Social Science for the Twenty-First Century* (Minneapolis: University of Minnesota Press, 1999), pp. 36-37.

North America and Western Europe but it consolidated the economic and political ties between various nation-states of Asia and Japan as the latter established export platforms across the region.³⁹

By the 1980s China had also become a major focus of economic activity as it emerged as the new workshop of the Asia-Pacific. The earlier improvement in US-Chinese relations had increasingly coincided with important changes to the developmental orientation of the CCP-state. The passing of Mao from the Chinese political stage in 1976, and the growing awareness of the economic shortcomings associated with the early Soviet model and the post-1960 economic policies that culminated in the Cultural Revolution, paved the way for the rise of Deng Xiaoping. After 1978 the country's central planning system was gradually wound back in favour of market mechanisms. China's return to capitalism in the late 1970s was a victory, of sorts, in the Cold War in Asia, insofar as this shift marked an implicit acknowledgment of the relative success of capitalism generally, and of the post-war capitalist dynamism of Japan, South Korea and Taiwan more particularly.⁴⁰ The victory, however, was ambiguous: not only did China's rediscovery of capitalism do little to change Washington's assessment of China as a major threat, but its apparently successful embrace of capitalism threatened to provide the wherewithal for China to mount a serious challenge to America's regional hegemony.

China: Rising Hegemon?

The end of the Cold War and China's integration into the capitalist world economy notwithstanding, attitudes toward China amongst many US policy makers became increasingly negative in the 1990s.⁴¹ Superficially this concern makes sense: China's sheer size, lingering resentment about one hundred years of humiliation at the hands of the European imperial powers and Japan, and dissatisfaction with the prevailing

³⁹ See Partha Gangopadhyay, 'Patterns of trade, investment and migration in the Asia-Pacific region', in Thompson, G. (ed.), *Economic Dynamism in the Asia-Pacific*, (London: Routledge, 1998), pp 20-54.

⁴⁰ Arif Dirlik, *After the Revolution: Waking to Global Capitalism* (London: Wesleyan University Press, 1994). p. 44.

⁴¹ The popular and academic literature on the 'China threat' is now extensive. For a good overview see Avery Goldstein, 'Great expectations: Interpreting China's arrival', *International Security*, 22, 3 (1997/98), pp 36-73..

international order, suggest that it will have both the capacity and the desire to challenge US dominance. As far as realists like Mearsheimer are concerned, China's economic development means that it 'might be far more powerful and dangerous than any potential hegemon that the United States faced in the twentieth century'.⁴² From this point of view, Chinese power must be contained and its overall development discouraged.

Despite the fact that China's own foreign policy generally and attitudes to the US in particular reflect some decidedly realist assumptions and aspirations,⁴³ we argue that a response predicated on an attempt to contain China is fundamentally misconceived and displays little awareness of the changing, multi-dimensional character of US hegemony and the context within which it operates. Even at the level of brute military power, which remains the principal concern of realists, China is hardly a serious threat to the US. In 2003, the US will spend more on defence than the next 15-20 biggest spenders combined – and the spending and technological gap between the US and China will continue to grow. Most significantly of all, America's overwhelming military dominance is achieved with only 3.5 per cent of GDP. As Brooks and Wohlforth point out, the US can afford to engage rather than confront China certain in the knowledge that, even should such a strategy prove misguided, it can easily resort to a realist response through increased defence spending.⁴⁴ By contrast, and despite all the hyperbole about China's growth prospects, China remains a middle ranking power with little capacity to threaten America economically or militarily.⁴⁵

Liberals argue that China's elites can be socialised into 'good' behaviour. Thus, in their view its domestic and foreign policies can increasingly be shaped by the US and its allies, by and international organizations more generally.⁴⁶ Given the continuing importance of nationalist sentiment in China, and the preference China's elites have for bilateral rather than multilateral relations, this might seem an overly optimistic, not to

⁴² Mearsheimer, *op cit*, p 401.

⁴³ Yong Deng 'Hegemon on the offensive: Chinese perspectives on US global strategy', *Political Science Quarterly*, 116, 3 (2001), pp 343-365.

⁴⁴ Stephen G. Brooks and William C Wohlforth 'American primacy in perspective', *Foreign Affairs*, 81, 4 (2002), pp 20-33.

⁴⁵ Gerald Segal, 'Does China matter?', *Foreign Affairs*, 78, 5 (1999), pp 24-36.

⁴⁶ David Shambaugh, 'Containment or engagement of China? Calculating Beijing's responses', *International Security*, 21, 2, (1996), pp180-210.

say naïve hope. And yet, China *has* begun to embrace multilateral diplomacy⁴⁷ – albeit to counter rather than complement American influence - and some of China’s most important institutions *are* being reconfigured by its integration into the wider global economy. The reform process unleashed by Deng Xiaoping in 1978 may have been primarily intended to bolster the standing of the Chinese Communist Party,⁴⁸ but it has had the paradoxical, if predictable, effect of transforming and problematising China’s domestic social relations. Not only are capitalists now allowed to join the Party, the status of communism itself in an increasingly capitalist-oriented country is a subject of open debate.⁴⁹ The reality of increased integration with and dependence on American economic interests is fundamentally reconfiguring and constraining policy in China.⁵⁰ In the longer-term, an even more telling manifestation of the new order that is transforming China is its accession to the World Trade Organisation (WTO).

The WTO is both a key mechanism for the promotion of a particularly Anglo-American form of capitalism, and emblematic of the new international order in which inter-governmental organisations play such a pivotal part. While the US’s influence over the WTO’s agenda may not be quite as obvious as it is on the IMF’s, it doesn’t need to be: the WTO exemplifies the sort of decentred hegemony that is central to the expansion and consolidation of global capitalism.⁵¹ The thorough-going nature and extent of this influence is plainly visible in the nature of the legal reforms China’s government will have to undertake to ensure compliance with WTO rules – up to and including changes to the PRC Constitution.⁵² Consequently, China’s accession to the WTO is of fundamental importance for a number of reasons. First, China is voluntarily joining an ‘independent’ organisation that is dominated by the major capitalist powers; it is difficult to exaggerate the long-term historical significance of the PRC – a nominally

⁴⁷ Avery Goldstein, ‘The diplomatic face of China’s grand strategy: A rising power’s emerging choice’, *China Quarterly*, 168, (2001)pp, 835-863.

⁴⁸ Gordon White *Riding the Tiger: The Politics of Economic Reform in Post-Mao China*, (London: Macmillan, 1993).

⁴⁹ Elisabeth Rosenthal, ‘China’s communists try to decide what they stand for’, *New York Times*, May 1st, (2002) Online version.

⁵⁰ Erik Eckholm ‘China’s need for US trade may be outweighing disagreements with the Bush administration, *New York Times*, July 30th, (2001) Online version.

⁵¹ Michael Hardt and Antonio Negri *Empire*, (Cambridge: Harvard University Press, 2000).

⁵² Pitman B. Potter, ‘The legal implications of China’s accession to the WTO’, *China Quarterly*, 167, (2001), pp 592-609.

communist nation-state and the last major alternative to a ubiquitous capitalist order - willingly acceding to the WTO's conditions of entry which are 'more far-reaching than those set for any other member'.⁵³ Second, the legally binding nature of the WTO regime has the potential to permanently 'lock in' specific reforms that are designed to privilege the interests of private capital in ways that will necessarily over-turn existent social relations within China.⁵⁴

Although the Chinese government is showing signs of trying to fudge some of the required reforms,⁵⁵ the long-term significance of embracing the new regulatory regime is becoming increasingly clear. What Stephen Gill describes as the 'new constitutionalism' is a legally enshrined order that is designed to 'provide political anchorage for the power of capital in the long term'.⁵⁶ In the context of possible hegemonic rivalry, the real significance of the inter-action between the 'the US' and 'China' is not at the level of great power military confrontation, nor even primarily at the level of inter-state diplomacy. On the contrary, the transformation that is occurring in China is a consequence of the sort of complex dialectical interaction described by Cox, which involves major structural change in the organization of China's economy at both the domestic and international level, the increasingly pervasive influence of intergovernmental agencies like the WTO, and the gradual adoption of a new, globally oriented ideational framework that is ultimately embedded in law.⁵⁷ In such circumstances the impact of distinctively *American* hegemony is but one part of a wider transnational process.

While China's star may be in the ascendant, it poses little threat to the US: it lacks the capacity to directly threaten the US, in the way realists might expect; it has little of the 'soft power' influential commentators such as Nye take to be such a central component

⁵³ 'A survey of China', *The Economist*, June 15th, (2002), p 3.

⁵⁴ Joseph Fewsmith, 'The political and social implications of China's accession to the WTO', *China Quarterly*, 167, (2001), pp 573-91.

⁵⁵ Jean-Marc Blanchard, 'China's WTO compliance glass still half full', *Asia Times OnLine*, June 5th (2002).

⁵⁶ Stephen Gill *The Constitution of Global Capitalism*, International Studies Association Conference, Los Angeles, March 14-18, (2000) available at: <http://www.ciaonet.org/isa/gis01/>

⁵⁷ Banning Garret, 'China faces, debates, the contradictions of globalisation', *Asian Survey*, 41, 3 (2001), pp 409-427.

of US power;⁵⁸ and it is being steadily transformed economically, politically and ideationally by the uneven but dynamic spread of global capitalism. The Chinese trajectory reflects both the historical specificity of nation-state formation and the wider problems of the nation-state in the late twentieth century in the context of a changing global order centred on US hegemony.⁵⁹ Contemporary China is characterized by a crisis of state-mediated national development that not only involves national reorientation, but also encompasses increasing conflict over the ethnic or religious content and/or territorial boundaries (at the margins rather than the centre) of the nation itself. At this juncture national fragmentation and a full-scale crisis of the nation-state in China is not imminent. However, the Chinese leadership's pursuit of national development and/or regional hegemony (and the efforts of an increasingly geriatric Communist Party to retain a monopoly on political power) continues to be profoundly constrained by looming political, social, environmental and economic crises grounded in rapid and uneven capitalist development and characterized by increasingly stark divisions between the booming coastal regions and the impoverished interior. This is not to mention restive regions such as Tibet and Xinjiang and the complicated issue of the future of Taiwan all set against the backdrop of the Chinese state's domestication to, and resistance against, the U.S.-led globalisation project.⁶⁰

Japan: Quasi-hegemon?

The other possible East Asian candidate for regional or even global hegemony is, of course, Japan. Following its crushing defeat at the hands of the US during World War II, Japan amazed many observers by rising to become the world's second largest economy with historically unprecedented rapidity. Then, at the height of its success, it fell into an economic slump that its politicians and recently discredited bureaucrats seem unable to escape.⁶¹ Its current economic malaise notwithstanding, however, Japan

⁵⁸ On the importance of soft power in the context of US-China relations, see Sheng Lijun, 'China and the United States: Asymmetrical strategic partners', *Washington Quarterly*, 22, 3 (1999), pp 147-164.

⁵⁹ Mark T. Berger, 'The Nation-State and the Challenge of Global Capitalism', *Third World Quarterly: Journal of Emerging Areas*, 22, 6. (2001), pp. 889-907.

⁶⁰ 'Muslims in China: Tarded With Bin Laden's Brush', *The Economist* March 30 (2002), pp. 63-64.

⁶¹ See, Mark Beeson 'Japan's reluctant reformers and the legacy of the developmental state', in Cheung, A. and Scott, I. (eds.), *Governance and Public Sector Reform in*

remains the world's second largest economy and those variants of hegemonic theory that emphasise the cyclical nature of hegemony and the importance of economic power would suggest that Japan *ought* to be more assertively challenging American dominance.⁶² And yet for all Japan's undoubted economic strength it has not enjoyed, or attempted to develop, a concomitant political influence either regionally or globally. Unravelling this paradox tells us much about the nature of both Japanese and American power.

As noted earlier, the Cold War framework erected in Asia by the United States provided the context within which Japan's state-led, mercantilist capitalism flourished. Significantly, during its occupation of Japan, America was unable to overturn the bureaucratic structures and political relationships that would prove integral components of the 'developmental state'.⁶³ But if there were limits to the US's capacity to transform Japan's political class, its support of Japan's economic reconstruction was remarkably successful. Japan's domestic economic renaissance and subsequent expansion into Southeast Asia directly benefited from America's military engagements in East Asia.⁶⁴ Three points are worth emphasising about the relationship that developed between Japan and America in the aftermath of World War II as they help us to understand the nature and limits of contemporary hegemony.

First, Japan's repudiation of militarism has seen the emergence of a new kind of 'trading state',⁶⁵ one that concentrates national resources primarily on economic development. Significantly, as Heginbotham and Samuels point out, 'whereas Japan once pursued policies designed to strengthen its economic base for the purposes of enhancing its military power, today the concepts of security and power frequently are

Post-Crisis Asia: Paradigm Shift or Business as Usual?, (London: Curzon Press, 2002), pp 25-43.

⁶² See, Christopher Chase-Dunn, *Global Formation: Structures of the World Economy*, (Lanham: Rowan & Littlefield, 1998).

⁶³ Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industry Policy 1925-1975*, (Stanford: Stanford University Press, 1982).

⁶⁴ Richard Stubbs, 'War and economic development: Export-oriented industrialization in East and Southeast Asia', *Comparative Politics*, 31, 3 (1999), pp 337-55.

⁶⁵ Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World*, (New York: Basic Books, 1986).

defined in technological, industrial, and economic terms'.⁶⁶ Thus, Japan's developmental strategy has been fundamentally at odds with the expectations of realists: not only has Japan continued to maintain a relatively low international profile diplomatically, but it has relied heavily on the US to underwrite its own security position, despite its own growing economic strength and obvious capacity become a major military power.

The second point to make about Japan and its place in the international system, which flows from its emphasis on economic development, is that this has not stopped Japan from becoming a major power. Despite both its frequently noted inability to play a decisive international role and its continuing subordination to the US,⁶⁷ Japan's sheer economic weight and coordinated approach to economic expansion overseas means that it exercises a form of 'quasi-hegemony', especially in Southeast Asia.⁶⁸ Through a complex array of trade, aid and investment packages, Japanese corporations, working in collaboration with key government ministries, have consolidated production networks that enhance Japan's overall structural power in the region. Although Japanese power is not as multi-faceted as America's, it exerts a major influence - both as a role model and as a more direct source of foreign investment - over the economies of the region.⁶⁹ Indeed, Japan's economic dominance of Southeast Asia in particular has made it difficult for American corporations to establish themselves in the region.⁷⁰ Revealingly, however, changes in production processes and strategies,⁷¹ combined with America's

⁶⁶ Eric Heginbotham, Richard J. Samuels, 'Mercantile realism and Japanese foreign policy', *International Security*, 22, 4 (1998) p 173.

⁶⁷ Kent E. Calder, 'The Institutions of Japanese foreign policy', in Grant, R.L. (ed) *The Process of Japanese Foreign Policy*, (London: RIIA, 1997), pp 1-24.

⁶⁸ Mark Beeson, 'Japan and Southeast Asia: The lineaments of quasi-hegemony', in Rodan, G., Hewison, K. and Robison, R. (eds.) *The Political Economy of South-East Asia: An Introduction*, 2nd Edition, (Melbourne: Oxford University Press, 2001), pp 283-306.

⁶⁹ Walter Hatch and Kozo Yamamura, *Asia in Japan's Embrace: Building a Regional Production Alliance*, (Cambridge: Cambridge University Press, 1996).

⁷⁰ Dennis J. Encarnation, *Rivals Beyond Trade: America Versus Japan in Global Competition*, (Ithaca: Cornell University Press, 1992).

⁷¹ Dieter Ernst, 'Evolutionary aspects: The Asian production networks of Japanese electronics firms', in Borrus, M et al (eds.) *International Production Networks in Asia: Rivalry or Riches?*, (London: Routledge, 2000), pp80-109.

technological resurgence and emerging doubts about Japan's own state-led development model,⁷² have begun to erode Japan's position.

The Japanese experience is significant in illustrating the changing character of hegemony for a third reason. Not only is Japan's quasi-hegemony not centred primarily on 'Japan', or even the Japanese state, but its contradictory character also places constraints on both Japanese *and* American policymakers. In Japan's case the legacy of the developmental state and the sorts of strategies that underpinned Japan's earlier expansion into the region and the world have effectively locked Japanese policymakers into self-serving, highly institutionalised relationships that are actually inhibiting needed reforms.⁷³ As far as America is concerned, Japan's residual economic strength, and the consequent reliance successive administrations have placed on Japanese institutional investors to buy American government bonds, has fundamentally transformed the nature of the inter-dependency between American and Japan. Not only does America rely on continuing Japanese investment to underpin its own low-interest rate regime and budget deficits, but American economic policy is constrained by, and dependent on, the enduring strength of the Japanese economy as a consequence.⁷⁴ In other words, there are major limitations to what America can demand of Japan, for fear of compounding Japan's problems and triggering a long-feared banking crisis.⁷⁵

Japanese policymakers have thus far been reluctant to exploit their latent power. However, despite America's capacity to use its dominant position to engineer favourable economic outcomes,⁷⁶ the growing economic interdependence between the

⁷² Glenn R. Fong, 'Follower at the frontier: International competition and Japanese industrial policy', *International Studies Quarterly*, 42, (1998), pp 339-66

⁷³ Beeson 'Japan's reluctant reformers', *op cit*; Richard Katz, *Japan: The System That Soured*, (Armonk: M.E. Sharpe, 1998).

⁷⁴ R. Taggart Murphy 'Japan's economic crisis', *New Left Review*, 1, (2000), pp 25-52. The importance of this connection and America's potential vulnerability was revealed when former Japanese Prime Minister Hashimoto's threat to dump US Treasury bond holdings sent financial markets tumbling. See Masato Ishizawa, 'Bond-sell scare reveals Japan-US gap', *Nikkei Weekly*, June 30th, (1997), p 25.

⁷⁵ The potential significance of a major shake-out in the Japanese banking sector became clear as a consequence of its role in the East Asian financial crisis. See Michael R. King, 'Who triggered the Asian financial crisis?', *Review of International Political Economy*, 8, 3 (2001), pp 438-466.

⁷⁶ See Leonard J. Schoppa, *Bargaining with Japan: What American Pressure Can and Cannot Do*, (New York: Columbia University Press, 1997).

US and Japan means that neither government can act independently. Moreover, the idea that either 'Japanese' or 'American' power and/or interests can be as readily identified as they once were in an increasingly integrated transnational political economy, let alone pursued, is becoming increasingly problematic – something that undercuts both realist and liberal notions of hegemony.

Yet the US government plainly has been at the forefront of a pro-market, neoliberal reformist agenda that has been directed at Japan in particular and which – despite a noteworthy lack of enthusiasm on the part of the Japanese government – has had a major long-term impact. The gradual liberalisation of Japan's financial sector has slowly, but irrevocably, it seems, helped to undermine both the close ties between Japanese corporations and banks,⁷⁷ and set in train a wider process of what seems to be unstoppable social and political change.⁷⁸ But the point to stress again, however, is that such pressures have as much to do with general systemic changes in the wider international economy generally, and the rise of financial capital in particular, as they do with any coherent 'American' interests being brought to bear on 'Japan'. Put differently, in both the US and - to a lesser extent Japan - long-term changes in the structure of economic activity have created new centres of power and interest that have taken advantage of, and helped to create, a new, increasingly liberal regulatory order.⁷⁹ Once more, a complex dialectic of underlying economic change, institutional reform and ideational shifts, have brought about a new order which is increasingly transnational and de-centred. This is not to say, however, that this has brought about a 'convergence' of US and Japanese practices. On the contrary, the style of capitalism in both countries continues to display noteworthy, nationally based differences.⁸⁰

⁷⁷ Andrew Leyshon, 'Under pressure: finance, geo-economic competition and the rise and fall of Japan's postwar growth economy', in Corbridge, S. et al (eds.), *Money, Power and Space*, (Oxford: Blackwell, 1994), pp 116-45.

⁷⁸ T.J. Pempel, 'Regime shift: Japanese politics in a changing world economy', *Journal of Japanese Studies*, 23, 2 (1997), pp 333-61.

⁷⁹ On the rise of finance capital in America, see Doug Henwood, *Wall Street*, (London: Verso, 1997). In Japan, see Kent E. Calder, 'Assault on the Bankers' Kingdom: Politics, markets, and the liberalization of Japanese industrial finance', in Loriaux, M et al *Capital Ungoverned: Liberalizing Finance in Interventionist States*, (Ithaca: Cornell University Press, 1997), pp 17-56.

⁸⁰ On the persistence of institutionalised differences in East Asia, see Mark Beeson, 'Theorising institutional change in East Asia', in Beeson, M. (ed.), *Reconfiguring*

Although there are particular historical factors that account for both Japan's foreign policy making difficulties – not the least of which is the legacy of Japan's war-time activities – and for its continuing subordination to the US, it helps illustrate a wider reality: even a nation-state as famously insular and preoccupied with national identity as Japan is having its 'national interest' re-shaped by powerful, increasingly transnational systemic forces. Where 'Japanese power' is expressed, it is through its latent economic strength, its corporations and even – albeit increasingly negatively – through its financial sector. And yet the financial crisis may yet allow Japanese policymakers to play a more conventional and prominent international role and even 'balance' American power in the way realists might expect. If they do, however, it is likely to be at the regional level, rather than bilaterally.

US Hegemony and Post-Cold War Regionalism in East Asia

One of the more significant developments in an era dominated by processes associated with globalisation has been a simultaneous renewal of interest in regionalism, at both a theoretical and policy level. The 'new' regionalism – or state-led, cooperative political projects – is often self-consciously intended to proactively respond to global competitive forces.⁸¹ Increased regionalisation, on the other hand, while it may be encouraged by political initiatives, is primarily a form of private sector, market-driven economic integration. In East Asia, regional integration has been predominantly a consequence of private sector rather than government activities.⁸² Indeed, there has generally been widespread scepticism about the potential for greater political cooperation in East Asia where, partly because of the US's preference for bilateralism, there is little history of successful regional level institutional development.⁸³ And yet, recent initiatives within the region suggest that there is a growing desire to

East Asia: Regional Institutions and Organisations After the Crisis, (London: Curzon Press, 2002), pp 7-27.

⁸¹ Sean Breslin and Richard Higgott, 'Studying regions: Learning from the old, constructing the new', *New Political Economy*, 5, 3 (2000), pp 333-52

⁸² John Ravenhill, 'Competing logics of regionalism in the Asia-Pacific', *Journal of European Integration*, 18, (1995), pp179-99.

⁸³ See, for example, Shaun Narine, 'ASEAN into the twenty-first century: problems and prospects', *Pacific Review*, 12, 3 (1999), pp 357-80.

institutionalise regional cooperation – an ambition that has actually been galvanised by the recent actions of the US.

The defining moment in the recent history of East Asia was the financial crisis that unfolded from 1997 onwards. The essential elements of this story are by now well enough known to need no repetition here.⁸⁴ A couple of points merit emphasis, however. First, the IMF's reform agenda for the distressed economies of South Korea and Southeast Asia, which went far beyond its usual crisis management blueprint, and which was generally considered to have been inappropriate and actually counter-productive, was widely resented throughout the region.⁸⁵ The close association between the IMF, the US generally, and Wall Street in particular, further heightened the sense that American-based financial interests were privileged over the needs of East Asia's masses in the management of the crisis.⁸⁶ Second, when the US moved to veto Japan's proposed Asian Monetary Fund, (which was designed to bail-out the crisis-affected economies, and which might have made the impact of the crisis much less severe), it further heightened awareness about the region's overall vulnerability to both the new international economic order, and to the power of the US and the international financial institutions (IFIs) over which it exercises such influence.⁸⁷

One of the principal consequences of US interventionism during the crisis and the heightened perception of regional vulnerability and powerlessness it engendered, has been a rapid acceleration in regional political cooperation. The most significant manifestation of this process is the so-called ASEAN+3 grouping which, in addition to the members of the Association of Southeast Asian Nations, includes the much more significant economies of South Korea, China and Japan. ASEAN+3 is essentially a re-badged version of Malaysian Prime Minister Mahathir's East Asian Economic Caucus,

⁸⁴ See Richard Robison et al (eds.), *Politics and Markets in the Wake of the Asian Crisis*, (London: Routledge, 2000).

⁸⁵ Richard Higgott, 'The international relations of the Asian economic crisis: A study in the politics of resentment', in Robison, R. et al (eds.), *Politics and Markets in the Wake of the Asian Crisis*, (London, Routledge, 2000), pp 261-282.

⁸⁶ KS Jomo, 'International financial liberalization and the crisis of East Asian development', in K.S. Jomo, and S. Nagaraj, (eds.), *Globalisation versus Development*, (Basingstoke: Palgrave, 2001).

⁸⁷ Robert Wade (2001) 'Showdown at the World Bank', *New Left Review*, 7, pp 124-37

an ‘Asians only’ economic grouping that was still-born as a consequence of American opposition and Japan’s consequent ambivalence.⁸⁸ In the new, post-crisis economic and political environment, however, not only is American opposition significantly more muted, a number of key actors are also showing an increased willingness to take the lead in encouraging greater regional integration. Both Japan and China have powerful incentives to do so – something that may help them overcome entrenched rivalries and resentments. The Chinese government continues to feel that the US has failed to adequately acknowledge its pivotal stabilising role during the crisis (China’s maintenance of the value of *renmenbi* provided some crucial stability during the crisis and enhanced its regional leadership credentials as a consequence), while Japan recognises the potential importance of a regional platform from which to try and shape the rules that govern the international system.⁸⁹

Although at one level this may look like a classic case of power ‘balancing’ of a sort realists might predict, it is significant that it is not occurring within a military context. On the contrary, the most tangible expression of these new patterns of regional cooperation are economic, and reflect both the seismic shifts that have occurred in the structure of international production and finance, and a growing awareness of the novel character of threats to national and regional security. While greater monetary cooperation and the encouragement of intra-regional trade may be unglamorous, the initiatives being undertaken in East Asia represent an attempt to carve out greater *regional* economic autonomy that could provide greater insulation from both the US and the IFIs that play such a prominent part in transnational governance. Although there are still many potential obstacles to the sort of enhanced regionalism ASEAN+3 seeks to achieve, it is noteworthy that even in East Asia there is a recognition that the sort of regional cooperation and pooling of sovereignty that has characterised the European Union - which has given Western Europe a concomitantly greater global presence as a consequence – may be necessary if East Asia is achieve a political presence in keeping with its economic potential. Indeed, it is important to emphasise

⁸⁸ Mark T. Berger, ‘APEC And its enemies: The failure of the new regionalism in the Asia-Pacific’ *Third World Quarterly: Journal of Emerging Areas*, 20, 5 (1999), pp 1013-1030.

⁸⁹ Paul Bowles ‘Asia’s post-crisis regionalism: Bringing the state back in, keeping the (United) States out’, *Review of International Political Economy*, 9, 2 (2002), pp 244-270.

that of all the putative regional economies and monetary orders, East Asia has the most formidable savings and monetary reserves with which to attain it.⁹⁰

What this review of East Asian regionalism suggests, therefore, is that political and economic cooperation is being driven by a more complex array of forces than a simple reaction to US hegemony. True, the US has played a pivotal role in shaping the political-economic arena in which East Asia's putative regionalism is being played out, but it is significant that the emerging ASEAN+3 agenda in particular is being driven by systemic issues – especially regulatory policy for the finance sector - rather than simply attempting to balance US power in a more conventional sense. In this regard it is important to emphasise that the sort of relationship that governments will have with prominent economic forces is not an inevitable functional reflection of the 'needs' of capital. On the contrary, the precise form any regulatory regime takes will be shaped by influences that reflect contingent distributions of power and influence. Given that the increasingly discredited and scandal-plagued character of Wall Street has undermined the ideational legitimacy of Anglo-American economics and demonstrated that 'crony capitalism' is not an exclusively East Asian phenomenon,⁹¹ it will not be surprising if East Asians continue to try and develop alternative ways of organising economic activity and resist the influence of both the US and the IFIs with which it is so closely aligned.

Concluding remarks

As the international system has changed, so has the character of US hegemony. Although the US clearly remains the most powerful nation-state the world has ever seen, its power is increasingly articulated and constrained in ways that are distinct from earlier eras. In addition to the more conventional readings of American power which focus on military might and diplomatic manoeuvrings, the US's impact on its major potential rivals in East Asia has also occurred through the auspices of the IFIs and wider secular changes in the global political economy. China, as we have seen, is being

⁹⁰ Heribert Dieter, 'Monetary regionalism: Regional integration without financial crises', *CSGR Working Paper*, No. 52/00, May, (2000) pp 22-23.

⁹¹ Paul Krugman 'Crony capitalism, USA', *The New York Times*, January 15th, (2002), OnLine Version.

fundamentally transformed as a consequence of its interaction with the global capitalist economy generally, and by the regulatory requirements of a WTO-managed international trading system in particular. The possibility of emulating the sort of state-led development model followed by South Korea and Japan in an earlier era is rendered more difficult by an increasingly pervasive market-centred regulatory regime that is shaped by both state and non-state actors. Likewise Japan, although especially susceptible to American political pressure for a variety of historical reasons, has been powerfully affected by changes that owe as much to the long-run rise of financial capital as they do to American power *per se*. To understand contemporary hegemony, therefore, we need to look at the way particular national economic spaces are integrated into the international system, the emergence of new transnational governance mechanisms, and the way in which national political elites have responded to this.

What the East Asian experience suggests is that such responses are not inevitable or necessary reactions to either the 'logic of capitalism' or the dynamics of US hegemony. It is clear that capitalism was organised very differently in East Asia prior to the crisis; it is also apparent that East Asia's distinctive political practices and economic structures are not going to disappear overnight. While the neoliberal-style policy regime that America has been closely associated with may have become increasingly influential, there are growing doubts about its efficacy on a range of 'technical' and normative grounds. Such doubts, and additional concerns about the intrusive influence of the US and the IFIs in the aftermath of the recent crisis, have accelerated the development of regionally based political and economic cooperation. If such initiatives continue to develop – and this is plainly a big 'if', given the region's history – then it is likely that East Asia will continue to highlight the paradoxes of contemporary hegemony: on the one hand, it is difficult to see how Japan and China - absent a major war - will directly challenge US hegemony as conventionally understood. On the other hand, when the legitimacy of American-style capitalism is less assured, when its national economic policy is constrained by sectorally-based conflicts of interest that compromise a unified 'American' position in keeping with the liberal goals of the IFIs, then 'the US' itself may be riven by contradictions that make the pursuit of national interests for even the most powerful of nation-states surprisingly problematic.